SECURITIES AND EXCHANGE COMMISSION

SEC FORM 12-1, *AS AMENDED*

REGISTRATION STATEMENT UNDER THE SECURITIES REGULATION CODE

SECURITIES AND EXCHANGE COMMISSION
RECEIVED
MAR 29 2019
MARKET REGULATION DEPT.
BY ____ TIME 4:40 pm

1. SEC Identification Number **CEO2536**

2. **ABOITIZ EQUITY VENTURES INC.**
   Exact name of registrant as specified in its charter

3. **PHILIPPINES**
   Province, country or other jurisdiction of incorporation or organization

4. **003-828-269-V**
   BIR Tax Identification Number

5. **HOLDING COMPANY**
   General character of business of registrant

6. Industry Classification Code: ______ (SEC Use Only)

7. **32ND STREET, BONIFACIO GLOBAL CITY, TAGUIG CITY, METRO MANILA, 1634 PHILIPPINES; TEL No. (02) 886-2800**
   Address, including postal code, telephone number, FAX number including area code, of registrant's principal offices

8. **N/A**
   If registrant is not resident in the Philippines, or its principal business is outside the Philippines, state name and address including postal code, telephone number and FAX number, including area code, and email address of resident agent in the Philippines.

9. Fiscal Year Ending Date (Month and Day) : **DECEMBER 31**

Computation of Registration Fee

Title of each class of securities to be registered	Amount to be registered	Proposed Maximum offering price per unit	Proposed maximum aggregate offering price	Amount of registration fee
FIXED-RATE RETAIL BONDS	PhP30,000,000,000.00	Face Value	PhP30,000,000,000.00	PhP8,062,500.00
Due on the First Tranche				*PhP1,343,750.00*
Legal Research Fee of 1%				PhP13,437.50
Total Registration Fee Payable				PhP1,357,187.50

Pursuant to Rule 8.1.2.2 of the 2015 Implementing Rules and Regulations of the Securities Regulation Code ("SRC IRR"), PhP1,343,750.00 (equivalent to pro-rata share of the first tranche of PhP5,000,000,000.00 to the total amount to be registered, PhP30,000,000,000.00 plus the amount of Legal Research Fee indicated above) will be paid on the date of filing of this Registration Statement and the remaining portion of PhP6,718,750.00 (pro-rata share of the amount of PhP25,000,000,000.00 to be lodged under shelf registration to the total amount to be registered, PhP30,000,000,000.00) and the remaining portion of PhP67,187.50 as Legal Research Fee will be paid in accordance with Rule 8.1.2.2.2 of the SRC IRR.

PART I - INFORMATION REQUIRED IN PROSPECTUS

Item 1. Front of the Registration Statement and Outside Front Cover Page of Prospectus.
Please refer to the front page of the Preliminary Prospectus ("Prospectus").

Item 2. Inside Front Cover and First Two or More Pages of Prospectus.
Please refer to the inside front cover page and the succeeding pages of the Prospectus.

Item 3. Risk Factors and Other Considerations.
Please refer to the section "Risk Factors and Other Considerations" starting on page 35 of the Prospectus.

Item 4. Use of Proceeds.
Please refer to the section "Use of Proceeds" starting on page 42 of the Prospectus.

Item 5. Determination of Offering Price.
Please refer to the section "Determination of the Offer Price" starting on page 44 of the Prospectus.

Item 6. Dilution.
Not applicable.

Item 7. Selling Security Holders.
Not applicable.

Item 8. Plan of Distribution.
Please refer to the section "Plan of Distribution" starting on page 45 of the Prospectus.

Item 9. Description of the Bonds.
Please refer to the section "Description of the Offer" starting on page 51 of the Prospectus.

Item 10. Interests of Named Experts.
Please refer to the section "Independent Auditors and Counsel" starting on page 264 of the Prospectus.

Item 11. Information with Respect to the Registrant.
Furnish the following information with respect to the registrant:

(a) On Description of Business, please refer to the section "The Company" starting on page 69 of the Prospectus.

(b) On Description of Properties, please refer to the section "Properties" starting on page 207 of the Prospectus.

(c) On Certain Legal Proceedings, please refer to the section "Certain Legal Proceedings" starting on page 215 of the Prospectus.

(d) On Management's Discussion and Analysis and Analysis of Financial Condition and Result of Operations, please refer to the section so titled starting on page 221 of the Prospectus.

(e) On Changes in and Disagreements with Accountants on Accounting and Financial Disclosure, please refer to the section "Changes in and Disagreements with Accountants" starting on page 265 of the Prospectus.

(f) On Directors, Executive Officers, Promoters and Control Persons, please refer to the section "Board of Directors and Management of the Company" starting on page 235 of the Prospectus.

(g) On Executive Compensation, please refer to the section so titled on page 253 of the Prospectus.

(h) On Security Ownership of Management and Certain Record and Beneficial Owners, please refer to the section "Security Ownership of Management" page 256 of the Prospectus.

(l) *On Certain Relationships and Related Transactions, please refer to the section so titled on page 259 of the Prospectus.*

Item 12. Financial Information

Please refer to the section "Summary Financial Information" starting on page 23 of the Prospectus and "Management's Discussion and Analysis of Financial Position and Results of Operations" starting on page 221 of the Prospectus, and their reference to the audited consolidated financial statements for the years ended 31 December 2018, 2017 and 2016.

PART II - INFORMATION INCLUDED IN REGISTRATION STATEMENT BUT NOT REQUIRED IN PROSPECTUS

Item 13. Other Expenses of Issuance and Distribution.

Please refer to the section "Use of Proceeds" starting on page 42 of the Prospectus.

Item 14. Prospectus and Financial Statements; Exhibits.

Annex A	Preliminary Prospectus dated March 29, 2019
Annex A-1	Audited Financial Statements for the fiscal year ended December 31, 2018 of the Company
Annex A-2	Audited Financial Statements for the fiscal year ended December 31, 2017 of the Company
Annex A-3	Audited Financial Statements for the fiscal year ended December 31, 2016 of the Company

Annex	Description
Annex B	Undertaking dated March 29, 2019 regarding publication of notice
Annex C	Latest Amended Articles of Incorporation and amended By-laws of Company
Annex D	Legal Opinion re: Legality and Tax Matters dated March 29, 2019 issued by C&G Law
Annex E	Draft Underwriting Agreement
Annex F	Tabular Summary of Material Contracts and Copies of Material Contracts
Annex G	List of the Company's subsidiaries
Annex H	Notarized Curriculum Vitae of Officers and Directors
Annex I	Board of Investments Certificate
Annex J	Authority to Examine Bank Accounts dated March 29, 2019
Annex K	Director's certificate dated March 29, 2019 and secretary certificate dated March 15, 2019 certifying the board resolution approving the Offer and appointing authorized signatories therefor
Annex L	Secretary certificate dated March 15, 2019 re: adoption of the Fit and Proper Rule and other corporate governance matters Letter of undertaking dated March 29, 2019 allowing the SEC to resolve any issue regarding the selection of independent directors
Annex M	Mandate Letter dated February 26, 2019 by and among the Company, BDO

Annex	Description
	Capital & Investment Corporation and First Metro Investment Corporation
Annex N	Certification dated March 28, 2019 regarding the awareness of BDO Capital & Investment Corporation of the submissions to the SEC relating to the filing of the registration statement for the Offer Certification dated March 28, 2019 regarding the awareness of First Metro Investment Corporation of the of the submissions to the SEC relating to the filing of the registration statement for the Offer
Annex O	Certification dated March 29, 2019 regarding the Company's licenses and permits
Annex P	Certification dated March 29, 2019 regarding the Company's legal proceedings
Annex Q	Certification dated March 29, 2019 regarding the submission of audited financial statements of the Company's subsidiaries
Annex R	Certification dated March 29, 2019 regarding the awareness of the Company of the submissions to the SEC relating to the filing of the registration statement for the Offer
Annex S	Certification dated March 29, 2019 regarding the compliance of the Company and its subsidiaries with their tax obligations and Tax Compliance Report
Annex T	Undertaking dated March 29, 2019 regarding payment of applicable filing fees for subsequent tranches of bond offering
Annex U	Certification dated March 21, 2019 regarding eligibility of Trustee
Annex V	Draft Trust Agreement between the Company and BDO Unibank, Inc. – Trust and Investments Group
Annex W	Environmental Compliance Certificates

SIGNATURES

Pursuant to the requirements of the Code, this registration statement is signed on behalf of the registrant by the undersigned, thereunto duly authorized, in the City of TAGUIG CITY on 29 MAR 2019 20

By: [redacted]

ERRAMON I. ABOITIZ
President and Chief Executive Officer
(Principal Executive Officer)

[redacted]

SABIN M. ABOITIZ
Executive Vice President and
Chief Operating Officer
(Principal Operating Officer)

[redacted]

MANUEL R. LOZANO
Senior Vice President, Chief Financial Officer
and Corporate Information Officer
(Principal Financial Officer)

[redacted]

MELINDA R. BATHAN
First Vice President and Controller
(Comptroller and Principal Accounting Officer)

[redacted]

MANUEL ALBERTO R. COLAYCO
First Vice President, Corporate Secretary, Chief
Legal Officer, and Chief Compliance Officer

SUBSCRIBED AND SWORN to before me this 29 day of MAR 2019 affiants exhibiting to me their Identification/Residence Certificates, as follows:

NAMES	ID/RES. CERT.NO.	DATE OF ISSUE	PLACE OF ISSUE
ERRAMON I. ABOITIZ	[redacted]		
SABIN M. ABOITIZ			
MANUEL R. LOZANO			
MELINDA R. BATHAN			
MANUEL ALBERTO R. COLAYCO			

Doc No. 84
Page No. 18
Book No. I
Series of 2019.

ATTY. MAILENE M. DELA TORRE
ROLL NO. 55885
NOTARY PUBLIC
TAGUIG CITY, PHILS.

[redacted]

Mailene M. de la Torre
Notary Public for Taguig City
Notarial Commission No. 61
Until December 31, 2019
NAC Tower 32nd St. Bonifacio Global City, Taguig City
PTR No. A-4208016; January 07, 2019; Taguig City
IBP Lifetime Member No. 010379; Taguig City, Jan 06, 201
Roll No. 55885
MCLE No. VI-0014710; November 13, 2018

REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION BUT HAS NOT YET BEEN DECLARED EFFECTIVE. THESE SECURITIES MAY NOT BE SOLD NOR OFFERS TO BUY THE SAME BE ACCEPTED PRIOR TO THE TIME THE REGISTRATION STATEMENT BECOMES EFFECTIVE. THIS PRELIMINARY PROSPECTUS SHALL NOT CONSTITUTE AN OFFER TO SELL OR BE CONSIDERED A SOLICITATION OF AN OFFER TO BUY.

aboitiz
Equity Ventures

ABOITIZ EQUITY VENTURES, INC.

PhP30,000,000,000
Debt Securities Program

First Tranche:
Up to [PhP3,000,000,000]
with an Oversubscription Option
of up to [PhP2,000,000,000

Series A: [•]% [5]-Year Bonds Due [2024]
Series B: [•]% [10]-Year Bonds Due [2029]
Offer Price: 100% of Face Value

Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners

BDO
Capital & Investment Corporation

FIRST METRO
INVESTMENT CORPORATION
Metrobank Group

THE SECURITIES AND EXCHANGE COMMISSION HAS NOT APPROVED THESE SECURITIES OR DETERMINED IF THIS PROSPECTUS IS ACCURATE OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE AND SHOULD BE REPORTED IMMEDIATELY TO THE SECURITIES AND EXCHANGE COMMISSION.

The date of this Preliminary Prospectus is March 29, 2019.

(A corporation duly organized and existing under Philippine laws)

This Preliminary Prospectus relates to the shelf-registration and continuous offer of Aboitiz Equity Ventures Inc. ("AEV", the "Issuer", or the "Company") through a sale in the Philippines of Fixed Rate Bonds in the aggregate principal amount of up to PhP30,000,000,000 (the "Bonds").

For the first tranche of the Bonds to be issued out of the shelf-registration, AEV is offering Fixed Rate Bonds in the aggregate principal amount of up to PhP3,000,000,000, with an oversubscription option of up to PhP2,000,000,000 (the "First Tranche Bonds") on the Issue Date (the "Offer"). The Series A Bonds shall have a term ending [five]([5]) years from the Issue Date, or on [2024], with a fixed interest rate of [•]% per annum and an optional redemption on the [4th]anniversary of the Series A Bonds, and in each case, the immediately succeeding Banking Day if such date is not a Banking Day. The Series B Bonds shall have a term ending [ten]([10]) years from the Issue Date, or on [2029], with a fixed interest rate of [•]% per annum and an optional redemption on the [7th],[8th], and [9th] anniversary of the Series B, and in each case, the immediately succeeding Banking Day if such date is not a Banking Day. Interest on the First Tranche Bonds shall be payable quarterly in arrears on [•],[•],[•], and [•] of each year while the First Tranche Bonds are outstanding, or the subsequent Banking Day without adjustment if such Interest Payment Date is not a Banking Day. The last Interest Payment Date shall fall on the relevant Maturity Date while the First Tranche Bonds are outstanding (see "Description of the Offer" – *"Interest"* on page [53] of this Preliminary Prospectus).

The First Tranche Bonds shall be repaid at maturity at par (or 100% of face value) on the relevant Maturity Date, unless the Company exercises its early redemption option according to the conditions therefore (see "Description of the Offer" – *"Redemption and Purchase"* on page [54] of this Preliminary Prospectus).

Upon issuance, the First Tranche Bonds shall constitute direct, unconditional, unsecured and unsubordinated Peso denominated obligations of the Issuer and shall rank *pari passu* and ratably without any preference or priority amongst themselves and at least *pari passu* in priority of payment with all other present and future unsecured and unsubordinated obligations of the Issuer, other than (i) obligations preferred by the law, (ii) any obligation incurred by the Issuer pursuant to Section [5.02] (a) of the Trust Agreement or as may be allowed by the Trust Agreement, and (iii) other Indebtedness or obligations disclosed by the Issuer to the Trustee as of Issue Date. The First Tranche Bonds shall effectively be subordinated in right of payment to, among others, all of AEV's secured debts to the extent of the value of the assets securing such debt and all of its debt that is evidenced by a public instrument under Article 2244(14) of the Civil Code of the Philippines (see "Description of the Offer" – *"Ranking"* on page [53] of this Preliminary Prospectus).

The First Tranche Bonds have been rated [•], with a [•] Outlook by PhilRatings on [•]. Obligations rated PRS [•] are [•].

A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organization.

The First Tranche Bonds are offered to the public at face value through BDO Capital & Investment Corporation and First Metro Investment Corporation as joint issue managers, joint lead underwriters, and joint bookrunners (collectively, the "Joint Lead Underwriters") with the Philippine Depository & Trust Corp. (PDTC) as the Registrar of the First Tranche Bonds. The First Tranche Bonds shall be issued in minimum denominations of PhP50,000 each, and in integral multiples of PhP10,000 thereafter. The First Tranche Bonds shall be traded in denominations of PhP10,000 in the secondary market.

AEV intends to cause the listing of the First Tranche Bonds on the Philippine Dealing & Exchange Corporation ("PDEx") for this purpose. However, there can be no assurance that such a listing will actually be achieved either before or after the Issue Date or whether such a listing will materially affect the liquidity of the First Tranche Bonds on the secondary market. Such listing would be subject to the Company's execution of a listing agreement with PDEx that may require the Company to make certain disclosures, undertakings and payments on an ongoing basis.

AEV expects to raise gross proceeds of up to PhP3,000,000,000 or up to PhP5,000,000,000, if the Oversubscription Option is exercised. The net proceeds from the issue is estimated to be [PhP2,958,655,330.36] for a PhP3,000,000,000 issue size, or [PhP4,936,383,883.93] for a PhP5,000,000,000 issue size, after fees, commissions, and expenses. Proceeds of the Offer shall be used to as part of the refinancing plan of the medium-term loan of AEV International Pte. Ltd., a wholly-owned subsidiary of the Company.**,** as more described in the section entitled *"Use of Proceeds"* on page [42] of this Preliminary Prospectus. The Joint Lead Underwriters shall receive an aggregate fee of 31.5 basis points on the final aggregate nominal principal amount of the First Tranche Bonds issued, which is inclusive of underwriting fees and selling commissions.

On 29 March 2019, AEV filed a Registration Statement with the Securities and Exchange Commission (SEC), in connection with the offer and sale to the public of debt securities with an aggregate principal amount of PhP30,000,000,000, under shelf registration, inclusive of the Offer and any amount remaining if the Oversubscription Option is not or is not fully exercised. The SEC is expected to issue an order rendering the Registration Statement effective, and a corresponding permit to offer securities for sale covering the offer. Any subsequent offering of the Bonds under the relevant rules shall be subject to the submission of the Company of the relevant updates and amendments to the Registration Statement and the issuance of the corresponding permit to sell by the SEC. As a reporting company, the Issuer regularly disseminates such updates and information in its disclosures to the SEC.

However, there can be no assurance in respect of: (i) whether AEV would issue the remaining amount of the Bonds at all; (ii) the size or timing of any individual issuance or the total issuance of such Bonds; or (iii) the specific terms and conditions of any such issuance. Any decision by AEV to offer such Bonds will depend on a number of factors at the relevant time, many of which are not within AEV's control, including but not limited to: prevailing interest rates, the financing requirements of AEV's business and prospects, market liquidity and the state of the domestic capital market, and the Philippine, regional and global economies in general.

AEV confirms that this Preliminary Prospectus contains all material information relating to the Company, its affiliates and subsidiaries, as well as all material information on the issue and offering of the First Tranche Bonds as may be required by the applicable laws of the Republic of the Philippines. No facts have been omitted that would make any statement in this Preliminary Prospectus misleading in any material respect. AEV confirms that it has made all reasonable inquiries with respect to any information, data and analysis provided to it by its advisors and consultants or which is otherwise publicly available for inclusion into this Preliminary Prospectus. AEV, however, has not independently verified any or all such publicly available information, data or analysis.

The prices of securities can and do fluctuate. Any individual security may experience upward or downward movements, and may lose all or part of its value over time. The future performance of a security may defy the trends of its past performance, and there may be a significant difference between the buying price and the selling price of any security. As such, there is an inherent risk that losses may be incurred, rather than profit made, as a result of buying and selling securities. Thus, an investment in the First Tranche Bonds described in this Preliminary Prospectus involves a certain degree of risk.

In deciding whether to invest in the First Tranche Bonds, a prospective purchaser of the First Tranche Bonds ("Prospective Bondholder") should, therefore, carefully consider all the information contained in this Preliminary Prospectus, including but not limited to, several factors inherent to the Company, which includes regulatory risk, information security risk, and other risk factors detailed in *"Risk Factors and Other Considerations"* section on page [35] of this Preliminary Prospectus, as well as those risks relevant to the Philippines vis-à-vis risks inherent to the First Tranche Bonds.

Neither the delivery of this Preliminary Prospectus nor any sale made pursuant to the Offer shall, under any circumstances, constitute a representation or create any implication that the information contained or referred to in this Preliminary Prospectus is accurate, complete or correct as of any time subsequent to the date hereof or that there has been no change in the affairs of AEV since the date of this Preliminary Prospectus.

The contents of this Preliminary Prospectus are not to be considered as definitive legal, business or tax advice. Each Prospective Bondholder receiving a copy of this Preliminary Prospectus acknowledges that he has not relied on the Joint Lead Underwriters, or any person affiliated with the Joint Lead Underwriters, in his investigation of the accuracy of any information found in this Preliminary Prospectus or in his investment decision. Prospective Bondholders should consult their own counsel, accountants, or other advisors as to legal, tax, business, financial, and related aspects of the purchase of the First Tranche Bonds, among others. It bears emphasis that investing in the First Tranche Bonds involves certain risks. It is best to refer again to the section on *"Risk Factors and Other Considerations"* on page [35] of this Preliminary Prospectus for a discussion of certain considerations with respect to an investment in the First Tranche Bonds.

No person nor group of persons has been authorized by AEV, and the Joint Lead Underwriters, to give any information or to make any representation concerning AEV or the First Tranche Bonds other than as contained in this Preliminary Prospectus and, if given or made, any such other information or representation should not be relied upon as having been authorized by AEV or the Joint Lead Underwriters.

AEV is organized under the laws of the Philippines. Its principal office is at 32nd Street, Bonifacio Global City, 1634 Taguig City, Metro Manila, Philippines with telephone number (632) 886-2800.

A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION BUT HAS NOT YET BEEN DECLARED EFFECTIVE. NO OFFER TO BUY THE SECURITIES CAN BE ACCEPTED AND NO PART OF THE PURCHASE PRICE CAN BE ACCEPTED OR RECEIVED UNTIL THE REGISTRATION STATEMENT HAS BECOME EFFECTIVE AND ANY SUCH OFFER MAY BE WITHDRAWN OR REVOKED, WITHOUT OBLIGATION OR COMMITMENT OF ANY KIND AT ANY TIME PRIOR TO NOTICE OF ITS ACCEPTANCE GIVEN AFTER THE EFFECTIVE DATE. AN INDICATION OF INTEREST IN RESPONSE HERETO INVOLVES NO OBLIGATION OR COMMITMENT OF ANY KIND. THIS PRELIMINARY PROSPECTUS SHALL NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY.

ABOITIZ EQUITY VENTURES INC.
By: [redacted]

ERRAMON I. ABOITIZ
President and Chief Executive Officer

SUBSCRIBED AND SWORN to before me this 29th day of March 2019 at Taguig City, Philippines, affiant exhibiting to me his [redacted] and his [redacted], bearing the affiant's photograph and signature.

Doc. No. 81;
Page No. 18;
Book No. I;
Series of 2019.

ATTY. MAILENE M. DELA TORRE
ROLL NO. 5588
NOTARY PUBLIC
TAGUIG CITY, PHILS.

[redacted]

Mailene M. de la Torre
Notary Public for Taguig City
Notarial Commission No. 61
Until December 31, 2019
NAC Tower, 32nd St. Bonifacio Global City, Taguig City
PTR No. A-4208016; January 07, 2019, Taguig City
IBP Lifetime Member No. 010379; Taguig City, Jan. 06, 2014
Roll No. 55885
MCLE No. VI-0014710, November 13, 2018

TABLE OF CONTENTS

FORWARD LOOKING STATEMENTS

This Preliminary Prospectus contains certain "forward-looking statements". These forward-looking statements can generally be identified by use of statements that include words or phrases such as AEV or its management "believes", "expects", "anticipates", "intends", "plans", "foresees", or other words or phrases of similar import. Similarly, statements that describe AEV's objectives, plans or goals are also forward-looking statements. All such forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from those contemplated by the relevant forward-looking statement. Important factors that could cause actual results to differ materially from the expectations of AEV include, among others:

- General economic and business conditions in the Philippines;
- The Company's management's expectations and estimates concerning its future financial performance;
- The Company's capital expenditure program and other liquidity and capital resources requirements;
- The Company's level of indebtedness;
- Increasing competition in the industry in which the Company, its Subsidiaries and its affiliates operate;
- Industry risk in the areas in which the Company, its Subsidiaries, and its affiliates operate;
- Changes in laws and regulations that apply to the segments or industry in which the Company, its Subsidiaries, and its affiliates operate;
- Changes in political conditions in the Philippines;
- Inflation in the Philippines and any devaluation of the Philippine Peso;
- The risk factors discussed in this Prospectus as well as other factors beyond the Company's control.

For further discussion of such risks, uncertainties and assumptions, see "*Risk Factors and Other Considerations*"on page [35] of this Preliminary Prospectus. Prospective purchasers of the First Tranche Bonds are urged to consider these factors carefully in evaluating the forward-looking statements. The forward-looking statements included herein are made only as of the date of this Preliminary Prospectus, and AEV undertakes no obligation to update such forward-looking statements publicly to reflect subsequent events or circumstances.

None of the Joint Lead Underwriters take any responsibility for, or gives any representation, warranty or undertaking in relation to, any such forward-looking statement.

DEFINITION OF TERMS

Aboitiz Foundation	Aboitiz Foundation, Inc.
Aboitiz Group	ACO and the companies or entities in which ACO has beneficial interest and over which ACO, directly or indirectly, exercises management control, including, without limitation, AEV, AboitizPower, AboitizLand, Pilmico, Aboitiz InfraCapital and their respective Subsidiaries and Affiliates
Aboitiz InfraCapital	Aboitiz InfraCapital, Inc. (formerly: AEV Infracapital, Inc.)
AboitizLand	Aboitiz Land, Inc.
AboitizPower or AP	Aboitiz Power Corporation
AboitizPower Group	Aboitiz Power Corporation and its Subsidiaries
Aboitiz Power International	AboitizPower International Pte. Ltd.
Abojeb Group	Refers to Aboitiz Jebsen Company, Inc., Aboitiz Jebsen Manpower Solutions, Inc., and Jebsen Maritime, Inc.
Abovant	Abovant Holdings, Inc.
ACI	Aboitiz Construction, Inc. (formerly Aboitiz Construction Group, Inc.)
ACO	Aboitiz & Company, Inc.
AdventEnergy	Adventenergy, Inc.
AESI	Aboitiz Energy Solutions, Inc.
AEV, the Company, or the Issuer	Aboitiz Equity Ventures, Inc.
AEV Av	AEV Aviation, Inc. (formerly Davco Holdings, Inc.; Spin Realty Corporation)
AEV CRH	AEV CRH Holdings, Inc.
AEV Group or the Group	AEV and its Subsidiaries
AEV International	AEV International Pte. Ltd.
AFC	American Feeds Company Limited
Affiliate	With respect to any Person, any other Person directly or indirectly Controlled or is under common Control by such Person
Ambuklao-Binga Hydroelectric Power	Refers to SN Aboitiz Power- Benguet's 105-MW Ambuklao Hydroelectric Power Plant located in Bokod, Benguet and 140-MW Binga Hydroelectric Power Plant in Itogon, Benguet

Complex	
AMLA	Anti-Money Laundering Act
AP Solar	AP Solar Tiwi, Inc.
APA	Asset Purchase Agreement
APAC	APAC Commodities Pte. Ltd.
APDS	Automatic Payroll Deduction System
Apo Agua	Apo Agua Infrastructura, Inc.
APRI	AP Renewables Inc.
APX1	Aboitiz Power Distributed Energy, Inc.
APX2	Aboitiz Power Distributed Renewables, Inc.
Archipelago Insurance	Archipelago Insurance Pte. Ltd.
ARI	Aboitiz Renewables, Inc. (formerly: Philippine Hydropower Corporation)
ARR	Annual Revenue Requirement
AS	Ancillary Services
ASPA	Ancillary Services Procurement Agreement
Associate	Refers to an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies
ATM	Automated Teller Machine
ATSC	Aboitiz Transport System (ATSC) Corporation (now 2GO Group, Inc.)
Bakun AC Plant	Refers to the 70-MW Bakun AC run- of-river hydropower plant located in Amilongan, Alilem, Ilocos Sur
Banking Day	Any day other than Saturday, Sunday and public holidays, on which commercial banks and the Philippine Clearing House Corporation are generally open for the transaction of business in Taguig City, Makati City, and the City of Manila; provided, that all other days otherwise specified herein shall mean calendar days which shall be construed as successive periods of twenty-four (24) hours each
Banking Day	Any day other than Saturday, Sunday and public holidays, on which commercial banks and the Philippine Clearing House Corporation are generally open for the transaction of business in Taguig City, Makati City, and the City of Manila; provided, that all other days otherwise specified herein shall mean calendar days which shall be construed as successive periods of twenty-four (24) hours each
BCQ	Bilateral Contract Quantity
BDO Capital	BDO Capital & Investment Corporation
BEZ	Balamban Enerzone Corporation
BFF	Bintawa Fishmeal Factory Sdn. Bhd.

BIR	Bureau of Internal Revenue
Board	Board of Directors of AEV, unless context clearly provides otherwise
BOC	Bureau of Customs
BOI	The Philippine Board of Investments
Bondholder	A Person whose name appears, at any time, as a holder of the First Tranche Bonds in the Register of Bondholders
Bonds	The unsecured fixed rate peso retail bonds in the aggregate principal amount of up to Thirty Billion Pesos (PhP30,000,000,000.00) in one or more tranches
BOT	Build-Operate-Transfer
BPO	Business Process Outsourcing
Brownfield	Refers to power generation projects that are developed on sites which had previous developments
BSP	Bangko Sentral ng Pilipinas
Bunker C	Refers to the thickest residual fuels that is produced by blending any oil remaining at the end of the oil refining process with a lighter oil
Business Unit	A Subsidiary or an Affiliate of AEV
CA	Court of Appeals
CASA	Current Account/Savings Account
CBA	Collective Bargaining Agreement
CBAA	Central Board of Assessment Appeals
CDPEI	Cebu District Property Enterprise, Inc.
Cebu Energy	Cebu Energy Development Corporation
CFL	Comfez Limited
CG Report	Refers to the Company's Corporate Governance Report
CIPDI	Cebu Industrial Park Developers, Inc.
CitySavings or CSB	City Savings Bank, Inc.
Cleanergy	Cleanergy, Inc. (formerly Northern Mini-Hydro Corporation)
Coal Group	Composed of the following Business Units: Therma Luzon, Inc., Therma South, Inc., Therma Visayas, Inc., GNPower Mariveles Coal Plant Ltd. Co., GNPower Dinginin Ltd. Co., Pagbilao Energy Corporation, Redondo Peninsula Energy, Inc., STEAG State Power, Inc., and Cebu Energy Development Corporation, which own and/or operate coal-fired power plants
COC	Certificate of Compliance
Code	Refers to the Company's Code of Ethics and Business Conduct
Contestable Customer	Refers to an electricity end- user who has a choice of a supplier of electricity, as may be determined by the ERC in accordance with Republic Act 9136 or the EPIRA
Contestable Market	Refers to the electricity end-users who have a choice of a supplier of electricity, as may be determined by the ERC in accordance with Sec. 4(h) of

	the EPIRA
Control	A term which refers to possession, directly or indirectly, by a Person of the power to direct or cause the direction of the management and policies of another Person whether through the ownership of voting securities or otherwise; provided, however, that the direct or indirect ownership of over 50% of the voting capital stock, registered capital or other equity interest of a Person is deemed to constitute control of that Person; "Controlling" and "Controlled" have corresponding meanings
Cotabato Light	Cotabato Light & Power Company
CPDC	Cebu Praedia Development Corporation
CPL	Comfez Pte. Ltd.
CPPC	Cebu Private Power Corporation
CRH Aboitiz	CRH Aboitiz Holdings, Inc.
CSEE	Contract for the Supply of Electric Energy
CTA	Court of Tax Appeals
DAU	Declaration of Actual Use
Davao Light	Davao Light & Power Company, Inc.
DENR	Department of Environment and Natural Resources
DepEd	Department of Education
DOE	Department of Energy
DOLE	Department of Labor and Employment
DOTr	Department of Transportation
Distribution Companies or Distribution Utilities	Refers to the companies within the AboitizPower Group engaged in Power Distribution, such as BEZ, Cotabato Light, Davao Light, LEZ, MEZ, SEZ, SFELAPCO and VECO. "Distribution Company" or "Distribution Utility" may refer to any one of the foregoing companies.
EAUC	East Asia Utilities Corporation
ECC	Environmental Compliance Certificate
Enerzone Companies	A term collectively referring to BEZ, LEZ, MEZ and SEZ and other Distribution Utilities of the AboitizPower Group operating within special economic zones
EPC	Engineering, Procurement and Construction
EPIRA	RA 9136, otherwise known as the "Electric Power Industry Reform Act of 2001," as amended from time to time, and including the rules and regulations issued thereunder
EPPA	Electric Power Purchase Agreement
ERC	Energy Regulatory Commission
Events of Default	Those events defined as such in the Trust Agreement and listed under "Description of the Offer" - "*Events of Default*" on page [•] of the Prospectus.

FEZ	FEZ Animal Nutrition Pte. Ltd.
Filagri	Filagri, Inc.
Filagri Holdings	Filagri Holdings, Inc.
First Tranche Bonds	Consists of Series A Bonds and Series B Bonds, in the aggregate principal amount of up to PhP3,000,000,000.00, with an Oversubscription Option in the aggregate principal amount of up to PhP2,000,000,000.00
FIT	Feed-in-Tariff
FIT-All	Feed-in-Tariff Allowance
FMIC	First Metro Investment Corporation
Food Group	A term collectively referring to Pilmico, PANC, Filagri, Pilmico International, Pilmico Vietnam Trading and PVF; the Company's Business Units engaged in the food business
GCAFI	Gold Coin Aqua Feed Incorporated
GCDG	Gold Coin Feedmill (Dongguan) Co. Limited
GCFB	Gold Coin Feedmill (Brunei) Sdn. Bhd.
GCFD	Gold Coin Feedmill (Dong Nai) Co. Ltd.
GCFHN	Gold Coin Feedmill Ha Nam Company Limited
GCFL	Gold Coin Feed Mills (Lanka) Ltd.
GCFM	Gold Coin Feedmills (Malaysia) Sdn. Bhd.
GCFS	Gold Coin Feedmill (Sabah) Sdn. Bhd.
GCG	Gold Coin Group Limited
GCGI	Green Core Geothermal Incorporated
GCHSB	Gold Coin Holdings Sdn Bhd
GCI	P.T. Gold Coin Indonesia
GCIH	GC Investment Holdings Limited
GCKM	Gold Coin Feedmill (Kunming) Company Limited
GCMG	Gold Coin Malaysia Group Sdn. Bhd.
GCMH	Gold Coin Management Holdings Limited
GCS	Gold Coin Sarawak Sdn. Bhd.
GCSAB	Gold Coin Sabah Sdn. Bhd.
GCSI	P.T. Gold Coin Specialties
GCSS	Gold Coin Services Singapore Pte Limited
GCSSB	Gold Coin Specialties Sdn. Bhd.
GCST	Gold Coin Specialties (Thailand) Co. Ltd.
GCSZ	Gold Coin Management (Shenzhen) Co. Limited
GCTI	P.T. Gold Coin Trading Indonesia
GCZH	Gold Coin (Zhuhai) Company Limited

GCZJ	Gold Coin (ZhangJiang) Company Limited
GCZZ	Gold Coin (Zhangzhou) Company Limited
Generation Companies	Refers to the companies within the AboitizPower Group engaged in Power Generation; "Generation Companies" may refer to any one of these companies.
GLS	Golden Livestock Sdn. Bhd.
Global Formosa	Global Formosa Power Holdings, Inc.
Global Power	Global Business Power Corporation of the Metrobank Group
GMCP	GNPower Mariveles Coal Plant Ltd. Co.
GNPD	GNPower Dinginin Ltd. Co.
Government	The Government of the Republic of the Philippines
Greenfield	Refers to power generation projects that are developed from inception on previously undeveloped sites
GRESC	Geothermal Renewable Energy Service Contracts
Grid	As defined in the Implementing Rules and Regulations of the EPIRA, it is the high voltage backbone system of interconnected transmission lines, substations and related facilities located in each of Luzon, Visayas and Mindanao or as may be otherwise determined by the ERC in accordance with Section 45 of the EPIRA
Government Authority	The Republic of the Philippines, or any political subdivision or agency thereof, and any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to the said government, and any national agency or body vested with jurisdiction or authority over any Person
GSIS	Government Service Insurance System
Guidelines	AEV's Amended Guidelines for the Nomination and Election of Independent Directors
GWh	Gigawatt-hour, or 1,000,000 kilowatt-hours
Hedcor	Hedcor, Inc.
Hedcor Sabangan	Hedcor Sabangan, Inc
Hedcor Sibulan	Hedcor Sibulan, Inc.
Hedcor Tudaya	Hedcor Tudaya, Inc.
Hijos	Hijos de F. Escaño, Inc.
ILP	Interruptible Load Program
IMEM	Interim Mindanao Electricity Market
Insular Life	The Insular Life Assurance Company, Ltd.
IPPA	Independent Power Producer Administrator
IPO	Initial Public Offering
ISMS	Information Security Management System

Issue Date	Means [•]
Issue Price	At par, which is equal to the face value of the First Tranche Bonds
Joint Lead Underwriters or Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners	BDO Capital and FMIC
Joint Venture	Refers to a type of joint agreement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually-agreed sharing of control of an arrangement, which exist only when decisions about the relevant activities require anonymous consent of the parties sharing control
JVACC	J.V. Angeles Construction Company
KGT	KLEAN Greentech Co. Ltd.
kV	Kilovolt, or 1,000 volts
kW	Kilowatt, or 1,000watts
kWh	Kilowatt-hour, the standard unit of energy used in the electric power industry. One kilowatt-hour is the amount of energy that would be produced by a generator producing 1,000 watts in one hour
K&L	K & L Farming Industries Sdn. Bhd.
Land Group	A term collectively referring to AboitizLand and the Company's Business Units engaged in the real estate
LBAA	Local Board of Assessment Appeals
LEZ	Lima Enerzone Corporation (formerly Lima Utilities Corporation)
LHC	Luzon Hydro Corporation
LimaLand	Lima Land, Inc.
LTC	Lima Technology Center
LWC	Lima Water Corporation
Maaraw San Carlos	Maaraw Holdings San Carlos, Inc.
Magat Plant	Refers to the 360-MW HEPP of SN Aboitiz Power - Magat, located at the border provinces of Isabela and Ifugao
Majority Bondholders	At any time, the Bondholders who hold, represent or account for at least fifty percent (50%) plus one peso (P1.00) of the aggregate outstanding principal amount of the First Tranche Bonds, provided that, in respect of any matter presented for resolution at any meeting of Bondholders that affect the rights and interests of only the holders of the Series A Bonds, holders of Series A Bonds, exclusively, will be considered for quorum and approval purposes; and in respect of any matter presented for resolution at any meeting of Bondholders that affect the rights and interests of only the holders of the Series B Bonds, holders of Series B Bonds, exclusively, will be

	considered for quorum and approval purposes.
Maris Plant	The 8.5 MW run-of-river Maris Main Canal 1 Hydroelectric Power Plant
Mariveles Project	2x316MW (net) pulverized coal-fired power plant located in Mariveles, Bataan, Philippines
Master Certificate of Indebtedness	Refers to the certificates representing each of the Series A and Series B Bonds sold in the Offer issued to and registered in the name of the Trustee, on behalf of the Bondholders
MCIAA	Mactan - Cebu International Airport Authority
MEPZ I	Mactan Export Processing Zone I
MEPZ II	Mactan Export Processing Zone II
Meralco	Manila Electric Company
MEZ	Mactan Enerzone Corporation
MGCI	Myanmar Gold Coin International Co. Ltd.
MOA	Memorandum of Agreement
MORE	Manila – Oslo Renewable Enterprise, Inc.
MW	Megawatt, or one mn watts
MWh	Megawatt-hour
MWP	Megawatt-peak
MVA	Megavolt Ampere
NGCP	National Grid Corporation of the Philippines
NIA	National Irrigation Authority
NPC	National Power Corporation
NPPC	Naga Power Plant Complex, the 55 MW land-based gas turbine power plant located in Colon, Naga City, Cebu
NWRB	National Water Resources Board
Offer Period	[•] 2019 to [•] 2019
Oil Group	Refers to the following companies: East Asia Utilities Corporation, Cebu Private Power Corporation, Therma Marine, Inc., Therma Mobile, Inc., Southern Philippines Power Corporation, and Western Mindanao Power Corporation, which own and operate Bunker C-fired power plants
Open Access	Retail Competition and Open Access
Oversubscription Option	An option exercisable by the Joint Lead Underwriters in consultation with the Issuer of up to PhP2,000,000,000.00. In case the Oversubscription Option is partly exercised or not exercised at all during the Offer Period, the First Tranche Bonds under Oversubscription Option that will not be taken up or exercised during the Offer Period will remain under shelf registration and may be issued in tranches within the Shelf Period
PA	Provisional Authority
Pagbilao Plant or Pag1 and	Refers to the 700-MW (2x350 MW) coal-fired thermal power plant located

Pag2	in Pagbilao, Quezon
PANC	Pilmico Animal Nutrition Corporation (formerly Fil-Am Foods, Inc.)
PAN-JSC	Pilmico Animal Nutrition Joint Stock Company (formerly: Eurofeed)
PBI	Pilmico Bioenergy, Inc.
PBR	Performance-Based Rate-Setting Regulation
PCC	Philippine Competition Commission
PCRM	Pricing and Cost Recovery Mechanism
PDEx	Philippine Dealing & Exchange Corp., the fixed-income securities market which provides an electronic trading platform of exchange for fixed- income securities
PDNI	Propriedad del Norte, Inc.
PDTC	Philippine Depository and Trust Corporation
PEC	Pagbilao Energy Corporation
PEMC	Philippine Electricity Market Corporation
Person	Means an individual, corporation, partnership, association, joint stock company, trust, any unincorporated organization, or a government or political subdivision thereof
PETNET	PETNET, Inc.
PEZA	Philippine Economic Zone Authority
Philippine Pesos, PhP or ₱	The lawful currency of the Republic of the Philippines
PhilRatings	Philippine Rating Services Corporation
Pilmico	Pilmico Foods Corporation
Pilmico International	Pilmico International Pte. Ltd.
Pilmico Vietnam Trading	Pilmico Viet Nam Trading Company Ltd.
PIPPA	Philippine Independent Power Producers Association, Inc.
PPA	Power Purchase Agreement
PPP	Public-Private Partnership
Prism Energy	Prism Energy, Inc.
PSA	Power Supply Agreement
PSALM	Power Sector Assets and Liabilities Management Corporation
PSC	Power Supply Contract
PSE	The Philippine Stock Exchange, Inc.
PSPA	Power Supply and Purchase Agreement
PT Ayam	PT Ayam Unggul

PVF	Pilmico Vietnam Feeds Joint Stock Company (formerly: Pilmico VHF Joint Stock Company)
QMS	Quality Management System
RA	Republic Act
RCBM	Republic Cement and Building Materials, Inc.
RCII	Republic Cement Iligan, Inc.
RCLR	Republic Cement Land & Resources, Inc.
RCMI	Republic Cement Mindanao, Inc.
RCSI	Republic Cement Services, (Philippines) Inc.
Record Date	The cut-off date in determining Bondholders entitled to receive interest or principal amount due, as used with respect to any Payment Date shall mean the day which is two (2) Banking Days prior to the relevant Interest Payment Date; provided that if such day falls on a non-Banking Day, the Record Date shall be the next Banking Day immediately preceding said date;
Register of Bondholders	The electronic register which shows the legal title to the First Tranche Bonds, maintained by the Registrar, pursuant to and under the terms of the Registry and Paying Agency Agreement
Registrar and Paying Agent	Philippine Depository & Trust Corp.
REM	Retail Electricity Market
Renewal Energy Act or RE Law	RA 9513, otherwise known as the Renewable Energy Act of 2008
REPA	Renewable Energy Payment Agreement
RES	Retail Electricity Supplier
RESA	Retail Electricity Suppliers Association of the Philippines, Inc.
RESC	Renewable Energy Service Contracts
Revised Corporation Code	Republic Act No. 11232 or the Revised Corporation Code of the Philippines
Revised Manual	Refers to the Company’s Revised Manual on Corporate Governance
RORB	Return-on-Rate base
RP Energy	Redondo Peninsula Energy, Inc.
RPT	Real Property Tax
RSC	Retail Supply Contracts
RTC	Regional Trial Court
Run-of-river hydroelectric plant	Refers to a hydroelectric power plant that generates electricity from the natural flow and elevation drop of a river
RTT	Right-to-Top

Sacasun	San Carlos Sun Power Inc.
SBFZ	Subic Bay Freeport Zone
SBMA	Subic Bay Metropolitan Authority
SC	The Supreme Court of the Philippines
SEC	The Securities and Exchange Commission of the Philippines
Series A Bonds	The First Tranche Bonds with an aggregate principal amount of PhP[•], as may be increased subject to the exercise of the Oversubscription Option during the Offer Period, having a term ending [5] years from the Issuer Date, or on [2024]
Series B Bonds	The First Tranche Bonds with an aggregate principal amount of PhP[•], as may be increased subject to the exercise of the Oversubscription Option during the Offer Period, having a term ending [10] years from the Issuer Date, or on [2029]
SEZ	Subic EnerZone Corporation
SFELAPCO	San Fernando Electric Light and Power Co., Inc.
Shelf Period	A period of three (3) years from the effectivity of the registration statement within which securities under shelf registration may be offered
Sibulan Project	Refers to the two run-of-river hydropower generating facilities tapping the Sibulan and Baroring rivers in Sibulan, Santa Cruz, Davao del Sur
SN Aboitiz Power - Benguet	SN Aboitiz Power - Benguet, Inc. (formerly SN Aboitiz Power Hydro, Inc.)
SN Aboitiz Power Group	Refers to the group of companies formed out of the strategic partnership between AboitizPower and SN Power, and refers to MORE and its Subsidiaries, including, SN Aboitiz Power-Benguet, Inc., SN Aboitiz Power-Gen, Inc., SN Aboitiz Power-RES, Inc., and SN Aboitiz Power-Magat, Inc.
SN Power	SN Power AS, a consortium between Statkraft AS and Norfund of Norway
SN Power Group	Refers to the group formed by Statkraft AS and Norfund, and is composed of, among others, SN Power AS and Agua Imara AS. It is the leading Norwegian hydropower group with operations in Asia, Africa and Latin America
SPC	SPC Power Corporation
SPPC	Southern Philippines Power Corporation
SRC	RA 8799 or the Securities Regulation Code of the Philippines
STEAG Power	STEAG State Power Inc.
Subsidiary	In respect of any Person, refers to any entity: (i) who has power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee); (ii) exposure, or rights, to variable returns from its involvement with the investee; and (iii) ability to use its power over the investee to affect its returns
SYBVI	Syaqua Group Incorporated
SYHK	Sya Holdings (Hong Kong) Limited

SYSG	Syaqua Singapore Pte Ltd
TCIC	Taiwan Cogeneration International Corporation
Tax Code	Presidential Decree No. 1158, otherwise known as the National Internal Revenue Code, as amended and may be further amended from time to time, including the rules and regulations issued thereunder
TeaM Energy	Team Energy Corporation
Team Philippines	Team Philippines Industrial Power II Corporation
THC	Tsuneishi Holdings (Cebu), Inc.
THI	Tsuneishi Heavy Industries (Cebu), Inc.
Tiwi-MakBan Geothermal Facilities	Refers to the geothermal facilities composed of twelve (12) geothermal plants and one (1) binary plant, located in the provinces of Batangas, Laguna and Albay
TLI	Therma Luzon, Inc.
TMI	Therma Marine, Inc.
TMO	Therma Mobile, Inc.
TPI	Therma Power, Inc.
TPVI	Therma Power - Visayas, Inc.
TransCo	National Transmission Corporation and, as applicable, the National Grid Corporation of the Philippines or NGCP which is the Transco concessionaire
Trustee	BDO Unibank, Inc. - Trust and Investments Group
Trust Agreement	Trust Agreement dated [•] entered into between the Company and the Trustee in relation to the First Tranche Bonds
TSA	Transmission Service Agreement
TSI	Therma South, Inc.
TVI	Therma Visayas, Inc. (formerly Vesper Industrial and Development Corporation)
ULGEI	Unified Leyte Geothermal Energy, Inc.
ULGPP	Unified Leyte Geothermal Power Plant
Underwriting Agreement	Underwriting Agreement dated [•] entered into between the Company and the Joint Lead Underwriters in relation to the First Tranche Bonds
UnionBank or UBP	Union Bank of the Philippines
UPI	Union Properties Inc.
USD or US$	The lawful currency of the United States of America
VAT	Value Added Tax
VEC	Vivant Energy Corporation
VECO	Visayan Electric Company, Inc.
VIGC	Vivant Integrated Generation Corporation
Vivant Group	Refers to Vivant Corporation and its subsidiaries

WAM	Work and Asset Management
WCIP	West Cebu Industrial Park, Inc.
WCIP-SEZ	West Cebu Industrial Park- Special Economic Zone
Weather Philippines	WeatherPhilippines Foundation, Inc.
WESM	Wholesale Electricity Spot Market
WMPC	Western Mindanao Power Corporation
Western Union	Western Union Company
YoY	Year-on-Year

EXECUTIVE SUMMARY

The following summary is qualified in its entirety by the more detailed information and financial statements and notes thereto appearing elsewhere in this Preliminary Prospectus. Because it is a summary, it does not contain all of the information that a prospective purchaser should consider before investing. Prospective investors should read the entire Preliminary Prospectus carefully, including the section entitled "Risk Factors and Other Considerations" and the financial statements and the related notes to those statements included in this Preliminary Prospectus.

BRAND PROMISE

Advancing Business and Communities

INVESTMENT THESIS

AEV's businesses have leading positions in key Philippine industries. Its core businesses of power, banking, food, land, and infrastructure address basic needs of society, and are critical input to the businesses of other companies. AEV fuels the country's economic growth, and economic growth fuels even more demand for its products and services. It is in a sweet spot in the country's economic cycle, and well positioned to reap its demographic dividends. Its experienced management team, strategic partners and key alliances, and a consistently executed risk management program enable it to carry out its plans in a timely and effective manner. Its strong financial position allows it to seize opportunities as they arise in the market, such as its recent acquisition of a leading regional feeds player. This has accelerated its growth plans and provides natural listening posts for expansion opportunities. Finally, a strong Environmental, Social and Governance (ESG) practice is in place to satisfy the heightened expectations of its various stakeholders.

THE COMPANY

The Issuer, Aboitiz Equity Ventures Inc. (AEV or the "Company"), is the public holding and management company of the Aboitiz Group, one of the largest conglomerates, and the second oldest family led business group in the Philippines. Incorporated on September 11, 1989, the Company was originally known as Cebu Pan Asian Holdings, Inc. Its name was changed to Aboitiz Equity Ventures Inc. on December 29, 1993, and its ownership was opened to the general public through an IPO of its common shares in 1994. 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.

AEV's various domestic and international Subsidiaries and Associates are spread out across 11 countries and are grouped into six main categories: (a) power generation, distribution, and retail electricity supply; (b) financial services; (c) food manufacturing; (d) real estate; (e) infrastructure; and (f) portfolio investments (parent company/others).

As of January 31, 2019, Aboitiz & Company, Inc. (ACO) owns 48.57% of the outstanding capital stock of AEV, 4.55% are owned by directors, officers and related parties, while the rest are owned by the public.

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

FINANCIAL HIGHLIGHTS

For full-year 2018, AEV's consolidated net income was ₽22.2 bn, 3% higher than the ₽21.6 bn recorded in 2017. Non-recurring losses reached ₽891 mn, versus previous year's ₽2.3 bn, consisting of net unrealized foreign exchange losses and asset impairment costs. Without these one-off losses, core net income for 2018 totaled ₽23.1 bn, 3% lower than the ₽23.9 bn reported in 2017. Consolidated EBITDA for 2018 increased by 6.5% to ₽60.7 bn.

For 2018, the Power Strategic Business Unit (SBU) accounted for 73% of the total income contributions from all AEV's SBUs. The Financial Services, Food, Real Estate, and Infrastructure SBUs respectively contributed 16%, 7%, 3%, and 1% of total income during 2018.

As of year-end 2018, the Company's consolidated assets totaled ₽554.6 bn, a 13% increase from end-2017's level of ₽492.2 bn. Cash and cash equivalents stood at ₽59.0 bn as of December 31, 2018, 9% lower than ₽64.9 bn as of end-2017. Consolidated liabilities totaled ₽337.3 bn, a 13% increase from the year-end 2017 level of ₽299.7 bn, while equity attributable to equity holders of the parent increased by 13% to ₽174.7 bn. AEV's current ratio as of December 31, 2018 stood at 1.8x while the net debt-to-equity ratio was 1.0x.

SUMMARY HISTORICAL FINANCIAL INFORMATION

For a full discussion, please refer to the section on *"Financial and Other Information"* beginning on page [271] of this Preliminary Prospectus.

CONSOLIDATED BALANCE SHEETS
(Amounts in Thousands)

	December 31, 2018	December 31, 2017 (As restated)	January 1, 2017 (As restated)
ASSETS			
Current Assets			
Cash and cash equivalents	**₱59,033,029**	₱64,870,214	₱63,857,528
Trade and other receivables	**33,795,312**	24,192,785	21,732,203
Inventories	**22,103,434**	12,453,335	10,221,448
Land and improvements	**2,340,113**	3,689,677	3,525,381
Property held for sale	**675,819**	–	–
Derivative asset	**71,583**	228,644	188,417
Other current assets	**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	**221,430,841**	213,232,540	202,237,611
Investments and advances	**106,959,557**	91,609,592	86,950,461
Goodwill	**56,261,911**	41,308,689	41,249,629
Investment properties	**8,224,667**	6,844,633	5,372,390
Intangible asset - service concession rights	**3,791,377**	3,062,307	3,222,123
Deferred income tax assets	**2,324,773**	1,525,630	1,893,878
Trade receivables - net of current portion	**258,809**	580,925	277,771
Derivative asset - net of current portion	**221,245**	113,297	103,443
Financial assets at fair value through profit or loss (FVTPL)	**353,734**	–	–
Financial assets at fair value through other comprehensive income (FVOCI)	**225,552**	–	–
Available-for-sale (AFS) investments	**–**	772,794	563,748
Debt investments at amortized cost	**453,871**	–	–
Held-to-maturity (HTM) investments	**–**	189,216	–
Net pension assets	**158,575**	176,952	115,264
Other noncurrent assets	**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	**₱34,725,810**	₱24,536,584	₱22,210,909
Bank loans	**26,978,586**	23,701,140	8,259,028
Current portions of:			
Long-term debts	**10,702,974**	20,722,330	7,698,261
Long-term obligation on Power Distribution System (PDS)	**40,000**	40,000	40,000
Finance lease obligations	**4,131,059**	3,316,165	2,968,491
Derivative liability	**161,565**	47,577	127,442
Income tax payable	**535,233**	703,489	685,215

(Forward)

	December 31, 2018	December 31, 2017 (As restated)	January 1, 2017 (As restated)
Total Current Liabilities	**77,275,227**	73,067,285	41,989,346
Noncurrent Liabilities			
Noncurrent portions of:			
Long-term debts	**₱200,729,393**	₱168,364,717	₱189,184,633
Finance lease obligations	**42,763,296**	45,909,089	49,371,713
Trade payables	**3,695,261**	880,943	578,892
Long-term obligation on PDS	**173,496**	186,071	197,248
Customers' deposits	**6,127,788**	6,269,383	7,040,347
Asset retirement obligation	**3,678,810**	2,959,060	1,821,577
Deferred income tax liabilities	**2,395,200**	1,623,915	1,567,411
Net pension liability	**486,232**	400,306	347,699
Derivative liability - net of current portion	**–**	–	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	**5,694,600**	5,694,600	5,694,600
Additional paid-in capital	**13,013,197**	13,013,197	13,013,197
Other equity reserves:			
Gain on dilution	**5,043,152**	5,043,152	5,376,176
Excess of book value over acquisition cost of an acquired subsidiary	**469,540**	469,540	469,540
Acquisition of non-controlling interests	**(1,679,549)**	(1,577,075)	(1,577,075)
Accumulated other comprehensive income (loss):			
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	**734,404**	189,465	34,262
Actuarial losses on defined benefit plans	**(676,765)**	(666,132)	(783,891)
Share in actuarial losses on defined benefit plans of associates and joint ventures	**(435,068)**	(537,099)	(513,132)
Share in cumulative translation adjustments of associates and joint ventures	**250,295**	(107,913)	(95,378)
Share in net unrealized mark-to-market gains on FVOCI investments of associates	**114,527**	–	–
Share in net unrealized mark-to-market losses on AFS investments of associates	**–**	(3,229,609)	(3,938,424)
Retained earnings			
Appropriated	**4,200,000**	1,622,000	2,717,000
Unappropriated	**148,541,910**	135,288,145	120,077,394
Treasury stock at cost	**(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

CONSOLIDATED STATEMENTS OF INCOME
(Amounts in Thousands, Except Earnings Per Share Amounts)

	Years Ended December 31		
	2018	2017	2016
REVENUES			
Sale of:			
Power	**₱130,734,557**	₱118,759,149	₱88,585,890
Goods	**47,751,035**	23,819,250	21,848,393
Real estate	**3,925,308**	3,613,388	2,440,854
Fair value of swine	**2,501,841**	2,410,542	1,854,053
Service fees	**1,883,506**	1,620,401	1,453,336
Others	**146,573**	198,875	232,554
	186,942,820	150,421,605	116,415,080
COSTS AND EXPENSES			
Cost of generated and purchased power	**71,680,298**	63,949,850	46,226,259
Cost of goods sold	**43,693,907**	21,700,262	18,886,189
Operating expenses	**30,398,694**	26,255,915	21,187,182
Cost of real estate sales	**1,871,385**	1,825,570	1,084,740
Overhead expenses	**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	**7,727,663**	9,053,733	9,651,787
Interest income	**1,476,151**	1,375,695	1,436,933
Interest expense	**(14,638,588)**	(13,117,362)	(9,567,997)
Other income (expense) - net	**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	**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			
Basic and diluted, for net income for the year attributable to ordinary equity holders of the parent	**₱3.947**	₱3.836	₱4.017

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in Thousands)

	Years Ended December 31		
	2018	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES	38,417,349	32,237,312	31,574,460
CASH FLOWS FROM INVESTING ACTIVITIES	(30,762,255)	(11,304,774)	(84,229,412)
CASH FLOWS FROM 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	₱59,033,029	₱64,870,214	₱63,857,528

COMPETITIVE STRENGTHS

The Company believes that its principal strengths are the following:

- Strong track record in each of its business segments
- Strong financial position and the ability to obtain limited recourse and corporate level financing
- Strong and experienced management team
- Strategic partners and key alliances
- Established corporate reputation

For a full discussion, please refer to page [78] of this Preliminary Prospectus.

BUSINESS STRATEGIES

The AEV Group strategy is best understood through four strategic pillars that guide it in creating long-term value for all its stakeholders:

- Grow the business
- Engage stakeholders
- Build human capital
- Execute with excellence

A key component of its strategy is to match its business expansion with sustainability initiatives, and to strengthen its Environmental, Social, and Governance (ESG) practices.

For a full discussion, please refer to page [80] of this Preliminary Prospectus.

RISKS OF INVESTING

An investment in the Bonds involves a certain degree of risk. A prospective purchaser of the Bonds should carefully consider the following factors, in addition to the other information contained in this Prospectus, in deciding whether or not to invest in the Bonds.

Risks involved in the Business of AEV and its Significant Subsidiaries:

- Regulatory Risk
- Information Security Risk
- Business Interruption Due to Natural and Man-made Calamities
- Financial Risk
- Reputation Risk
- Talent Risk
- Emerging Risk

Risks Related to the Philippines:

- A slowdown in the Philippines' economic growth could adversely affect the Company
- Any political instability in the Philippines may adversely affect the Company
- Territorial disputes involving the Philippines and its neighboring countries may adversely affect its economy and business development

Risks Related to the Offer:

- Liquidity Risk
- Reinvestment Risk
- Pricing Risk
- Retention of Ratings Risk
- Suitability of Investment
- First Tranche Bonds have no preference under Article 2244(14) of the Civil Code

A detailed discussion on the above enumerated risks appears on the "Risk Factors and Other Considerations" section on page [35] of this Preliminary Prospectus.

This Preliminary Prospectus contains forward-looking statements that involve risks and uncertainties. AEV adopts what it considers conservative financial and operational controls and policies to manage its business risks. AEV's actual results may differ significantly from the results discussed in the forward-looking statements. See section "Forward-Looking Statements" on page [7] of this Preliminary Prospectus. Factors that might cause such differences, thereby making the offering speculative or risky, may be summarized into those that pertain to the business and operations of AEV, in particular, and those that pertain to the over-all political, economic, and business environment, in general.

CAPITALIZATION

The following presents a summary of the short-term debts, long-term debts, and capitalization of the Group as of December 31, 2018, and as adjusted to reflect the issue of the Bonds:

	As of December 31, 2018	As adjusted for a ₽3 bn issue	As adjusted for a ₽5 bn issue
Short-term debt			
Short-term loans	26,978,586	26,978,586	26,978,586
Current portions of:			
Long-term debt	10,702,974	10,702,974	10,702,974
Finance lease obligation	4,131,059	4,131,059	4,131,059
Total short-term debts	41,812,620	41,812,620	41,812,620
Long-term debts – net of current portion			
Non-current portions of:			
Long-term debt	200,729,393	200,729,393	200,729,393
Finance lease obligation	42,763,296	42,763,296	42,763,296
The issue of First Tranche Bonds	-	3,000,000	5,000,000
Total long-term debts	243,492,689	246,492,689	248,492,689
Equity			
Equity attributable to equity holders of the parent	174,705,140	174,705,140	174,705,140
Non-controlling interests	42,558,391	42,558,391	42,558,391
Total Equity	217,263,531	217,263,531	217,263,531
Total Capitalization	502,568,839	505,568,839	507,568,839

SUMMARY OF THE OFFERING OF THE FIRST TRANCHE BONDS

The following summary is qualified in its entirety by, and should be read in conjunction with the more detailed information appearing elsewhere in the Preliminary Prospectus to which it relates.

Issuer	:	Aboitiz Equity Ventures Inc.
Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners	:	BDO Capital & Investment Corporation ("BDO Capital") First Metro Investment Corporation ("FMIC")
Trustee	:	BDO Unibank, Inc. – Trust and Investments Group
Registrar and Paying Agent	:	Philippine Depository & Trust Corp.
Issue / Issue Amount	:	SEC–registered fixed rate, Peso-denominated bonds constituting the direct, unconditional, unsecured and unsubordinated obligations of the Issuer consisting of a primary offer in the aggregate principal amount of up to PhP3,000,000,000.00, with an Oversubscription Option of up to PhP2,000,000,000.00. In case the Oversubscription Option is partly exercised or not exercised at all during the Offer Period, the First Tranche Bonds under Oversubscription Option that will not be taken up or exercised during the Offer Period will remain under shelf registration and may be issued in tranches within the Shelf Period. The Oversubscription Option is exercisable by the Joint Lead Underwriters in consultation with the Issuer.
Use of Proceeds	:	Proceeds of the Offer will be used by AEV as part of the refinancing plan of the medium-term loan of AEV International, a wholly-owned subsidiary of the Company.**,** as more described in the section entitled *"Use of Proceeds"* on page [42] of this Preliminary Prospectus
Issue Price	:	100% face value
Manner of Distribution	:	Public Offering
Offer Period	:	The Offer shall commence on [•] and end on [•].
Issue Date	:	[•]
Maturity Date or Redemption Date	:	Series A Bonds: [5] years from Issue Date Series B Bonds: [10] years from Issue Date Except when the Early Redemption Option (as defined below) is exercised, the First Tranche Bonds will be redeemed at par

		(or 100% of face value) on their respective Maturity Dates.
Interest Rate	:	Series A Bonds: [•] Series B Bonds: [•]
Interest Payment Date	:	The Interest shall be paid quarterly in arrears on [•], [•], [•], and [•] of each year commencing on [•], until and including the Maturity Date (each, an "Interest Payment Date"), or the next Banking Day if such dates fall on a non-Banking Day without any adjustment in the amount of interest as originally computed. Interest on the First Tranche Bonds shall be calculated on a 30/360-day basis.
Form and Denomination	:	The First Tranche Bonds shall be issued in scripless form in minimum denominations of ₽50,000.00 each, and in multiples of ₽10,000.00 thereafter.
Early Redemption	:	The Issuer shall have the option, but not the obligation, to redeem in whole (and not in part), any series of the outstanding First Tranche Bonds (the "Early Redemption Option"), on the Interest Payment Dates specified below (any such date, the "Optional Redemption Date") or the immediately succeeding Banking Day if such date is not a Banking Day, without any adjustment in the amount of interest as originally computed. The amount payable to the Bondholders upon the exercise of the Early Redemption Option by the Issuer shall be calculated based on the principal amount of the relevant First Tranche Bonds being redeemed as the aggregate of the: (i) accrued interest computed from the last Interest Payment Date up to the relevant Optional Redemption Date; and (ii) the product of the principal amount (total outstanding principal amount of the relevant First Tranche Bonds) and the applicable Optional Redemption Price (as set out below) in accordance with the following schedule:

Series A Bonds:

Optional Redemption Date	**Optional Redemption Price (inclusive of Prepayment Penalty)**
[4] years from Issue Date	[100.25%]

Series B Bonds:

Optional Redemption Dates	**Optional Redemption Price (inclusive of Prepayment Penalty)**
[7] years from Issue Date	[102.00%]

[8] years from Issue Date	[101.00%]
[9] years from Issue Date	[100.25%]

The Issuer shall give not less than thirty (30) nor more than sixty (60) days prior written notice of its intention to redeem the relevant Series A Bonds or Series B Bonds, which notice shall be irrevocable and binding upon the Issuer to effect such early redemption on the Optional Redemption Date stated in such notice.

Redemption for Taxation Reasons : The Issuer may redeem any series of the First Tranche Bonds in whole, but not in part, on any Interest Payment Date (having given not more than sixty (60) nor less than thirty (30) days' written notice to the Trustee) at par plus accrued interest, subject to the requirements of Applicable Law, if payments under the First Tranche Bonds become subject to additional or increased taxes other than the taxes and rates of such taxes prevailing on Issue Date as a result of certain changes in Applicable Law, and such additional or increased rate of such tax cannot be avoided by use of reasonable measures available to the Issuer.

For avoidance of doubt, the Issuer shall not be liable for the payment of the additional or increased taxes on the income of the Bondholders, which shall be for the account of the Bondholders.

Mandatory Redemption : If any one or more of the following events shall occur, in the reasonable opinion of the Bondholders holding at least two-thirds (2/3) of the outstanding amount of the First Tranche Bonds for the events contemplated in (a), (b) or (c) below or the Majority Bondholders for the events contemplated in (d) below (and with written notice to the Trustee), and be continuing for a period of fifteen (15) Banking Days with respect to the events contemplated in (a) or (c) below:

a. Any law, government and/or non-government consent, license, authorization, registration or approval now or hereafter necessary to enable the Issuer to comply with its obligations under the Trust Agreement or the First Tranche Bonds which shall be modified in a manner which, in the reasonable opinion of the Trustee, while not constituting an Event of Default, will materially and adversely affect the ability of the Issuer to comply with such obligations, or shall be withdrawn or withheld;

b. Any provision of the Trust Agreement or any of the related documents is or becomes invalid, illegal or unenforceable by reason of: (i) any final judgment or order by a court of competent authority; or (ii) notwithstanding any pending action before a court of competent authority: (x) any final and effective act of any Government Authority, or (y) any final and effective law, rule, or regulation to the extent that it becomes for any reason unlawful for the Issuer to give effect to its rights or obligations hereunder, or to enforce any provisions of the Trust Agreement or any of the related documents in whole or in part, or any law is introduced to prevent or restrain the performance by the parties hereto of their obligations under the Trust Agreement or any other related documents;

c. Any concessions, permits, rights, franchise or privileges required for the conduct of the business and operations of the Issuer shall be revoked, canceled or otherwise terminated, or the free and continued use and exercise thereof shall be curtailed or prevented, by reason of: (i) any final judgment or order by a court of competent authority; or (ii) notwithstanding any pending action before a court of competent authority: (x) any final and effective act of any Government Authority, or (y) any final and effective law, rule, or regulation, in such a manner as to materially and adversely affect the financial condition or operations of the Issuer; and

d. Any Government Authority or any competent authority condemns, seizes, or expropriates all or substantially all of the assets or properties of the Issuer, unless such act is contested in good faith by the Issuer or unless such act is suspended or restrained by an order of a court of competent jurisdiction;

then, the Trustee, by notice in writing delivered to the Issuer, may declare the principal of the First Tranche Bonds, including all accrued interest and other charges thereon, if any, to be immediately due and payable, and upon such declaration the same shall be immediately due and payable without any pre-payment penalty.

Negative Pledge	:	The First Tranche Bonds shall have the benefit of a negative pledge on all existing and future assets of the Issuer, subject to certain permitted liens, as provided under [Section 5.02 (a) of the Trust Agreement].
Purchase and Cancellation	:	The Issuer may at any time purchase any of the First Tranche Bonds at any price in the open market or by tender or by contract, in accordance with PDEx Rules, without any obligation to purchase (and the Bondholders shall not be obliged to sell) First Tranche Bonds pro-rata from all Bondholders. The First Tranche Bonds so purchased will be redeemed and cancelled, and may no longer be reissued.

		Upon listing of the First Tranche Bonds on PDEx, the Issuer shall disclose any such transactions in accordance with the applicable PDEx disclosure rules.
Status of the First Tranche Bonds	:	The First Tranche Bonds constitute direct, unconditional, unsecured and unsubordinated Peso denominated obligations of the Issuer and shall rank *pari passu* and rateably without any preference or priority amongst themselves and at least *pari passu* with all other present and future unsecured and unsubordinated obligations of the Issuer, other than (i) obligations preferred by the law, (ii) any obligation incurred by the Issuer pursuant to [Section 5.02 (a)] of the Trust Agreement or as may be allowed by the Trust Agreement, and (iii) other Indebtedness or obligations disclosed by the Issuer to the Trustee as of Issue Date. The First Tranche Bonds shall effectively be subordinated in right of payment to, among others, all of AboitizPower's secured debts to the extent of the value of the assets securing such debt and all of its debt that is evidenced by a public instrument under Article 2244(14) of the Civil Code of the Philippines, unless the Issuer procures a waiver of the preference created by such notarization or equally and ratably extend such preference to the First Tranche Bonds.
Rating	:	The First Tranche Bonds are rated PRS [•] by PhilRatings.
Listing	:	The Issuer intends to list the First Tranche Bonds on PDEx on Issue Date.
Non-Reliance		Each Bondholder also represents and warrants to the Trustee that it has independently and, without reliance on the Trustee, made its own credit investigation and appraisal of the financial condition and affairs of the Issuer on the basis of such documents and information as it has deemed appropriate and that it has subscribed to the Issue on the basis of such independent appraisal, and each Bondholder represents and warrants that it shall continue to make its own credit appraisal without reliance on the Trustee. The Bondholders agree to indemnify and hold the Trustee harmless from and against any and all liabilities, damages, penalties, judgments, suits, expenses and other costs of any kind or nature against the Trustee in respect of its obligations hereunder, except for its gross negligence or wilful misconduct.
Own Risk		Bondholders understand and acknowledge that investment in the First Tranche Bonds is not covered by the Philippine Deposit Insurance Corporation ("PDIC") and that any loss or depreciation in the value of the assets of the Bondholders, resulting from the investments or reinvestment in the First Tranche Bonds and the regular conduct of the Trustee's trust

business shall be for the account of the Bondholder.

Contact Details of the Trustee	BDO Unibank, Inc. – Trust and Investments Group Attention: Michael G. Munsayac Subject: Aboitiz Equity Ventures Bonds Due [•] and [•] Address: 15th Floor, South Tower BDO Corporate Center. 7899 Makati Avenue, Makati City Facsimile: (632) 840-7040 E-mail: munsayac.michael@bdo.com.ph

RISK FACTORS AND OTHER CONSIDERATIONS

An investment in the First Tranche Bonds described in this Preliminary Prospectus involves a number of risks. The price of the securities can and does fluctuate, and any individual security may experience upward or downward movements, and may even become valueless. There is inherent risk that losses may be incurred rather than profit made as a result of buying and selling securities. There is an extra risk of losing money when securities are bought from smaller companies. Past performance is not a guide to future performance and there may be a large difference between the buying price and the selling price of these securities. Investors deal with a range of investments, each of which may carry a different level of risk. Investors should carefully consider all the information contained in this Preliminary Prospectus, including the risk factors described below before deciding to invest in the First Tranche Bonds.

This section entitled "Risk Factors and Other Considerations" does not purport to disclose all the risks and other significant aspects of investing in these securities. Investors should undertake independent research and study the trading of these securities before commencing any trading activity. Investors should seek professional advice regarding any aspect of the securities such as the nature of risks involved in trading of securities, and specifically those high-risk securities. Investors may request publicly available information on the First Tranche Bonds and the Company from the SEC.

The risks factors discussed in this section are of equal importance and are only separated into categories for easy reference.

RISKS RELATED TO THE COMPANY'S BUSINESS

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

Regulatory Risk

Due to the type of industries the AEV Group is engaged in – power, food, banking, real estate and infrastructure – AEV and its Subsidiaries are exposed to risks arising from the inability to anticipate new and/or changes in existing laws and regulations.

The recent acquisition of the Gold Coin Group, which is headquartered in Singapore and operates in several countries across ASEAN Region, has brought about not only opportunities but also a variety of risks. This includes risk arising from non-familiarity with the regulatory and political landscape for each country where Gold Coin operates.

Though each industry where the AEV Group operates has specific regulatory risks, the common factor is the dynamic, political and regulatory landscape that the AEV Group has to comply with regulation compliance. Failure to do so will have negative consequence on both the AEV Group's net income and its reputation.

To keep up with the fast changing regulatory and political landscape, AEV ensures that the following actions/processes are in place:

- Collaboration of internal subject matter experts (e.g. government relations, legal, tax, and regulatory) to study and analyze proposed new /changes in laws and regulations;
- Continuous coordination and discussions with regulators to: (i) provide feedback on the proposed laws and regulations; and (ii) ensure the Company's interpretation of the laws is aligned with the regulators; and
- Coordination with the management of newly acquired companies and come up with unified approach on how to address regulatory risks.

To further address this risk, AEV is developing a Unified Compliance Management System based on the Governance, Risk and Compliance (GRC) methodology. A compliance framework was defined and is being supported by policies, guidelines and procedures. The goal is to improve compliance management and oversight using the greater availability of data and information. This system also supports the objective of embedding a culture of managing compliance risk in the AEV Group.

Information Security Risk

AEV is cognizant to the continuous increase of information security incidents happening globally as well as the increasingly complex challenges of digital transformations. AEV's management understands that information security threats should be addressed in order to avoid these breaches, which can have catastrophic implications not only on the organization's bottom line but also to its reputation.

To address this risk, the AEV Group aims to strengthen its security and resilience for the potential consequences of information security breaches through the ongoing roll – out of the Information Security Management System (ISMS) Project and implementation of Cyber Security Program and Operational Technology (OT) Security Governance. These initiatives will cover the three pillars of Information and Operational Systems Security: People, Process and Technology.

The ISMS Project roll – out started in 2017 and will transition to program implementation in 2019. To ensure sustainable implementation of this program, appropriate structures have been in place which includes a formal governance structure and policies based on the 14 ISMS domains.

The Company also continues to work on its goal to achieve an information security risk – aware culture by releasing IT Security Awareness advisories across the Group and ISMS E – Learning campaigns. These aim to strengthen the prevention, detection and comprehensive response processes throughout the AEV Group and keep pace with the growing information security threat landscape.

Business Interruption Due to Natural and Man-made Calamities

A significant portion of AEV's risk management program is dedicated to address business interruption exposures of the AEV Group brought about by natural calamities such as typhoon, floods, and earthquake. In addition to standard perils, AEV also highly recognizes the emerging man-made calamities such as cyber-attacks, which is continuously increasing globally, and acts of terrorism.

The AEV Group has progressively strengthened their reactive and recovery measures to address potential interruptions in business operations by partnering with insurance providers in conducting trainings and engineering surveys to realistically align the exposures with the best-fit insurance solutions. A partnership with Weather Philippines Foundation, Inc. (WeatherPhilippines) also helps to better prepare for weather related business disruptions and minimize the impact of these events to operations. A communication process across all business units and external support (e.g. Hospital, Fire Department) has been institutionalized for support and back-up system.

Existing business interruption scenarios and continuity plans for each of these scenarios are constantly reviewed, evaluated, and updated through "table top exercises" and "lessons learned" sessions to ensure that they remain relevant with the current business conditions. In addition, teams are prepared for emergencies through mandatory trainings and drills while testing and improving procedures are performed on an ongoing basis.

Morever,to further improve the existing Business Continuity Management (BCM) framework and practices of the Group, AEV and its Subsidiaries commenced a Business Continuity Audit that started in 2017 and was completed in 2018. The audit assessed the BCM Maturity of the AEV Group and its conformity to ISO 22301:2012. Output of the audit is a Business Continuity Roadmap which will outline the direction and basis of BCM initiatives for the next three years.

Financial Risk

In the course of its operations, AEV and its Subsidiaries is exposed to the following financial risks:

- Financing risk in terms of the AEV Group's inability to borrow money to fund future projects;
- Refinancing and liquidity risks arising from balloon / bullet payments for existing loans;
- Interest rate risks resulting from the increasing cost to borrow money as a result of inflation; and
- Foreign exchange (forex) risks in terms of foreign exchange fluctuations that may significantly affect its foreign currency- denominated placements, transactions and borrowings.

Aside from the negative effect to the AEV Group's net income, these risks would also put constraints on AEV and its Subsidiaries plans of growth. Furthermore, failure to pay existing loans will eventually lead to reputation risk.

To address these risks, the AEV Group has taken the following actions:

- Regular monitoring of the its cash position;
- Issuance of retail bonds;
- Maintaining good relationship with the banks; and
- Strengthening of Financial Risk Management to ensure a consistent approach in identifying, assessing, quantifying and mitigating financial risks across the AEV Group.

Reputation Risk

AEV and its Subsidiaries recognized reputation as its greatest strength and most valuable asset. Focus is given on sustainability initiatives and programs such as "*A-Park*", "*Wealth on Waste*" and "*Race to Reduce*" that will help the AEV Group in minimizing the likelihood of this risk. In addition, AboitizPower is in the process of developing communication plan which aims to build and strengthen trust through stakeholder engagement and communication.

Talent Risk

Continuous expansion of AEV and its Subsidiaries brought about challenges on the capability of the current workforce to support it. Furthermore, as the Group embarked on various digital transformation projects, nature of the Company's requirements has evolved making it more complex and complicated. There is also the increasingly competitive market, locally and abroad, for high demand talents (e.g. digital roles). These challenges have made it more difficult for the AEV Group to source and match fitting talent.

Inability to prepare and minimize the impact of this risk will entail potential delay in the execution of various initiatives which could eventually lead to missed business opportunities.

To address this, AEV has identified various sourcing channels and have optimized available technological attraction tools such as LinkedIn. In addition, there is also the ongoing initiative to enhance the brand of Aboitiz as an employer and embed Strategic Workforce Planning to Business Strategic Planning.

Emerging Risks

Embedded in the risk management process is the continuous identification and monitoring of emerging risks. Emerging risk is currently defined as newly developing risks that cannot yet be fully assessed (due to high uncertainty) but could have a major impact on an organization in the future.

AEV recognizes the need to anticipate, understand and prepare for these potential risks triggered by the continuous and fast – paced changes in the political, economic, social, technological legal and environmental where AEV and its Subsidiaries operates.

To address this need, Subject Matter Experts (SMEs) closely monitor their area of expertise for potential changes. These changes are communicated to the Group Risk Management Team for further study and analysis, specifically on the potential impact to the Group. AEV management has also included Emerging Risks as part of the Risk Management Council and Board Risk Committee regular agenda.

RISKS RELATED TO THE PHILIPPINES

A slowdown in the Philippines' economic growth could adversely affect the Company

Historically, results of operations have been influenced, and will continue to be influenced, to a significant degree by the general state of the Philippine economy, with demand for power, food, financial services and real estate historically being tied to the level of economic activity in the Philippines. As a result, the Company's income and results of operations depend, to a significant extent, on the performance of the Philippine economy. In the past, the Philippines has experienced periods of slow or negative growth, high inflation, significant devaluation of the peso, and the imposition of exchange controls.

From mid-1997 to 1999, the economic crisis in Asia adversely affected the Philippine economy, causing a significant depreciation of the Philippine Peso, increases in interest rates, increased volatility and the downgrading of the Philippine local currency rating and the ratings outlook for the Philippine banking sector. These factors had a material adverse impact on the ability of many Philippine companies to meet their debt-servicing obligations. Over the last several years, the government instituted several reforms in the fiscal and banking sectors, among others, that strengthened the country's economic fundamentals.

The Philippines enjoys investment grade credit ratings from the following major agencies:

- Fitch Ratings - BBB (stable), which was affirmed last July 2018
- Standard & Poors - BBB (positive) which was granted April 2018
- Moody's Investors Service - Baa2 (stable), which was affirmed last July 2018

The Philippine gross domestic product (GDP) grew by 6.2% in 2018. As identified in the Philippine Development Plan 2017-2022, Philippine GDP growth is expected to strengthen at 7% to 8% in the medium term, making the Philippines one of the faster growing economies of the ASEAN region.

Nonetheless, any deterioration in the Philippine economy may adversely affect consumer sentiment and lead to a reduction in demand for the Company's products. There is no assurance that current or future Government administrations will adopt economic policies conducive to sustaining economic growth.

Historically, the demand for power for the past ten (10) years, has shown an increasing trend. This has been the case despite the volatility in the economic, financial, and political conditions of the country. It may be attributable to the inelasticity of electricity at certain levels wherein essential appliances and industries need to operate. The rising population and remittances from overseas workers will likewise provide a minimum growth in the demand for power.

Any political instability in the Philippines may adversely affect the Company

The Philippines has from time to time experienced political, social, and military instability. In the past decade, there has been political instability in the Philippines, including alleged extrajudicial killings, alleged electoral fraud, impeachment proceedings against two (2) former presidents, the chief justice of the Supreme Court of the Philippines, and public and military protests arising from alleged misconduct by previous administrations. In addition, a number of current and past officials of the Philippine government are currently under investigation on corruption charges stemming from allegations of misuse of public funds, extortion, and bribery. An unstable political environment may also arise from the imposition of emergency executive rule, martial law or widespread popular demonstrations or rioting.

There can be no assurance that acts of political violence will not occur in the future and any such events could negatively impact the Philippine economy. Likewise, no assurance can be given that the future political or social environment in the Philippines will be stable.

Further, in May 2016, the Philippines elected Rodrigo M. Duterte as its new president, winning 38.5% of the votes cast. The 2016 elections had a record voter turnout of 81%, the highest in the country's three automated elections. The Duterte administration has unveiled a "10-point plan" which has committed, among others, to "continue and maintain current macroeconomic policies, including fiscal, monetary, and trade policies." As of the last quarter of 2018, President Duterte's approval and trust ratings remained high. The new leadership is currently focused on executing its reform agenda. The Duterte government has initiated efforts to build peace with communist rebels and other separatists through continuing talks with these groups. The shift to the federal-parliamentary form of government is likewise targeted to be achieved before the end of the current administration's term.. In December 2018, the Philippine House of Representatives has approved on the 3rd and final reading the resolution that seeks to shift the Philippines to a federal system of government. On July 27, 2018, President Rodrigo Duterte signed Republic Act 11054, approving the BBL which was renamend to Bangsamoro Organic Law. There is no assurance that current or future Government administrations will adopt economic policies conducive to sustaining economic growth.

The Supreme Court also recently ruled against Maria Lourdes P, Sereno in the quo warranto proceedings initiated by the Office of the Solicitor General, removing her from the post of Chief Justice of the Supreme Court. As of the date of this Offering Circular, there is a criminal case against a former Philippine President in relation to a failed military operation in Mindanao.

In general, political or social instability in the Philippines could negatively affect the general economic conditions and business environment in the Philippines, which could have a material adverse effect on the business, operations, and financial position of the Company.

<u>Territorial disputes involving the Philippines and its neighboring countries may adversely affect its economy and business environment</u>

Competing and overlapping territorial claims by the Philippines, China and several Southeast Asian nations (such as Vietnam, Brunei, Malaysia) over certain islands and features in the West Philippine Sea (South China Sea) have for decades been a source of tension and conflicts. The South China Sea covers more than three million square kilometers in terms of area and is home to some of the biggest coral reefs of the world. It is also believed that under the seabed lies vast unexploited oil and natural gas deposits. China claims historic rights to nearly all of the West Philippine Sea based on its so-called "nine-dash line" and in recent years dramatically expanded its military presence in the sea which has raised tensions in the region among the claimant countries. In 2013, the Philippines became the first claimant country to file a case before the Permanent Court of Arbitration, the international arbitration tribunal based at The Hague, Netherlands to legally challenge claims of China in the West Philippine Sea and to resolve the dispute under the principles of international law as provided for under the United Nations Convention on the Law of the Sea (UNCLOS). In July 2016, the tribunal rendered a decision stating that "as between the Philippines and China, Mischief Reef and Second Thomas Shoal (in the West Philippine Sea/South China Sea) form part of the exclusive economic zone and continental shelf of the Philippines" and that the "nine-dash line" claim of China is invalid. China rejected the ruling, saying that it did not participate in the proceedings for the reason that the court had no jurisdiction over the case. China was reported to conduct land reclamation activities in the disputed territories, which was completed in 2016. News reports indicate increased Chinese activity in the contested waters, including the installation of missile systems and the deployment of bomber planes. Several countries have conducted Freedom of Navigation operations in the contested waters to challenge China's militarization of artificial features in the West Philippine Sea. Any such impact from these disputes could adversely affect the Philippine economy, and materially and adversely affect the Bank's business, financial position and results of operations.

There is no guarantee that the territorial dispute between the Philippines and other countries, including China, would end or that any existing tension will not escalate further, as China has repeatedly announced that it will not honor said ruling. In such event, the Philippine economy may be disrupted and its business and financial standing may be adversely affected.

RISKS RELATED TO THE OFFER

<u>Liquidity Risk</u>

The Philippine securities markets are substantially smaller, less liquid, and more concentrated than major global securities markets. As such, the Company cannot guarantee that the market for the First Tranche Bonds will always be active or liquid. Even if the First Tranche Bonds are listed on the PDEx, trading in securities such as the First Tranche Bonds, may sometimes be subject to extreme volatility in response to interest rates, developments in local and international capital markets and the overall market for debt securities and other factors. There is no assurance that the First Tranche Bonds may be disposed at prices, volumes or at times deemed appropriate by the Bondholders.

<u>Reinvestment Risk</u>

Prior to the relevant Maturity Dates, the Issuer shall have the option, but not the obligation, to redeem in whole (and not in part), any series of the outstanding FIrst Tranche Bonds on the relevant Optional Redemption Dates (see "*Description of The Offer – Optional Redemption*" on page [54] of this Preliminary Prospectus). In the event that the Company exercises this early redemption option, the relevant series of the First Tranche Bonds will be redeemed and the Company would pay the amounts to which Bondholders would be entitled. Following such redemption and payment, there can be no assurance that investors in the redeemed First Tranche Bonds will be able to re-invest such amounts in securities that would offer a comparative or better yield or terms, at such time.

Pricing Risk

The market value of bonds moves (either up or down) depending on the change in interest rates. The First Tranche Bonds when sold in the secondary market are worth more if interest rates decrease since the First Tranche Bonds have a higher interest rate relative to the market. Conversely, if the prevailing interest rate increases the First Tranche Bonds are worth less when sold in the secondary market. Therefore, an investor faces possible loss if he decides to sell when the prevailing interest rate has increased.

Retention of Ratings Risk

There is no assurance that the rating of the First Tranche Bonds will be retained throughout the life of the First Tranche Bonds. The rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension, or withdrawal at any time by the assigning rating organization.

Suitability of Investment

Each potential investor in the First Tranche Bonds must determine the suitability of that investment in the context of its own distinct circumstances. In particular, each potential investor should: (i) have sufficient knowledge and experience to make a satisfactory evaluation of the First Tranche Bonds, the merits and risks of investing in the First Tranche Bonds and the information contained in this Preliminary Prospectus; (ii) have access to, and knowledge of, relevant analytical tools to evaluate, in the context of its particular financial situation, an investment in the First Tranche Bonds and the impact the First Tranche Bonds will have on its overall investment portfolio; (iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the First Tranche Bonds, including where the currency for principal or interest payments is different from the potential investor's currency; (iv) understand thoroughly the terms of the First Tranche Bonds and be familiar with the behavior of any relevant financial markets; and (v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate, foreign exchange rate and other factors that may affect its investment and its ability to bear the applicable risks.

The First Tranche Bonds have no preference under Article 2244(14) of the Civil Code.

The Master Certificate of Indebtedness, which represents the First Tranche Bonds subject of the Offer, shall not be notarized and, thus, will not be deemed a public instrument under Article 2244 (14) of the Civil Code. As such, the First Tranche Bonds shall not enjoy preference under Article 2244 (14) of the Civil Code, unless the Issuer procures a waiver of the preference created by such notarization or equally and ratably extend such preference to the First Tranche Bonds. This is consistent with the status of the First Tranche Bonds as being direct, unconditional, unsecured, and unsubordinated Peso denominated obligations of the Issuer.

USE OF PROCEEDS

The Issue Price shall be at par, which is equal to the face value of the Series [A] Bonds and the Series [B] Bonds. AEV expects that the net proceeds of the First Tranche Bonds shall amount to approximately [PhP2,958,655,330.36] for an issue size of up to PhP3,000,000,000.00 or [PhP4,936,383,883.93] for an issue size of up to PhP5,000,000,000.00, assuming full exercise of the Oversubscription Option, and after deducting fees, commissions and expenses.

Based on an issue size of up to PhP3,000,000,000.00

Documentary Stamp Tax	[22,500,000.00]
Issue Management and Underwriting Fees[1]	[9,450,000.00]
Other Professional Fees	[7,500,000.00]
SEC Registration Fee and Legal Research	[814,312.50]
Credit Rating Fees	[642,857.14]
Other Expenses (e.g. Trustee Fee, Printing Cost, etc.)	[437,500.00]
Estimated net proceeds of the Issue	**[PhP2,958,655,330.36]**

Based on an issue size of PhP5,000,000,000.00

Documentary Stamp Tax	[37,500,000.00]
Issue Management and Underwriting Fees[2]	[15,750,000.00]
Other Professional Fees	[7,500,000.00]
SEC Registration Fee and Legal Research	[1,357,187.50]
Credit Rating Fees	[1,071,428.57]
Other Expenses (e.g. Trustee Fee, Printing Cost, etc.)	[437,500.00]
Estimated net proceeds of the Issue	**[PhP4,936,383,883.93]**

Aside from the foregoing one-time costs, AEV expects the following annual expenses related to the First Tranche Bonds:

1. Aside from the Listing Application Fee, the Issuer will be charged an annual maintenance fee of [PhP150,000.00] in advance upon the approval of the Listing;

2. The Issuer will pay a yearly retainer fee to the Trustee amounting to [PhP180,000.00] per annum;

3. After the Issue, a Paying Agency fee amounting to [PhP100,000.00] is payable every Interest Payment Date. The Registrar will charge a monthly maintenance fee based on the face value of the First Tranche Bonds and the number of Bondholders; and

[1] Inclusive of GRT
[2] Inclusive of GRT

4. The Issuer will pay an annual monitoring fee to Philratings amounting to [PhP560,000.00] (VAT inclusive). However, Philratings charges the annual monitoring fee to the Company in relation to all of its bonds outstanding.

The allocation of the proceeds of the Offer and the schedule of disbursements shall be as follows:

Oversubscription Option is Not Exercised

	Amount	**Timing of Disbursement**
Oversubscription Option is Not Exercised		
Transition financing of the Medium-Term Loan of AEV International Pte. Ltd.	₽3.0 Billion	Within 2019
Oversubscription Option is Fully Exercised		
Transition financing of the Medium-Term Loan of AEV International Pte. Ltd.	₽5.0 Billion	Within 2019

The Company plans to use up to [PhP4,936,383,883.93] of the net proceeds from the Offer as part of the refinancing plan of the medium-term loan of AEV International Pte. Ltd. ("AEV International"), a wholly-owned subsidiary of the Company. The medium-term loan was obtained by AEVI from DBS Bank Ltd., Mizuho Bank, Ltd., MUFG Bank, Ltd., and Standard Chartered Bank, last 20 July 2018 to fully finance the acquisition by Pilmico International Pte. Ltd., a wholly owned subsidiary of AEV International, of 75% equity interest in Gold Coin Management Holdings Limited ("GCMH"). As part of this refinancing plan and to minimize interest expenses, the Company, through AEV International, has partially prepaid the medium-term loan ahead of its stated maturity date of July 20, 2023. The total amount prepaid is broken down as follows:

Lender	**Amount Prepaid**
Standard Chartered Bank, London	11,227,810.65
DBS Bank Ltd., Singapore Branch	20,414,201.18
Mizuho Bank, Ltd., Singapore Branch	23,816,568.05
MUFG Bank, Ltd., Labuan Branch	23,816,568.06
Bank of China Limited, Manila Branch	5,954,142.01
Bank of China Limited, Singapore Branch	5,954,142.01
Sumitomo Mitsui Banking Corporation, Singapore Branch	11,908,284.02
ING Bank N.V., Singapore Branch	11,908,284.02
Total	**USD115,000,000.00**

The Company infused capital to AEV International for this purpose. With the net proceeds from the Offer, the Company will effectively refinance the transition financing extended to AEV International.

DETERMINATION OF THE OFFERING PRICE

The Series A Bonds and the Series B Bonds shall be issued on a fully-paid basis and at an issue price that is at par.

PLAN OF DISTRIBUTION

THE OFFER

On 29 March 2019, AEV filed a Registration Statement with the SEC, in connection with the offer and sale to the public of fixed rate bonds with an aggregate principal amount of up to PhP30,000,000,000, under shelf registration, inclusive of the Offer. The SEC is expected to issue an order rendering the Registration Statement effective, and a corresponding permit to offer securities for sale covering the Offer.

The First Tranche Bonds is offered by the Company as the first tranche of the Bonds. The Company shall issue the First Tranche Bonds to institutional and retail investors in the Philippines through a public offering to be conducted through the Joint Lead Underwriters. The Offer does not include an international offering. The Offer will consist of the primary offer of an aggregate principal amount of of up to PhP3,000,000,000.00 with an Oversubscription Option of up to PhP2,000,000,000.00. In case the Oversubscription Option is partly exercised or not exercised at all during the Offer Period, the First Tranche Bonds under Oversubscription Option that will not be taken up or exercised during the Offer Period will remain under shelf registration and may be issued in tranches within the Shelf Period.

SHELF REGISTRATION OF SECURITIES NOT COVERED BY THE OFFER

After the close of the Offer and within the Shelf Period, AEV may, at its sole discretion, offer any or all of the remaining balance of the aggregate principal amount of the Bonds in subsequent tranches, including any amount remaining if the Oversubscription Option is partly exercised or not exercised at all. Any such subsequent offering requires the submission by AEV of the relevant updates and amendments to the registration statement and the issuance of the corresponding Permit to Sell by the SEC. As a listed Company, AEV regularly disseminates such updates and information in its disclosures to the SEC, PDEx, and PSE.

However, there can be no assurance in respect of: (i) whether AEV would issue such Bonds at all; (ii) the size or timing of any individual issuance or the total issuance of such Bonds; or (iii) the specific terms and conditions of such issuance. Any decision by AEV to offer such debt securities will depend on a number of factors at the relevant time, many of which are not within AEV's control, including but not limited to: prevailing interest rates, the financing requirements of AEV's business and prospects, market liquidity and the state of the domestic capital market, and the Philippine, regional and global economies in general.

UNDERWRITING OBLIGATIONS OF THE JOINT LEAD UNDERWRITERS

BDO Capital and FMIC pursuant to the Underwriting Agreement with AEV dated [•], have agreed to act as Joint Lead Underwriters for the Offer and as such, distribute and sell the First Tranche Bonds at the Issue Price. Subject to the satisfaction of certain conditions provided in the Underwriting Agreement and in consideration for certain fees and expenses. The Joint Lead Underwriters have committed severally and not jointly to underwrite the following amounts the base issue size on a firm basis:

Joint Lead Underwriter	**Commitment**
BDO Capital	[PhP1,500,000,000.00]
FMIC	[PhP1,500,000,000.00]
Total	**[PhP3,000,000,000.00]**

The Underwriting Agreement may be terminated in certain circumstances prior to payment being made to AEV of the net proceeds of the Offer. In case the Underwriting Agreement is terminated, the Company shall notify SEC of the termination and its subsequent course of action.

BDO Capital and FMIC are the Joint Lead Underwriters for this transaction.

The Joint Lead Underwriters shall receive an aggregate fee of 31.5 basis points, inclusive of GRT, on the final aggregate nominal principal amount of the First Tranche Bonds issued, which is inclusive of underwriting fees and selling commissions to be paid.

The Joint Lead Underwriters are duly licensed by the SEC to engage in underwriting or distribution of securities. The Joint Lead Underwriters may, from time to time, engage in transactions with and perform services in the ordinary course of its business for AEV.

The Joint Lead Underwriters have no direct relations with AEV in terms of ownership by either of their respective majority shareholder/s and have no right to designate or nominate any member of the Board of Directors of the Company.

BDO Capital, a Joint Issue Manager, Joint Lead Underwriter and Joint Bookrunner, is a subsidiary of BDO Unibank, Inc. which serves as the Trustee for the First Tranche Bonds.

The Joint Lead Underwriters have no contract or other arrangement with the Company by which it may return to the Company any unsold First Tranche Bonds.

BDO Capital is a leading investment bank in Philippines and was incorporated in the Philippines on September 8, 1998 as a wholly owned subsidiary of BDO Unibank, Inc. BDO Capital presently conducts business as a full service investment house with the following functions, among others: securities underwriting and trading; loan syndication; financial advisory; and private placement of debt and equity. As of December 31, 2018, it had total assets of ₱3.01 billion, total liabilities of ₱0.06 billion and total equity of ₱2.95 billion.

First Metro Investment Corporation is a leading investment bank in the Philippines with over fifty years of service in the development of the country's capital markets. It is the investment banking arm of the Metrobank Group, one of the largest financial conglomerates in the country. First Metro and its subsidiaries offer a wide range of services, from debt and equity underwriting to loan syndication, project finance, financial advisory, investment advisory, government securities and corporate debt trading, equity brokering, online trading, asset management, and research. First Metro has established itself as a leading bond house with key strengths in origination, structuring, and execution. As of June 30, 2018, it had total assets of ₱44.6 billion, total liabilities of ₱30.1 billion and total equity of ₱14.5 billion.

SALE AND DISTRIBUTION

The distribution and sale of the First Tranche Bonds shall be undertaken by the Joint Lead Underwriters who shall sell and distribute the First Tranche Bonds to third party buyers/investors. The Joint Lead Underwriters are authorized to organize a syndicate of co-lead managers, soliciting dealers and/or selling agents for the purpose of the Offer; provided, however, that the Joint Lead Underwriters shall remain severally, but not jointly responsible to the Issuer in respect of its obligations under the Underwriting Agreement entered into by them with the Issuer and the Issuer shall not be bound by any of the terms and conditions of any agreement entered into by the Joint

Lead Underwriters with such other parties. Nothing herein shall limit the rights of the Joint Lead Underwriters from purchasing the First Tranche Bonds for its respective accounts.

There are no persons to whom the First Tranche Bonds are allocated or designated. The First Tranche Bonds shall be offered to the public at large and without preference.

TERM OF APPOINTMENT

The engagement of the Joint Lead Underwriters shall subsist so long as the SEC Permit to Sell remains valid, unless otherwise terminated pursuant to the Underwriting Agreement.

MANNER OF DISTRIBUTION

The Joint Lead Underwriters shall, at its discretion but with written notice to AEV, determine the manner by which proposals for applications for purchase and issuances of the First Tranche Bonds shall be solicited, with the primary sale of the First Tranche Bonds to be effected only through the Joint Lead Underwriters .

The Joint Lead Underwriters, in consultation with the Issuer, shall agree on the process for allocating the First Tranche Bonds and the manner of accepting the Applications to Purchase (the "Allocation Plan"). Consistent with bank procedures (if applicable) and the allocation plan, each of the Joint Lead Underwriters shall be responsible for determining who are Eligible Bondholders from the Applicants and for establishing the *bona fide* identity of each in accordance with AMLA, as well as its own internal policies and arrangements under acceptable standards and policies regarding "know-your-customer" and anti-money laundering.

OFFER PERIOD

The Offer Period shall commence on [●] and end on [●] or such other date as may be mutually agreed by the Company and the Joint Lead Underwriters .

All applications to purchase the First Tranche Bonds shall be evidenced by a duly completed and signed Application to Purchase, together with two (2) fully executed signature cards authenticated by the Corporate Secretary with respect to corporate and institutional investors, and shall be accompanied by the payment in full of the corresponding purchase price of the First Tranche Bonds applied for, by check or by appropriate payment instruction, and the required documents which must be submitted to the Joint Lead Underwriters.

Corporate and institutional purchasers must also submit a certified true copy of its SEC Certificate of Registration, its latest Articles of Incorporation and By-laws, or such other relevant organizational or charter documents, and the duly notarized certificate of the Corporate Secretary attesting to the resolution of the board of directors and/or committees or bodies authorizing the purchase of the First Tranche Bonds and designating the authorized signatory/ies therefore, including his or her specimen signature. Individual Applicants must also submit a photocopy of any one of the following identification cards (ID): passport, driver's license, postal ID, company ID, SSS/GSIS ID and/or Senior Citizen's ID or such other ID and documents as may be required by or acceptable to the selling bank, which must be valid as of the date of the Application.

An Applicant who is exempt from or is not subject to withholding tax, or who claims preferential tax treaty rates shall, in addition, be required to submit the following requirements to the relevant Joint

Lead Underwriter (together with their applications) who shall then forward the same to the Registrar, subject to acceptance by the Issuer as being sufficient in form and substance:

a. Proof of Tax Exemption or Entitlement to Preferential Tax Rates

   i. For (a) tax-exempt corporations under Section 30 of the Tax Code (except non-stock, non-profit educational institutions under Section 30(H) of the Tax Code); (b) cooperatives duly registered with the Cooperative Development Authority; and (c) BIR-approved pension fund and retirement plan – certified true copy of valid, current and subsisting tax exemption certificate, ruling or opinion issued by the BIR. For this purpose, a tax exemption certificate or ruling shall be deemed "valid, current and subsisting" if it has not been more than 3 years since the date of issuance thereof;

   ii. For Tax-Exempt Personal Equity Retirement Account established pursuant to PERA Act of 2008 – certified true copy of the Bondholder's current, valid and subsisting Certificate of Accreditation as PERA Administrator (BIR Form 2336);

   iii. For all other tax-exempt entities (including, but not limited to, (a) non-stock, non-profit educational institutions; (b) government-owned or -controlled corporations; and (c) foreign governments, financing institutions owned, controlled or enjoying refinancing from foreign governments, and international or regional financial institutions established by foreign governments) – certified true copy of tax exemption certificate, ruling or opinion issued by the BIR expressly stating that their income is exempt from income tax and, consequently, withholding tax. For qualified non-stock, non-profit educational institutions, however, Tax Exemption Rulings or Certificates of Exemption issued prior to June 30, 2012 are required to apply for new Tax Exemption Rulings; and

   iv. For entities claiming tax treaty relief – (i) certificate of tax residence issued for the current year by the competent tax authority in the Applicant's country of residence (whether using the form prescribed in their country of residence, or using Part I (D) of the Certificate of Tax Residence for Tax Treaty Relief ("CORTT") Form prescribed under Revenue Memorandum Order No. 8-2017), and (ii) duly accomplished CORTT Form (particularly Part I (A), (B) and (C), and Part II (A), (B), (C) and (D)).

   In addition, for subsequent interests due, the Bondholder shall submit an updated Part II (A), (B), (C) and (D) of the CORTT Form to the Issuer through the Registrar no later than the first day of the month when such subsequent interest payment/s shall fall due and, if applicable, including any clarification, supplement or amendment thereto.

   Only the originals should be submitted to the relevant Joint Lead Underwriter.

b. A duly notarized declaration (in the prescribed form) warranting that the Bondholder's tax-exemption certificate or ruling has not been revoked or cancelled and that there are no material changes in character, purpose or method of operation of the Bondholder which are inconsistent with the basis of its income tax exemption, or warranting the Bondholder's entitlement to preferential treaty rates, and undertaking to immediately notify the Issuer and the Registrar and Paying Agent of any suspension or revocation of its tax exemption or treaty privileges and agreeing to indemnify and hold the Issuer and

Registrar and Paying Agent free and harmless against any claims, actions, suits and liabilities arising from the non-withholding or reduced withholding of the required tax; and

c. Such other documentary requirements as may be reasonably required by the Issuer or the Registrar or Paying Agent, or as may be required under applicable regulations of the relevant taxing or other authorities.

Failure to submit any of the documents provided under (a), (b) and (c) above, as may be applicable, will result in the application of the regular income tax rate provided under the Tax Code.

Completed Applications to Purchase and corresponding payments must reach the relevant Joint Issue Manager, Joint Lead Underwriter and Joint Bookrunner prior to the end of the Offer Period, or such earlier date as may be specified by the relevant Joint Issue Manager, Joint Lead Underwriter and Joint Bookrunner. Acceptance by each Joint Issue Manager, Joint Lead Underwriter and Joint Bookrunner of the completed Application to Purchase shall be subject to the availability of the First Tranche Bonds and the approval by AEV and the relevant Joint Issue Manager, Joint Lead Underwriter and Joint Bookrunner. In the event that any check payment is returned by the drawee bank for any reason whatsoever, the Application to Purchase shall be automatically cancelled and any prior acceptance of the Application to Purchase is deemed revoked.

MINIMUM PURCHASE

A minimum purchase of ₱50,000.00 shall be considered for acceptance. Purchases in excess of the minimum shall be in multiples of ₱10,000.00.

ALLOTMENT OF THE FIRST TRANCHE BONDS

If the First Tranche Bonds are insufficient to satisfy all Applications to Purchase, the available First Tranche Bonds shall be allotted in accordance with the chronological order of submission of properly completed and appropriately accomplished Applications to Purchase on a first-come, first-served basis, without prejudice subject to AEV's exercise of its right of rejection.

ACCEPTANCE OF APPLICATIONS

AEV and the Joint Lead Underwriters reserve the right to accept or reject applications to subscribe in the First Tranche Bonds, and in case of oversubscription, allocate the First Tranche Bonds available to the applicants in a manner they deem appropriate. If any application is rejected or accepted in part only, the application money or the appropriate portion thereof will be returned without interest by the relevant Joint Issue Manager, Joint Lead Underwriter and Joint Bookrunner.

REFUNDS

In the event an Application is rejected or the amount of the First Tranche Bonds applied for is scaled down, the relevant Joint Issue Manager, Joint Lead Underwriter and Joint Bookrunner, upon receipt of such rejected and/or scaled down applications, shall notify the Applicant concerned that his application has been rejected or the amount of First Tranche Bonds applied for is scaled down, and refund the amount paid by the Applicant with no interest thereon. With respect to an Applicant whose application was rejected, refund shall be made by the relevant Joint Issue Manager, Joint Lead Underwriter and Joint Bookrunner by making the check payment of the Applicant concerned available for his retrieval. With respect to an Applicant whose application has been scaled down, refund shall be made by the issuance by the relevant Joint Issue Manager, Joint Lead Underwriter and Joint Bookrunner of its own check payable to the order of the Applicant and crossed ''Payees' Account Only'' corresponding to the amount in excess of the accepted Application. All checks shall be made available for pick up by the Applicant concerned at the office of the relevant Joint Issue Manager, Joint Lead Underwriter and Joint Bookrunner to whom the rejected or scaled down Application was submitted within ten (10) Banking Days after the last day of the Offer Period. The Issuer shall not be liable in any manner to the Applicant for any check payment corresponding to any rejected or scaled-down application which is not returned by the relevant Joint Issue Manager, Joint Lead Underwriter and Joint Bookrunner; in which case, the relevant Joint Issue Manager, Joint Lead Underwriter and Joint Bookrunner shall be responsible directly to the Applicant for the return of the check or otherwise the refund of the payment.

SECONDARY MARKET

AEV intends to list the First Tranche Bonds at the PDEx. AEV may purchase the First Tranche Bonds at any time, in the open market or by tender or by contract, in accordance with PDEx Rules, without any obligation to make pro rata purchases of Bonds from all Bondholders. Bonds so purchased shall be redeemed and cancelled and may not be re-issued.

Upon listing of the First Tranche Bonds on the PDEx, the Issuer shall disclose any such transactions in accordance with the applicable PDEx disclosure rules.

REGISTRY OF BONDHOLDERS

The First Tranche Bonds shall be issued in scripless form and will be eligible for trading under the scripless book-entry system of PDTC. Master Certificates of Indebtedness representing the First Tranche Bonds sold in the Offer shall be issued to and registered in the name of the Trustee, on behalf of the Bondholders.

Legal title to the First Tranche Bonds shall be shown in the Registry Book (the "Registry Book") to be maintained by the Registrar. Initial placement of the First Tranche Bonds and subsequent transfers of interests in the First Tranche Bonds shall be subject to applicable prevailing Philippine selling restrictions. AEV will cause the Registry Book to be kept at the specified office of the Registrar. The names and addresses of the Bondholders and the particulars of the First Tranche Bonds held by them and of all transfers of Bonds shall be entered into the Registry Book.

Initial placement of the First Tranche Bonds and subsequent transfers of interests in the First Tranche Bonds shall be subject to applicable prevailing Philippine selling restrictions.

DESCRIPTION OF THE OFFER

The following does not purport to be a complete listing of all the rights, obligations, or privileges of the First Tranche Bonds. Some rights, obligations, or privileges may be further limited or restricted by other documents. Prospective investors are enjoined to carefully review the Articles of Incorporation, By-Laws and resolutions of the Board of Directors and Shareholders of the Company, the information contained in the Preliminary Prospectus, the Trust Agreement, the Underwriting Agreement, the Registry and Paying Agency Agreement and other agreements relevant to the Offer.

The corresponding issue of the First Tranche Bonds in an aggregate principal amount of up to PhP3,000,000,000, with an Oversubscription Option of up to an aggregate principal amount of up to PhP2,000,000,000, were authorized by a resolution of the Board of Directors of AEV dated 7 March 2019.

The First Tranche Bonds shall be constituted by a Trust Agreement executed on [•] (the "Trust Agreement") entered into between the Issuer and BDO Unibank, Inc. - Trust and Investments Group (the "Trustee"), which term shall, wherever the context permits, include all other persons or companies for the time being acting as trustee or trustees under the Trust Agreement. The description of the terms and conditions of the First Tranche Bonds set out below includes summaries of, and is subject to, the detailed provisions of the Trust Agreement.

A registry and paying agency agreement executed on [•] (the "Registry and Paying Agency Agreement") in relation to the First Tranche Bonds among the Issuer, Philippine Depository & Trust Corporation as paying agent (the "Paying Agent") and as registrar (the "Registrar").

The First Tranche Bonds shall be offered and sold through a general public offering in the Philippines, and issued and transferable in minimum principal amounts of PhP50,000.00 and in multiples of PhP10,000.00) thereafter, and traded in denominations of PhP10,000.00 in the secondary market.

The Series A Bonds shall mature on [2024], while the Series B Bonds shall mature on [2029], unless earlier redeemed by the Issuer pursuant to the terms thereof and subject to the provisions on redemption and payment below.

The Paying Agent and Registrar has no interest in or relation to AEV which may conflict with its role as Registrar for the Offer. The Trustee has no interest in or relation to AEV which may conflict with the performance of its functions as Trustee.

Copies of the Trust Agreement and the Registry and Paying Agency Agreement are available for inspection during normal business hours at the specified offices of the Trustee. The holders of the First Tranche Bonds (the "Bondholders") are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Agreement and are deemed to have notice of those provisions of the Registry and Paying Agency Agreement applicable to them.

FORM AND DENOMINATION

The First Tranche Bonds are in scripless form, and shall be issued in denominations of Fifty Thousand Pesos (₽50,000.00) each as a minimum and in multiples of Ten Thousand Pesos (₽10,000.00) thereafter and traded in denominations of Ten Thousand Pesos (₽10,000.00) in the secondary market.

TITLE

Legal title to the First Tranche Bonds shall be shown in the Registry Book maintained by the Registrar. A notice confirming the principal amount of the First Tranche Bonds purchased by each applicant in the Offering shall be issued by the Registrar to all Bondholders following the Issue Date. Upon any assignment, title to the First Tranche Bonds shall pass by recording of the transfer from the transferor to the transferee in the electronic Registry Book maintained by the Registrar. Settlement in respect of such transfer or change of title to the First Tranche Bonds, including the settlement of any cost arising from such transfers, including, but not limited to, documentary stamps taxes, if any, arising from subsequent transfers, shall be for the account of the relevant Bondholder.

BOND RATING

The First Tranche Bonds have been rated PRS [•], with a [•] Outlook by PhilRatings on [•]. Obligations rated PRS [•] are [•].

A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organization.

TRANSFER OF BONDS

Registry Book

The Issuer shall cause the Registry to be kept by the Registrar, in electronic form. The names and addresses of the Bondholders and the particulars of the First Tranche Bonds held by them and of all transfers of First Tranche Bonds shall be entered into the Registry Book. As required by Circular No. 428-04 issued by the Bangko Sentral ng Pilipinas, the Registrar shall send each Bondholder, in the mode elected by such Bondholder in the Application to Purchase or the Registration Form, a written statement of registry holdings at least quarterly (at the cost of the Issuer) and a written advice confirming every receipt or transfer of the First Tranche Bonds that is effected in the Registrar's system (at the cost of the relevant Bondholder). Such statement of registry holdings shall serve as the confirmation of ownership of the relevant Bondholder as of the date thereof. Any requests of Bondholders for certifications, reports or other documents from the Registrar, except as provided herein, shall be for the account of the requesting Bondholder. No transfers of the First Tranche Bonds may be made during the period intervening between and commencing on the Record Date and the relevant Interest Payment Date.

Transfers; Tax Status

The Registrar shall ultimately and conclusively determine all matters regarding the evidence necessary to effect any such transfers. Settlement in respect of such transfers or change of title to the First Tranche Bonds, including the settlement of any documentary stamps taxes, if any, arising from subsequent transfers, shall be settled directly between the transferee and/or the transferor Bondholders.

Transfers across tax categories shall not be allowed except on Interest Payment Dates that fall on a business day. Restricted transfers include, but are not limited to, transfers between taxable and non-taxable entities, between taxable entities of different tax categories (where tax-withheld entities with different final withholding tax rates (e.g. 20%, 25%, 30%) are considered as belonging to different tax categories), or between parties who claim the benefit of a tax treaty; provided, however, that transfers from a tax-exempt category to a taxable tax category on a non-Interest Payment Date shall be allowed using the applicable tax-withheld series name to ensure that the computation is based on the final withholding tax rate of the taxable party to the trade. For such transactions, the tax-exempt entity shall be treated as belonging to the same tax category as its taxable counterpart for the interest period within which such transfer occurred. A Bondholder claiming tax-exempt status is required to submit a written notification of the sale or purchase to the Trustee and the Registrar, including the tax status of the transferor or transferee, as appropriate, together with the supporting documents specified under the Registry and Paying Agency Agreement upon submission of the account opening documents to Registrar. Transfers taking place in the Register of Bondholders after the First Tranche Bonds are listed on PDEx shall be allowed between tax-exempt and non-tax-exempt entities without restriction and observing the tax exemption of tax-exempt entities, if and/or when so allowed under and in accordance with the relevant rules, conventions, and guidelines of PDEx and PDTC.

Secondary Trading of the First Tranche Bonds

The Issuer intends to list the First Tranche Bonds at PDEx for secondary market trading or such other securities exchange as may be licensed as such by the SEC. Secondary market trading in PDEx shall follow the applicable PDEx rules, conventions, and guidelines governing trading and settlement between bondholders of different tax status and shall be subject to the relevant fees of PDEx and PDTC. Upon listing of the First Tranche Bonds with PDEx, investors shall course their secondary market trades through PDEx Brokering Participants for execution in the PDEx Trading Platform in accordance with PDEx Trading Rules, Conventions and Guidelines, and shall settle such trades on a Delivery versus Payment (DvP) basis in accordance with PDEx Settlement Rules and Guidelines. The PDEx rules and conventions are available in the PDEx website (www.pds.com.ph). An Investor Frequently Asked Questions (FAQ) discussion on the secondary market trading, settlement, documentation and estimated fees are also available in the PDEx website.

RANKING

The First Tranche Bonds constitute direct, unconditional, unsecured and unsubordinated Peso denominated obligations of the Issuer and shall rank *pari passu* and rateably in priority of payment without any preference or priority amongst themselves and at least *pari passu* with all other present and future unsecured and unsubordinated obligations of the Issuer, other than (i) obligations preferred by the law, (ii) any obligation incurred by the Issuer pursuant to [Section 5.02 (a) of the Trust Agreement] or as may be allowed by the Trust Agreement, and (iii) other Indebtedness or obligations disclosed by the Issuer to the Trustee as of Issue Date. The First Tranche Bonds shall effectively be subordinated in right of payment to, among others, all of AEV's secured debts to the extent of the value of the assets securing such debt and all of its debt that is evidenced by a public instrument under Article 2244(14) of the Civil Code of the Philippines, unless the Issuer procures a waiver of the preference created by such notarization or equally and ratably extend such preference to the First Tranche Bonds.

INTEREST

Interest Payment Dates

The First Tranche Bonds bear interest on its principal amount from and including Issue Date at the rate of [•] % p.a., for the Series A Bonds and [•] % p.a., for the Series B Bonds, payable quarterly starting on [•] for the first interest payment date, and [•], [•], [•], and [•] of each year for each subsequent Interest Payment Date at which the First Tranche Bonds are outstanding, or the subsequent Banking Day, without adjustment, if such Interest Payment Date is not a Banking Day. The last Interest Payment Date shall fall on the Maturity Date.

The cut-off date in determining the existing Bondholders entitled to receive interest or principal amount due shall be the day two (2) Banking Days prior to the relevant Interest Payment Date (the "Record Date"), which shall be the reckoning day in determining the Bondholders entitled to receive interest, principal or any other amount due under the First Tranche Bonds, provided that if such day falls on a non-Banking Day, the Record Date shall be the next Banking Day immediately preceding said date. No transfers of the First Tranche Bonds may be made during this period intervening between and commencing on the Record Date and the relevant Interest Payment Date.

Interest Accrual

Each Series A Bond and Series B Bond shall cease to bear interest from and including the Maturity Date, as defined in the discussion on *"Final Redemption,"* unless, upon due presentation, payment of the principal in respect of the Bond then outstanding is not made, is improperly withheld or refused, in which case the Penalty Interest (see *"Penalty Interest"*) shall apply.

Determination of Interest Amount

The interest shall be calculated on the basis of a 360-day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed on the basis of a month of 30 days.

REDEMPTION AND PURCHASE

Final Redemption

Unless previously purchased and cancelled, the First Tranche Bonds shall be redeemed at par or 100% of face value on the respective Maturity Dates. However, payment of all amounts due on such date may be made by the Issuer through the Paying Agent, without adjustment, on the succeeding Banking Day if the Maturity Date is not a Banking Day.

Optional Redemption

Prior to the respective Maturity Dates, the Issuer shall have the option, but not the obligation, to redeem in whole (and not in part), the outstanding Series A Bonds or Series B Bonds on the Optional Redemption Dates, as provided below, or the immediately succeeding Banking Day if such date is not a Banking Day (the "Optional Redemption Date") , without any adjustment on the principal or interest accruings.

The amount payable to the Bondholders in respect of the Optional Redemption exercise (the "Optional Redemption Price") shall be calculated based on the principal amount of the Series A Bonds or Series B Bonds being redeemed as the aggregate of the: (i) accrued interest computed from the last Interest Payment Date up to the relevant Optional Redemption Date; and (ii) the product of the principal amount and the applicable Optional Redemption Price in accordance with the following schedule:

Series A Bonds:

Optional Redemption Dates	Optional Redemption Price
[4] years from Issue Date	[100.25%]

Series B Bonds:

Optional Redemption Dates	Optional Redemption Price
[7] years from Issue Date	[102.00%]
[8] years from Issue Date	[101.00%]
[9] years from Issue Date	[100.25%]

The Issuer shall give not less than thirty (30) nor more than sixty (60) days prior written notice of its intention to redeem the relevant Series A Bonds or Series B Bonds, which notice shall be irrevocable and binding upon the Issuer to effect such early redemption on the Optional Redemption Date stated in such notice.

<u>Redemption for Taxation Reasons</u>

The Issuer may redeem the Series A Bonds or the Series B Bonds in whole, but not in part, on any Interest Payment Date (having given not more than sixty (60) nor less than thirty (30) days' notice to the Trustee) at par plus accrued interest, subject to the requirements of Applicable Law, if payments under the Series A Bonds or the Series B Bonds become subject to additional or increased taxes other than the taxes and rates of such taxes prevailing on Issue Date as a result of certain changes in Applicable Law, and such additional or increased rate of such tax cannot be avoided by use of reasonable measures available to the Issuer.

For avoidance of doubt, the Issuer shall not be liable for the payment of the additional or increased taxes, which shall be for the account of the Bondholders.

The Trustee, upon receipt of written notice of redemption delivered by the Issuer, shall declare the principal of the Series A Bonds or the Series B Bonds, including all accrued interest, to be immediately due and payable, and upon such declaration the same shall be immediately due and payable without any pre-payment penalty that is imposed under an optional redemption, anything in the Trust Agreement or in the Series A Bonds or the Series B Bonds contained to the contrary notwithstanding.

<u>Mandatory Redemption</u>

If any one or more of the following events shall occur, in the reasonable opinion of the Bondholders holding at least two-thirds (2/3) of the outstanding amount of the First Tranche Bonds for the events contemplated in (a), (b) or (c) below or the Majority Bondholders for the events contemplated in (d) below (and with written notice to the Trustee), and be continuing for a period of fifteen (15) Banking Days with respect to the events contemplated in (a) or (c) below:

a. Any law, government and/or non-government consent, license, authorization, registration or approval now or hereafter necessary to enable the Issuer to comply with its obligations under the Trust Agreement or the First Tranche Bonds which shall be modified in a manner which, in the reasonable opinion of the Trustee, while not constituting an Event of Default, will materially and adversely affect the ability of the Issuer to comply with such obligations, or shall be withdrawn or withheld;

b. Any provision of the Trust Agreement or any of the related documents is or becomes invalid, illegal or unenforceable by reason of: (i) any final judgment or order by a court of competent authority; or (ii) notwithstanding any pending action before a court of competent authority: (x) any final and effective act of any Government Authority, or (y) any final and effective law, rule, or regulation to the extent that it becomes for any reason unlawful for the Issuer to give effect to its rights or obligations hereunder, or to enforce any provisions of the Trust Agreement or any of the related documents in whole or in part, or any law is introduced to prevent or restrain the performance by the parties hereto of their obligations under the Trust Agreement or any other related documents;

c. Any concessions, permits, rights, franchise or privileges required for the conduct of the business and operations of the Issuer shall be revoked, canceled or otherwise terminated, or the free and continued use and exercise thereof shall be curtailed or prevented, by reason of: (i) any final judgment or order by a court of competent authority; or (ii) notwithstanding any pending action before a court of competent authority: (x) any final and effective act of any Government Authority, or (y) any final and effective law, rule, or regulation, in such a manner as to materially and adversely affect the financial condition or operations of the Issuer; and

d. Any Government Authority or any competent authority condemns, seizes, or expropriates all or substantially all of the assets or properties of the Issuer, unless such act is contested in good faith by the Issuer or unless such act is suspended or restrained by an order of a court of competent jurisdiction;

then, the Trustee, by notice in writing delivered to the Issuer, may declare the principal of the First Tranche Bonds, including all accrued interest and other charges thereon, if any, to be immediately due and payable, and upon such declaration the same shall be immediately due and payable without any pre-payment penalty.

Purchase

The Issuer may at any time purchase any of the First Tranche Bonds at any price in the open market or by tender or by contract in accordance with PDEx Rules, without any obligation to purchase First Tranche Bonds pro-rata from all Bondholders. Bonds so purchased shall be redeemed and cancelled and may not be re-issued.

Upon listing of the First Tranche Bonds on PDEx, the Issuer shall disclose any such transactions in accordance with the applicable PDEx disclosure rules.

Payments

The principal of, interest on, and all other amounts payable on the First Tranche Bonds shall be paid to the Bondholders by crediting of the settlement accounts designated by each of the Bondholders. The principal of, and interest on, the First Tranche Bonds shall be payable in Philippine Pesos, net of final taxes and fees (if any). AEV shall ensure that so long as any of the First Tranche Bonds remains outstanding, there shall at all times be a Paying Agent for the purposes of the First Tranche Bonds. AEV may terminate the appointment of the Paying Agent, as provided in the Registry and Paying Agency Agreement. In the event the appointed office of any institution shall be unable or unwilling to continue to act as the Paying Agent, AEV shall appoint the Makati City office of such other leading institution in the Philippines authorized to act in its place. The Paying Agent may not resign its duties or be removed without a successor having been appointed.

Payment of Additional Amounts - Taxation

Interest income on the First Tranche Bonds is subject to final withholding tax at rates depending on the tax status of the relevant Bondholder under relevant law, regulation or tax treaty. Except for such final withholding tax and as otherwise provided below or in the Trust Agreement, and without prejudice to the right of the Issuer to exercise its option to redeem the Series A Bonds or the Series B Bonds for taxation reasons, all payments of principal and interest are to be made free and clear of any deductions or withholding for or on account of any present or future taxes or duties imposed by or on behalf of Republic of the Philippines, including, but not limited to, issue, registration or any similar tax or other taxes and duties, including interest and penalties, if any. If such taxes or duties are imposed, the same shall be for the account of the Issuer; provided however that, the Issuer shall not be liable for the following:

1. The applicable final withholding tax applicable on interest earned on the Series A Bonds and the Series B Bonds prescribed under the Tax Code, as amended and its implementing rules and regulations as maybe in effect from time to time. An investor who is exempt from the aforesaid withholding tax, or is subject to a preferential withholding tax rate shall be required to submit the following requirements to the Registrar, subject to acceptance by the Issuer as being sufficient in form and substance:

    a. Proof of Tax Exemption or Entitlement to Preferential Tax Rates

        i. For (a) tax-exempt corporations under Section 30 of the Tax Code (except non-stock, non-profit educational institutions under Section 30(H) of the Tax Code); (b) cooperatives duly registered with the Cooperative Development Authority; and (c) BIR-approved pension fund and retirement plan – certified true copy of valid, current and subsisting tax exemption certificate, ruling or opinion issued by the BIR. For this purpose, a tax exemption certificate or ruling shall be deemed “valid, current and subsisting” if it has not been more than 3 years since the date of issuance thereof;
        ii. For Tax-Exempt Personal Equity Retirement Account established pursuant to PERA Act of 2008 – certified true copy of the Bondholder’s current, valid and subsisting Certificate of Accreditation as PERA Administrator (BIR Form No. 2336);
        iii. For all other tax-exempt entities (including, but not limited to, (a) non-stock, non-profit educational institutions; (b) government-owned or -controlled corporations; and (c) foreign governments, financing institutions owned, controlled or enjoying refinancing from foreign governments, and international or regional financial institutions established by foreign governments) – certified true copy of tax exemption certificate, ruling or opinion issued by the BIR expressly stating that their income is exempt from income tax and, consequently, withholding tax. For qualified non-stock, non-profit educational institutions, however, Tax Exemption Rulings or Certificates of Exemption issued prior to June 30, 2012 are required to apply for new Tax Exemption Rulings; and
        iv. For entities claiming tax treaty relief – (i) certificate of tax residence issued for the current year (whether using the form prescribed in their country of residence, or using Part I (D) of the Certificate of Tax Residence for Tax Treaty Relief (“CORTT”) Form prescribed under Revenue Memorandum Order No. 8-2017), and (ii) duly accomplished CORTT Form (particularly Part I (A), (B) and (C), and Part II (A), (B), (C) and (D)).

In addition, for subsequent interests due, the Bondholder shall submit an updated Part II (A), (B), (C) and (D) of the CORTT Form to the Issuer through the Registrar no later than the first day of the month when such subsequent interest payment/s shall fall due and, if applicable, including any clarification, supplement or amendment thereto.

Only the originals should be submitted to the Underwriter.

b. A duly notarized declaration (in the prescribed form) warranting that the Bondholder's tax-exemption certificate or ruling has not been revoked or cancelled and that there are no material changes in character, purpose or method of operation of the Bondholder which are inconsistent with the basis of its income tax exemption, or warranting the Bondholder's entitlement to preferential treaty rates, and undertaking to immediately notify the Issuer and the Registrar and Paying Agent of any suspension or revocation of its tax exemption or treaty privileges and agreeing to indemnify and hold the Issuer and Registrar and Paying Agent free and harmless against any claims, actions, suits and liabilities arising from the non-withholding or reduced withholding of the required tax; andSuch other documentary requirements as may be reasonably required by the Issuer or the Registrar or Paying Agent, or as may be required under applicable regulations of the relevant taxing or other authorities.

c. Such other documentary requirements as may be reasonably required by the Issuer or the Registrar or Paying Agent, or as may be required under applicable regulations of the relevant taxing or other authorities.

Failure to submit any of the documents provided under (a), (b), and (c) above, as may be applicable, will result in the application of the normal income tax rate provided under the Tax Code.

2. Any applicable taxes on other income due to any Bondholder arising from the Series A Bonds or Series B Bonds, including but not limited to the Prepayment Penalty, if and when applicable;

3. Gross Receipts Tax under the Tax Code;

4. Taxes on the overall income of any securities dealer or Bondholder, whether or not subject to withholding; and

5. Value Added Tax ("VAT") under the Tax Code, as amended. Documentary stamp tax for the primary issue of the First Tranche Bonds and the execution of the Bond Agreements, if any, shall be for the Issuer's account.

FINANCIAL RATIOS

The Issuer shall not incur any loan obligation with a maturity of more than one (1) year, if on the Transaction Date, after giving effect to the incurrence of such loan obligation, and any other such cumulative obligations, but not giving any effect to the receipt or application of proceeds therefrom, the Net Debt, as at the last day of the Relevant Period immediately preceding the Transaction Date, to Consolidated Equity, in respect of the Relevant Period immediately preceding the Transaction Date, will exceed 3:1.

With respect to the First Tranche Bonds, there are no other regulatory ratios that the Issuer is required to comply with.

For the schedule of the Issuer's relevant financial ratios as of December 2018, December 2017, and December 2016, please refer to the section entitled "*Financial Ratios.*"

EVENTS OF DEFAULT

Each of the following events constitutes an Event of Default.

1. **Payment Default.** The Issuer fails to pay when due and payable any amount of principal or interest which the Issuer is obligated to pay the Bondholders under the Trust Agreement and the First Tranche Bonds, and such failure to pay is not remedied within seven (7) Banking Days from due date thereof.

   The Issuer fails to pay when due and payable any other amount payable by the Issuer in respect of the First Tranche Bonds and under the Trust Agreement in the manner, at the place, and in the currency in which it is expressed to be payable, and such non-payment continues for thirty (30) days from the date such payment is due. These other amounts include Penalty Interest, insofar as the payment of such interest is concerned.

2. **Representation Default.** Except for clerical or typographical error, any representation or warranty made by the Issuer in the Trust Agreement or in any document issued pursuant thereto or otherwise in connection therewith shall prove to have been untrue, incorrect, or misleading in any material respect as at the time it was made or deemed to have been made or is violated or not complied with, and the circumstances which cause such representation or warranty to be incorrect or misleading continue for not less than thirty (30) days (or such longer period as the Majority Bondholders shall approve) after receipt of written notice from the Trustee to that effect.

3. **Other Provisions Default.** The Issuer fails to perform or comply with any other term, obligation, or covenant contained in the Trust Agreement or in any other document or instruments related or otherwise in connection therewith and any such failure, violation, non-compliance is not remediable or if remediable, continues unremedied for a period of ninety (90) days for financial covenants and sixty (60) days for all other covenants from the date after written notice thereof shall have been given by the Trustee; Provided, however, that for the avoidance of doubt, no additional grace period shall apply to the Events of Default.

4. **Cross-Default.** The Issuer violates any other material obligation by the Issuer with any bank, financial institution or other person, corporation or entity for the payment of borrowed money which constitutes an event of default under said contract, or in general, violation of any, law or regulation which violation, if remediable, is not remedied by the Issuer within thirty (30) Banking Days from receipt of notice by the Trustee to the Issuer, or which violation is otherwise not contested by the Issuer, and the effect of such violation results in the acceleration or declaration of the whole financial obligation to be due and payable prior to the stated normal date of maturity; and which violation will, further, in the reasonable opinion of the Trustee, adversely and materially affect the performance by the Issuer of its obligations under the Trust Agreement and the First Tranche Bonds. Provided, however, that no event of default will occur under this paragraph unless the aggregate amount of indebtedness in respect of which one or more of the events above mentioned has/have occurred equals or is

in excess of five percent (5%) of the Fair Market Value of Assets of the Issuer, based on the relevant parent-only financial statements of the Issuer.

5. **Insolvency Default.** The Issuer becomes insolvent or is unable to pay its debts when due or commits or permits any act of bankruptcy, which act shall include: (i) the filing of a petition in any bankruptcy, reorganization, winding up or liquidation of the Issuer, or any other proceeding analogous in purpose and effect: Provided, however, that in case the foregoing petition is filed by any other party, other than the Issuer, such event shall be considered a declared Event of Default only upon the issuance of a final order by the court of competent authority; (ii) the making of an assignment by the Issuer of substantially all or all of its assets, or in fraud of creditors; (iii) the admission in writing by the Issuer of its inability to pay its debts; (iv) the entry of any final order or judgment of any court, tribunal, or administrative agency or body confirming the bankruptcy or insolvency of the Issuer or approving any reorganization, winding up or liquidation of the Issuer; or (v) the appointment of a receiver, liquidator, assignee, trustee, or sequestrator of the Issuer, or a substantial part of its property or assets or a substantial part of its capital stock or to assume custody or control of the Issuer, or the ordering of its dissolution, winding-up or liquidation of its affairs.

6. **Closure Default.** The Issuer voluntarily suspends or ceases operations of a substantial portion of its business for a continuous period of thirty (30) calendar days, except that if the closure is: (i) due to strikes or lockouts; or (ii) necessary to prevent business losses; or (iii) due to fortuitous events or force majeure, then such closure shall not be deemed a Closure Default.

7. **Judgment Default.** Any final judgment, decree or arbitral award for the sum of money, damages or for a fine or penalty in excess of 20% of the Issuer's Fair Market Value of Assets or its equivalent in any other currency is entered against the Issuer and any relevant period specified for payment in such judgment, decree, order, or agreement, shall have expired without being satisfied, discharged, or stayed; and

8. **Writ and Similar Process Default.** Any writ, warrant of attachment or execution, or similar process shall be issued or levied against all or substantially all of the Issuer's assets, and such writ, warrant, or similar process shall not be released, vacated, or fully bonded within sixty (60) days after its issue or levy (or such longer period as the Issuer satisfies the Majority Bondholders as appropriate under the circumstances).

CONSEQUENCES OF DEFAULT

<u>**Declaration**</u>

1. If any one or more of the Events of Default shall occur and be continuing, the Trustee, upon the written direction of the Bondholders holding at least two-thirds (2/3) of the outstanding amount of the First Tranche Bonds, by notice in writing delivered to the Issuer, may declare the principal of the First Tranche Bonds then outstanding, including all interest accrued and unpaid thereon and all amounts due thereunder, to be due and payable immediately, anything contained in the Trust Agreement or in the First Tranche Bonds to the contrary notwithstanding.

2. The provision above, however, is subject to the condition that, except in the case of a Writ and Similar Process Default, the Majority Bondholders, by written notice to the Issuer and to the Trustee, may rescind and annul such declaration made by the Trustee pursuant to a consequence of default and its consequences, upon such terms, conditions and agreements, if

any, as they may determine, including, in connection with a Cross Default, the fact that the non-payment of the obligation is contested in good faith by the Issuer; provided, that, no such rescission and annulment shall extend to or shall affect any subsequent default or shall impair any right consequent thereto. Any such waiver shall be conclusive and binding upon all the Bondholders and upon all future holders and owners of such First Tranche Bonds, or of any First Tranche Bond issued in lieu thereof or in exchange therefor, irrespective of whether or not notation of such waiver is made upon the First Tranche Bonds.

3. At any time after an Event of Default shall have occurred, the Trustee may:

    a. by notice in writing to the Issuer, the Registrar, and the Paying Agent, require the Registrar and Paying Agent to:

        i. act thereafter as agents of the Bondholders represented by the Trustee on the terms provided in the Registry and Paying Agency Agreement (with consequential amendments as necessary and save that the Trustee's liability under the provisions thereof for the indemnification, remuneration and payment of out-of-pocket expenses of the Paying Agent and the Registrar shall be limited to amounts for the time being held by the Trustee on the trusts of the Trust Agreement in relation to the First Tranche Bonds and available to the Trustee for such purpose) and thereafter to hold all sums, documents and records held by them in respect of the First Tranche Bonds on behalf of the Trustee; and/or

        ii. deliver all evidence of the First Tranche Bonds and all sums, documents and records held by them in respect of the First Tranche Bonds to the Trustee or as the Trustee shall direct in such notice; provided, that, such notice shall be deemed not to apply to any document or record which the Paying Agent or Registrar is not obliged to release by any Applicable Law; and

    b. by notice in writing to the Issuer, require the Issuer to make all subsequent payments in respect of the First Tranche Bonds to the order of the Trustee and with effect from the issue of any such notice until such notice is withdrawn.

<u>Notice of Default</u>

The Trustee shall, within ten (10) days after the occurrence of an Event of Default give to the Bondholders written notice of any such Event of Default known to it unless the same shall have been cured before the giving of such notice; provided, that, in the case of a Payment Default, the Trustee shall, upon written notice from the Paying Agent of the Issuer's failure to pay any amount of principal or interest which the Issuer is obligated to pay the Bondholders under the Trust Agreement and the First Tranche Bonds, immediately notify the Bondholders upon the occurrence of such Payment Default; provided further, that such written notice from the Paying Agent shall not be required if the Issuer's failure to pay was caused by a technical error or by reasons beyond the control of the Issuer. The existence of a written notice required to be given to the Bondholders under this Section shall be published in two (2) newspapers of general circulation in Metro Manila, Philippines for two (2) consecutive days, indicating in the published notice that the Bondholders or their duly authorized representatives may obtain an important notice regarding the First Tranche Bonds at the principal office of the Trustee as indicated in the Trust Agreement upon presentation of sufficient and acceptable identification to the Trustee.

Subject to Applicable Law, in case of the occurrence of an Event of Default, the Issuer shall authorize the Registrar to provide the Trustee with the list of Bondholders containing the names, addresses, tax identification number (TIN), tax status, and account details of the Bondholders, the amount of the First Tranche Bonds held by them, the Cash Settlement Account numbers where payment to them shall be credited and such other information as may be agreed upon between the Registrar and the Issuer.

Penalty Interest

In case any amount payable by the Issuer under the First Tranche Bonds, whether for principal, interest, fees due to the Trustee, Registrar or Paying Agent or otherwise, is not paid on due date, the Issuer shall, without prejudice to its obligations to pay the said principal, interest and other amounts, pay penalty fee on the defaulted amount(s) at the rate of two percent (2.0%) per annum (the "Penalty Interest") from the time the amount fell due until it is fully paid.

Payments in the Event of Default

The Issuer covenants that upon the occurrence of any Event of Default, the Issuer will pay to the Bondholders, through the Paying Agent, the whole amount which shall then have become due and payable on all such outstanding Bonds with interest at the rate borne by the First Tranche Bonds on the overdue principal and with Penalty Interest, where applicable, and in addition thereto the Issuer will pay to the Trustee such further amounts as shall be determined by the Trustee to be sufficient to cover the cost and expenses of collection, including reasonable compensation to the Trustee, its agents, attorneys and counsel, and any reasonable expenses or liabilities incurred without negligence or bad faith by the Trustee hereunder.

Upon the occurrence of an Event of Default and in accordance with the requirements of the Trust Agreement, the Bondholders shall have the right, but not the obligation, to require the Issuer to redeem the First Tranche Bonds in full, by payment of the amounts stated above, plus the principal amount, by delivery of the relevant evidence of the First Tranche Bonds to the Trustee.

Application of Payments

Any money collected by the Trustee and any other funds held by it, subject to any other provision of the Trust Agreement relating to the disposition of such money and funds, shall be applied by the Trustee in the order of preference as follows:

First: To the payment of the costs, expenses, fees and other charges of collection, including reasonable compensation to the Trustee, Paying Agent, Registrar, and each such person's agents, attorneys and counsel, and all reasonable expenses and liabilities incurred or disbursement made by the Trustee, Paying Agent and Registrar without negligence or bad faith.

Second: To the payment of Penalty Interest.

Third: To the payment of the interest, in the order of the maturity of such interest.

Fourth: To the payment of the principal amount of the outstanding Bonds due and payable.

Fifth: The remainder, if any, shall be paid to the Issuer, its successors or assigns, or to whosoever may be lawfully entitled to receive the same, or as a court of competent jurisdiction may direct.

Except for any interest and principal payments, all disbursements of the Paying Agent in relation to the First Tranche Bonds shall require the conformity of the Trustee.

Remedies

All remedies conferred by the Trust Agreement to the Trustee and the Bondholders shall be cumulative and not exclusive and shall not be so construed as to deprive the Trustee or the Bondholders of any legal remedy by judicial or extrajudicial proceedings appropriate to enforce the conditions and covenants of in the Trust Agreement.

No delay or omission by the Trustee or by any Bondholder to exercise any right or power arising from or on account of any default hereunder shall impair any such right or power, or shall be construed to be a waiver of any such default or an acquiescence thereto, and every power and remedy given in the Trust Agreement to the Trustee or to the Bondholder may be exercised from time to time and as often as may be necessary or expedient.

Ability to File Suit

No Bondholder shall have any right by virtue of or by availing of any provision of the Trust Agreement to institute any suit, action or proceeding for the collection of any sum due from the Issuer hereunder on account of principal, interest and other charges, or for the appointment of a receiver or trustee, or for any other remedy hereunder, unless all of the following conditions have been fulfilled: (1) such Bondholder previously shall have given to the Trustee written notice of an Event of Default and of the continuance thereof and the related request for the Trustee to convene a meeting of the Bondholders to take up matters related to their rights and interests under the First Tranche Bonds, and (2) the Majority Bondholders shall have decided and made a written request upon the Trustee to institute such suit, action or proceeding in its own name, and (3) the Trustee for sixty (60) days after receipt of such notice and request shall have neglected or refused to institute any such suit, action or proceeding, unless such failure was due to any circumstance beyond its control, and (4) no directions inconsistent with such written request or waiver of default by the Bondholders shall have been made, it being understood and intended, and being expressly covenanted by every Bondholder with every other Bondholder and the Trustee, that no one or more Bondholder shall have any right in any manner whatsoever by virtue of or by availing of any provision of the Trust Agreement to affect, disturb or prejudice the rights of the holders of any other such Bonds or to obtain or seek to obtain priority over or preference to any other such holder or to enforce any right under the Trust Agreement, except in the manner herein provided and for the equal, ratable and common benefit of all Bondholders. For the protection and enforcement of the provisions of this Section, each and every Bondholder and the Trustee shall be entitled to such relief as can be given under the Applicable Law.

Waiver of Default by Bondholders

The Majority Bondholders may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred upon the Trustee, or the Majority Bondholders may decide for and in behalf of the Bondholders to waive any past default except the Payment Default, Cross-Default, Insolvency Default, and Closure Default, and its consequences. In case of any such waiver, the Issuer, the Trustee and the Bondholders shall be restored to their former positions and rights hereunder, but no such waiver shall extend to any subsequent or other default or impair any right consequent thereto. Any such waiver by the Majority Bondholders shall be conclusive and binding upon all Bondholders and upon all future holders and owners thereof, irrespective of whether or not any notation of such waiver is made upon the certificate representing the First Tranche Bonds.

MEETINGS OF BONDHOLDERS

Meetings

A meeting of Bondholders may be called at any time and from time to time pursuant to the provisions of this Section for the purpose of taking any action authorized to be taken by or on behalf of the holders of any specified aggregate principal amount of Bonds under any other provisions of the Trust Agreement or under applicable law and such other matters related to the rights and interests of the Bondholders under the First Tranche Bonds.

Notice of Meetings

The Trustee may at any time call a meeting of the Bondholders, or the holders of at least twenty-five percent (25%) of the aggregate outstanding principal amount of the First Tranche Bonds may direct the Trustee to call a meeting of the Bondholders, to take any action specified herein, to be held at such time and at such place as the Trustee shall determine. Notice of every meeting of Bondholders, setting forth the time and the place of such meeting and the purpose of such meeting in reasonable detail, shall be sent by the Trustee to the Issuer and to each of the registered Bondholders and published in two (2) newspapers of general circulation in Metro Manila, Philippines not earlier than forty-five (45) days nor later than fifteen (15) days prior to the date fixed for the meeting. All reasonable costs and expenses incurred by the Trustee for the proper dissemination of the notices for the requested meeting shall be reimbursed by the Issuer within ten (10) days from receipt of the duly supported statement of account.

Failure of Trustee to Call a Meeting

In case at any time the Issuer, pursuant to a resolution of its board of directors, or the holders of at least twenty-five percent (25%) of the aggregate outstanding principal amount of the First Tranche Bonds shall have requested the Trustee to call a meeting of the Bondholders by written request setting forth in reasonable detail the purpose of the meeting, and the Trustee shall not have mailed and published, the notice of such meeting within fifteen (15) Banking Days after receipt of such request, then the Issuer or the holders of the First Tranche Bonds in the amount above specified may determine the time and place for such meeting and may call such meeting by mailing and publishing notice thereof, and the costs thereof shall be chargeable to the Trustee, except when such failure is beyond the control of the Trustee.

Quorum

The presence of the Majority Bondholders personally or by proxy shall be necessary to constitute a quorum to do business at any meeting of the Bondholders.

Procedure for Meetings

The Trustee shall preside at all the meetings of the Bondholders unless the meeting shall have been called by the Issuer or by the Bondholders, in which case the Issuer or the Bondholders calling the meeting, as the case may be, shall move for the election of the chairman and secretary of the meeting from among the Bondholders then present or represented during the meeting.

Any meeting of the Bondholders duly called pursuant to the provisions of this Section may be adjourned from time to time for a period or periods not to exceed in the aggregate one (1) year from the date for which the meeting shall originally have been called, and the meeting so adjourned may be held on another date without further notice. Any such adjournment may be ordered by persons representing a majority of the aggregate principal amount of the First Tranche Bonds represented at the meeting and entitled to vote, whether or not a quorum shall be present at the meeting.

In an event consent/s are requested from the Bondholders, the Bondholders' records with the Registrar as of the immediately preceding month-end prior to the date of the request shall be used by the Trustee until the results of the exercise is completed. Transfers or changes to ownership during any exercise shall be disregarded by the Trustee. Notwithstanding the foregoing, if the Registrar determines the record date of Bondholders according to its Agreements then such listing shall prevail and the Trustee shall rely on such records

Voting Rights

To be entitled to vote at any meeting of the Bondholders, a person shall be a registered holder of the First Tranche Bonds or a person appointed by an instrument in writing as proxy by any such holder as of the date of such meeting. Bondholders shall be entitled to one vote for every Ten Thousand Pesos (₱10,000.00) interest. The only persons who shall be entitled to be present or to speak at any meeting of the Bondholders shall be the persons entitled to vote at such meeting and any representative of the Issuer and its legal counsel.

Voting Requirement

All matters presented for resolution by the Bondholders in a meeting duly called for the purpose shall be decided or approved by the affirmative vote of the majority of the Bondholders present or represented in a meeting at which there is a quorum, except as otherwise provided in the Trust Agreement.

Any resolution of the Bondholders which has been duly approved with the required number of votes of the Bondholders as herein provided shall be binding upon all the Bondholders and the Trustee as if the votes were unanimous.

Role of the Trustee in Meetings of Bondholders

Notwithstanding any other provisions of the Trust Agreement, the Trustee may make such reasonable regulations as it may deem advisable for any meeting of the Bondholders, in regard to proof of ownership of Bonds, the appointment of proxies by registered holders of Bonds, the election of the chairman and the secretary, the appointment and duties of inspectors of votes, the submission and examination of proxies, certificates and other evidences of the right to vote, and such other matters concerning the conduct of the meeting as it shall deem fit. The minutes of each meeting and any resolution made thereat shall be taken by the Trustee.

Evidence Supporting Bondholders' Action

Wherever in the Trust Agreement it is provided that the holders of a specified percentage of the aggregate outstanding principal amount of Bonds may take any action (including the making of any demand or request, the giving of any notice or consent, or the taking of any other action), the fact that at the time of taking any such action the holders of such specified percentage have joined therein may be evidenced by: (i) any instrument executed by the Bondholders in person or by the agent or proxy appointed in writing; (ii) the duly authenticated record of voting in favor thereof at the meeting of the Bondholders duly called and held in accordance herewith; or (iii) a combination of such instruments and any such record of meeting of the Bondholders. The Trustee shall rely on the Registrar to authenticate all Bondholders' signature at all times.

Duties and Responsibilities of the Trustee

The Trustee shall act as trustee for and in behalf of the Bondholders and as such shall, in accordance with the terms and conditions of the Trust Agreement, monitor the compliance or non-compliance by the Issuer with all its representations and warranties, and the Issuer's observance of all its covenants and performance of all its obligations, under and pursuant to the Trust Agreement. The Trustee shall observe due diligence in the performance of its duties and obligations under the Trust Agreement. For the avoidance of doubt, notwithstanding any actions that the Trustee may take, the Trustee shall remain to be the party responsible to the Bondholders, and to whom the Bondholders shall communicate with in respect to any matters to be taken up with the Issuer.

The Trustee shall have custody of and hold in its name, for and in behalf of the Bondholders, the Master Certificates of Indebtedness for the total issuance of the First Tranche Bonds.

The Trustee shall promptly and faithfully carry out the instructions or decisions of the Majority Bondholders issued or reached in accordance with the Trust Agreement.

The Trustee may, from time to time, request the Issuer to submit such certification of its officers, reports of its external auditors, and other documents relating to the Issuer's ability to comply with its obligations under the First Tranche Bonds and the Trust Agreement, as well as to examine such records of the Issuer as may be related to the Issuer's obligations under the First Tranche Bonds and the Trust Agreement.

The request shall be reasonable, made not less than seventy-hours (72) hours prior to the intended date of examination and shall be in writing to the Issuer which shall include, in reasonable detail, the purpose for such request and the intended use of the requested documents or information. The Issuer may require the Trustee, its directors, officers, employees, representatives, agents, partners, consultants and advisors to hold in confidence such documents and information furnished to the Trustee pursuant to said request or to limit the use thereof for the purpose intended as stated in the request, provided such limitation shall not apply if in conflict with the duties and responsibilities of the Trustee under any provision of the Trust Agreement.

The Trustee shall, prior to the occurrence of an Event of Default or after the curing of all such defaults which may have occurred, perform only such duties as are specifically set forth in the Trust Agreement. In case of default, the Trustee shall exercise such rights and powers vested in it by the Trust Agreement, and use the same degree of care and skill in their exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs under similar circumstances.

The Trustee shall inform the Bondholders of any event, breach of representations and warranties, and Events of Default within a reasonable period from the time that the Trustee learns of such events.

The Trustee shall perform such other powers and functions as provided for elsewhere under the Trust Agreement.

Supplemental Agreements

With the written consent of the Majority Bondholders, the Issuer, when authorized by a resolution of its board of directors, and the Trustee may, from time to time and at any time, enter into an agreement or agreements supplemental hereto for the purpose of adding any provision to or changing in any manner or eliminating any of the provisions of the Trust Agreement; provided, however, that no such supplemental agreement shall:

1. Without the consent of each Bondholder affected thereby:

    a. extend the fixed maturity of the Series A Bonds or Series B Bonds, or
    b. reduce the principal amount of the Series A Bonds or Series B Bonds, or
    c. reduce the rate or extend the time of payment of interest and principal thereon;

2. Affect the rights of some of the Bondholders without similarly affecting the rights of all the Bondholders; or

3. Reduce the percentage required to be obtained of the Bondholders to consent to or approve any supplemental agreement or any waiver provided for in the Trust Agreement without the consent of all the Bondholders.

It shall not be necessary to obtain the consent of the Bondholders for the purpose of approving the particular form of any proposed supplemental agreement but such consent shall be necessary for the purpose of approving the substance thereof.

Any consent given shall be conclusive and binding upon all Bondholders and upon all future holders and owners thereof or of any Bonds issued in lieu thereof or in exchange therefor, irrespective of whether or not any notation of such consent is made upon the First Tranche Bonds.

Promptly after the execution by the Issuer and the Trustee of any supplemental agreement, the Issuer shall send a notice to the Bondholders setting forth in general terms the substance of such supplemental agreement. Any failure of the Issuer to send such notice or any defect therein shall not, however, in any way impair or affect the validity of any supplemental agreement.

MISCELLANEOUS PROVISIONS

Notice

Any notice or demand authorized by the Trust Agreement to be given to the Issuer and the Trustee shall be sufficiently given for all purposes hereof, if delivered or mailed at their respective addresses mentioned herein or at such address designated by them subsequently in writing.

Notices to the Bondholders shall be sent to their mailing address as set forth in the Registry Book. Except where a specific mode of notification is provided for herein, notices to Bondholders shall be sufficient when made in writing and transmitted in any of the following modes: (i) registered mail; (ii) surface mail; (iii) by one-time publication in a newspaper of general circulation in the Philippines; or (iv) personal delivery to the address of record in the Registry Book. The Trustee shall rely on the Registry Book provided by the Registrar, in determining the Bondholders entitled to notice.

All notices shall be deemed to have been received (i) ten (10) days from posting if transmitted by registered mail; (ii) fifteen (15) days from mailing, if transmitted by surface mail; (iii) on the date of publication, or (iv) on the date of delivery, for personal delivery.

Binding and Conclusive Nature

Except as provided under the Trust Agreement, all notifications, opinion, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained by the Trustee for the purposes of the provisions of the Trust Agreement, shall (in the absence of willful default, bad faith or manifest error) be binding on the Issuer, and all Bondholders and (in the absence of willful default, bad faith or manifest error) no liability to the Issuer, the Registrar, the Paying Agent or the Bondholders shall attach to the Trustee in connection with the exercise or non-exercise by it of its powers, duties and discretions under the Trust Agreement, resulting from the Trustee's reliance on the foregoing.

Dispute Settlement

In case any dispute shall arise between the Issuer, the Trustee or any of the Bondholders in respect of the Trust Agreement, or other related agreements or arrangements, the Issuer, the Trustee or any of the Bondholders shall attempt to resolve the same amicably by agreement which shall be in writing. However, if no such agreement is concluded within thirty (30) Banking Days from the time the dispute arose, or such period as may be reasonable under the circumstances, the parties may have recourse to the usual judicial action obtaining under the circumstances.

No Right to Set-Off

The Trustee shall have no right to apply funds or money of the Issuer on deposit with or in the custody of the Trustee or any of its branches, subsidiaries, or affiliates on reduction of amounts past due under the Trust Agreement.

Governing Law

The First Tranche Bonds issued hereunder shall be governed by, and construed and interpreted in accordance with, the laws of the Republic of the Philippines.

THE COMPANY

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

Since then, the Company has expanded its portfolio into a wide range of businesses. Currently, AEV's core businesses, conducted through its various domestic and international Subsidiaries and Associates across 11 countries, are grouped into six main categories: (a) power generation, distribution, and retail electricity supply; (b) financial services; (c) food manufacturing; (d) real estate; (e) infrastructure; and (f) portfolio investments (parent company/others).

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

As of January 31, 2019, Aboitiz & Company, Inc. (ACO) owns 48.57% of the outstanding capital stock of AEV, 4.55% are owned by directors, officers and related parties, while the rest are owned by the public.

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

Below is the Aboitiz Group's corporate structure as of December 31, 2018:

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES
CONGLOMERATE MAPPING
As of December 31, 2018

* Joint Operations
** Engages in retail electricity supply business

BUSINESS DEVELOPMENT

Power Generation, Distribution, and Retail Electricity Supply

AEV's power Business Unit, Aboitiz Power Corporation (AboitizPower) was incorporated on February 13, 1998 in Cebu City, Philippines as a private holding company. Since its incorporation, AboitizPower has become a publicly- listed holding company that, through its Subsidiaries and Affiliates, is now a leader in the Philippine power industry and has interests in a number of privately-owned generation companies, retail electricity supply services, and distribution utilities, throughout the Philippines, from Benguet in the north to Davao in the south. AboitizPower has accumulated interests in a portfolio of power generating plants, using renewable and non-renewable sources. As of December 31, 2018, its generation companies have an attributable net sellable capacity of 3,206 MW, which is equivalent to 17% market share of the national grid's installed generating capacity. The company also owns interests in nine distribution utilities in Luzon, Visayas, and Mindanao, including the second and third largest distribution utilities in the Philippines, Visayan Electric Company, Inc. (VECO) and Davao Light & Power Company, Inc. (Davao Light). AboitizPower's Subsidiaries engaged in the supply of retail electricity sold a total of 5.32 TWh as of December 31, 2018.

AboitizPower plans to enter the rooftop solar business through Aboitiz Power Distributed Energy, Inc. (APX1) and expand the renewable energy portfolio under its Cleanergy brand. AboitizPower's Cleanergy portfolio includes its geothermal, run-of-river hydro, and large hydropower facilities. AboitizPower first ventured into the solar market in 2016 with San Carlos Sun Power, Inc. (Sacasun). As of December 31, 2018, AboitizPower has 988 MW of net sellable capacity, through its partners, under its Cleanergy brand. AboitizPower is pushing for a balanced mix strategy – maximizing Cleanergy while taking advantage of the reliability and cost efficiency of thermal power plants.

On January 4, 2019, TMO notified Manila Electric Company (MERALCO) that it will physically disconnect from MERALCO's system and will deregister as a Trading Participant in the Wholesale Electricity Spot Market (WESM) effective February 5, 2019. This is due to TMO's commercial inactivity since June 26, 2018, following the absence of an approved power supply agreement for its four barges. After evaluating the circumstances and the options available, TMO decided to preserve its bunker C-fired diesel power plants. Notices were sent to Philippine Electricity Market Corporation (PEMC), Independent Electricity Market Operator of the Philippines Inc., Department of Energy (DOE), and Energy Regulatory Commission (ERC), following the applicable legal requirements.

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

Financial Services

AEV's financial services group is composed of Union Bank of the Philippines (UnionBank or the "Bank") and its Subsidiaries, which now includes PETNET, Inc. (PETNET), a money-transfer company. UnionBank is a publicly-listed universal bank whose principal shareholders are AEV, the Social Security System (SSS), and The Insular Life Assurance Company, Ltd. (Insular Life). It distinguishes itself through technology and innovation, unique branch sales and service culture, and centralised backroom operations.

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

UnionBank has undertaken two bank mergers, first with International Corporate Bank (Interbank) in 1994 and then with International Exchange Bank (iBank) in 2006.

On January 8, 2013, UnionBank's Board of Directors approved the purchase of CitySavings, Inc. (CitySavings), a premier thrift bank engaged in, among other banking activities, granting teacher's loans under the Department of Education's (DepEd) Automatic Payroll Deduction System (APDS). The transaction was approved by the Monetary Board of the Bangko Sentral ng Pilipinas (BSP) on March 21, 2013. The acquisition of CitySavings is aligned with UnionBank's business plan and long-term strategy of building businesses based on consumers.

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

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

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

On August 16, 2016, UnionBank signed a Cooperation Agreement with Lombard Odier & Co., a Swiss global wealth and asset manager, to expand its wealth and asset management businesses. The Bank and Lombard Odier plan to offer estate planning solutions and launch a global and diversified multi-asset fund customized to UnionBank's high-net-worth and ultra-high-net-worth clients' requirements. In July 2017, the Capital Accumulation Global Fund of Funds, a US dollar-denominated fund of funds that is invested in various mutual funds and exchange traded funds in the global markets, was launched.

On December 15, 2016, UnionBank's subsidiaries, Union Properties Inc. (UPI) and CitySavings received approval from the Monetary Board of the BSP to finalize the joint-acquisition of the majority stake in First-Agro Industrial Rural Bank (FAIRBank), a rural bank that provides banking and microfinance services and loan products to micro, small, and medium enterprises, and micro housing institutions.

On January 27, 2017, UnionBank and CitySavings entered into a bancassurance partnership with Insular Life for the sale and distribution of insurance products across the Bank's and CitySavings's respective networks. On April 4, 2017, BSP granted UnionBank and CitySavings the authority to engage in cross-selling activities with Insular Life across its network.

On November 22, 2017, UnionBank announced the issuance of US$400 mn in Fixed Rate Senior Notes, as the debut drawdown under the Bank's Medium-Term Note Programme. On November 27, 2017, the Bank launched an upsize of US$100 mn. This brings its total Senior Notes issuance to US$500 mn, issued at par with a yield of 3.369% per annum, maturing November 29, 2022. The said bonds were rated Baa2 by Moody's, identical to the issuer rating given to UnionBank, and were listed in the Singapore Stock Exchange.

On February 26, 2018, City Savings agreed to acquire 33.73% of the outstanding capital of Philippine Resources Savings Bank Corporation (PR Savings) from International Finance Corporation, an Isabela-based bank engaged in extending motorcycle, agri-machinery, and teachers' salary loans.

On December 29, 2017, CitySavings announced that it has signed a Share Purchase Agreement (SPA) with the ROPALI Group to acquire 100% of the common shares of PR Savings. The transaction was approved by the BSP on June 19, 2018. On December 27, 2018, the Bank also received BSP's approval for the merger between CitySavings and PR Savings, with CitySavings as the surviving entity.

In February 2018, CitySavings and UPI signed an SPA with AEV to purchase 51% of the common shares of PETNET, Inc. The transaction was approved by the Philippine Competition Commission (PCC) on May 8, 2018, and by the BSP on November 23, 2018. PETNET, more widely known by its retail brand name PeraHub, has over 2,800 outlets nationwide which offers a variety of cash-based services including remittance, currency exchange, and bills payment. In addition, PETNET, is an outsourced service provider of CitySavings, facilitates and accepts applications for DepEd salary loans and GSIS pension loans.

On February 21, 2018, UnionBank issued ₱3.0 bn LTNCDs due in August 2023 with a fixed rate of 4.375% per annum. This is the initial tranche of the Parent Bank's ₱20.0 bn LTNCD program as approved by BSP. The net proceeds from the issuance of LTNCD will be used to diversify the Parent Bank's maturity profile of funding sources and to support its business expansion plans.

On September 28, 2018, UnionBank announced the completion of its ₱10.0 bn Stock Rights Offer (SRO) following the end of the offer period on September 21, 2018. The bank issued 158,805,583 common shares or 15% of UnionBank's outstanding shares prior the SRO and was priced at ₱62.97 each. The rights shares were listed at the PSE on the same day.

On November 23, 2018, UnionBank issued ₱10.5 bn in senior fixed rate bonds, the first issuance under the Bank's ₱20.0 bn multi-tranche bond and commercial paper program. On November 29, 2018, the Bank increased the final bond issuance to ₱11.0 bn. The two-year fixed rate bonds have a coupon rate of 7.061% per annum due 2020. The said bonds were listed on the PDEx on December 7, 2018.

Food Manufacturing

AEV through its food manufacturing Business Units, Pilmico Foods Corporation, Pilmico Animal Nutrition Corporation, and Pilmico International Pte. Ltd. (Pilmico Intl), is engaged in the business of flour, hog and layer farms, animal feeds, and by-products. In July 2018, Pilmico International completed the acquisition of a 75% equity interest in Gold Coin Management Holdings, Ltd. (GCMH) and its subsidiaries (collectively, the "Gold Coin Group"), for a final consideration of US$333.8 mn. This expanded AEV's animal feed business into 11 countries across the Asia-Pacific region.

Feeds and Flour

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

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

In order to address additional raw material requirements and feeds volume caused by the expansion of feed mills, Pilmico expanded its port facilities, as well as its unloading and storage capabilities, in Iligan: the port expansion in 2012 to accommodate Panamax vessels, and Inter-Island Pier 2 in 2015. This resolved the bottleneck in the delivery of raw materials to Iligan and the distribution of feeds to the other parts of Visayas and Mindanao.

In April 2016, Pilmico's Iligan Feed Mill 2 commenced commercial operations. This additional 124,800 MT in feed mill capacity answered the growing demand of feeds in the Visayas and Mindanao regions. In addition, Pilmico also completed a powermix line in 2016 in support of the growing poultry business.

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

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

In 2017, Pilmico Foods broke ground in building new warehousing and silo storage to support volume growth in the feeds and flour businesses. This is slated for completion in second quarter of 2018.

Hog and Layer Farms

In June 1997, Pilmico entered into the swine production and animal feeds business through Pilmico Animal Nutrition Corporation (PANC) (formerly Fil-Am Foods, Inc.). PANC was a joint venture with Tyson International Holding Co. (Tyson), a subsidiary of Tyson Foods, and PM Nutrition Company, Inc. (PMNC), an affiliate of Purina Mills, Inc. In October 2002, Pilmico acquired the shareholdings of Tyson and PMNC, thus making PANC its wholly-owned Subsidiary. At present, Pilmico, together with another wholly-owned Subsidiary, Filagri Holdings, Inc., owns 100% of PANC.

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

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

In December 2015, PANC started its layer farms operations. The layer farm facility was completed and became fully-operational by December 2016. This layer farm facility can hold up to 173,000 egg-laying chickens that would translate to 4 million eggs per month.

To support the growing Luzon commercial feeds volume as well as the rising internal layer and swine farm requirements, PANC successfully completed Tarlac's Feed Mill 2. This resulted in an additional 124,800 MT in feed mill capacity.

In 2017, PANC successfully completed the increase of its sow level to 14,000, twice the size of its farms business from its first expansion in 2012. At this 14,000-sow level, monthly sales volume reached 22,000 heads. This made PANC as one of the biggest commercial producers of market hogs in the country.

To continually grow the farms business, PANC intends to increase its sow level to 20,000 by 2020.

International Animal Nutrition

In 2014, AEV began its expansion into the Vietnamese market via the aqua feeds and animal feeds segment through Pilmico International, the Company's Singapore-based Affiliate. Pilmico International acquired 70% of the total outstanding shares in Vin Hoan 1 Feed JSC (VHF), one of the largest aqua feed producers in Vietnam. This allowed the Food Group to expand its feeds business in Vietnam and build its market base internationally. After completion of the acquisition, VHF was thereafter renamed as Pilmico VHF. Under its share purchase agreement, Pilmico International has the obligation to purchase the remaining 30% of the outstanding shares of Pilmico VHF within a period of five years. Thus, on August 1, 2017, Pilmico International acquired an additional 15% equity interest, for a total of 85% ownership stake in Pilmico VHF. Pilmico VHF was thereafter renamed as Pilmico Vietnam Feeds Joint Stock Company (PVF).

In October 2016, Pilmico International purchased 100% ownership interest in Pilmico Vietnam Trading Company Ltd. (Pilmico Vietnam Trading). Pilmico Vietnam Trading is the corporate the vehicle used for the importation and distribution of Pilmico products in the Vietnam market.

In 2017, Pilmico International further expanded its core feeds business in Vietnam through the acquisition of 70% equity interest in Europe Nutrition Joint Stock Company (Eurofeed).

In 2018, to further expand the Aboitiz Group's animal feeds business within the Asian region, AEV, through Pilmico International, acquired a 75% equity interest in GCMH, the parent company of the Gold Coin Group. Headquartered in Singapore, the Gold Coin Group is engaged in animal nutrition and manufacturing of animal feed across 11 countries in Asia. Gold Coin is a leading brand in animal nutrition with 3,000 employees and more than 21 production facilities, with an installed milling capacity of 3 million metric tonnes per year as of January 2018. As of January 31, 2019, it has three research facilities located in China, Indonesia and Malaysia.

Gold Coin manufactures and sells animal feed and specialty nutrition products, including compound feed, pre- mix and additives for the livestock and aqua sectors in the Asia Pacific region. Products and services include: (a) livestock feed such as feed for poultry broiler/layer, swine, duck, other birds and fish; (b) aqua feed or feeds for aquaculture produce such as shrimp; and (c) specialty nutrition or the premix and specialty concentrates complete feed.

GCMH was listed on the Malaysian Stock Exchange in 1974, but was privatised in 2001 due to strategic consideration. In 1981, its first mill was opened in Jakarta, Indonesia. Two years after, in 1983, Gold Coin also opened a mill in Shenzhen, China, in Colombo, Sri Lanka in 1993, and in Dong Nai, Vietnam in 2004. It also opened its first Aqua Mill in Malaysia in 1991, and in India in 2006.

Gold Coin Group established its flour mill business in 1984. A year after, it started its research and formulation for aqua Feed. In 2004, it divested its flour business.

Gold Coin Group entered into a joint venture agreement with Ayam Unggul Indonesia in 2010, and with CCK in East Malaysia in 2016 to accelerate market penetration in poultry feed in East Malaysia.

Real Estate

Incorporated on June 2, 1964, AboitizLand (formerly Central Visayan Warehousing Co., Inc.) is the real estate arm of the Aboitiz Group. It is primarily engaged in the design and development of real estate for residential, industrial, and commercial use.

AboitizLand currently has ten residential projects in the selling phase across three different product types: lot only, house and lot, and condominiums. It is the developer and operator of three economic zones: (a) the Mactan Economic Zone II (MEZ II) in Barangay Basak, Mactan, Lapu Lapu City; (b) the West Cebu Industrial Park (WCIP) in Balamban, Cebu, through its Subsidiary, Cebu Industrial Park Developers Inc. (CIPDI); and (c) the Lima Technology Center (LTC) in Malvar, Batangas. It also has five commercial projects, namely: (a) The Outlets at Lipa in Malvar, Batangas, (b) The Persimmon Plus in Mabolo, Cebu City; (c) the iMez Building, (d) Pueblo Verde; and (e) The Outlets at Pueblo Verde. The latter three commercial projects are all located in Barangay Basak, Mactan, Lapu-Lapu City.

In 2013, AboitizLand acquired a 60% majority stake in LimaLand, the owner and operator of the Lima Technology Center, a 590-hectare PEZA-registered industrial park located in Batangas. AboitizLand was able to fully acquire LimaLand following the purchase of the remaining 40% ownership interest in February 2014.

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

In the first half of 2017, AboitizLand launched Seafront Residences, a 43-hectare beachside community located in San Juan, Batangas, and Foressa Mountain Town, a 250-hectare mountain town community located in Balamban, Cebu.

In 2018, AboitizLand launched Ajoya Cabanatuan and Ajoya Capas both located in Central Luzon, and SeaFront Villas in Laiya, Batangas. AboitizLand expects to launch additional projects in 2019, which will contribute to the growing portfolio of both its residential and commercial segment.

Infrastructure

Incorporated on January 13, 2015, Aboitiz InfraCapital, Inc. (Aboitiz InfraCapital) (formerly: AEV Infracapital, Inc.) is the investment vehicle in all infrastructure related investments of the Aboitiz Group.

On March 17, 2015, Apo Agua Infrastractura, Inc. (Apo Agua), a joint venture company with J.V. Angeles Construction Company (JVACC), entered into a Joint Venture Agreement and Bulk Water Purchase Agreement with Davao City Water District (DCWD). The proposed joint venture includes the construction of both a hydroelectric-powered bulk water treatment facility and the conveyance system needed to deliver treated bulk water to numerous DCWD delivery points. Following the execution of the Engineering, Procurement, and Construction (EPC) contract with JVACC on February 6, 2018, construction started on November 26, 2018 and is expected to continue for a period of three years.

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

Aboitiz Infracapital has participated in and intends to continue participating in the Philippine government's infrastructure programs. On February 12, 2018, it was part of a consortium of several of the country's major conglomerates that submitt d an unsolicited proposal to DOTr for the rehabilitation and transformation of the Ninoy Aquino International Airport (NAIA) into a regional airport hub. The consortium plans to work with foreign technical partners with proven world-class track records and experiences in airport operations to improve, upgrade, and enhance the operational efficiencies of NAIA covering both landside and airside facilities. On September 13, 2018, the consortium's proposal was granted Original Proponent Status (OPS) by the DOTr and the Manila International Airport Authority. Following the grant of OPS, the proposal shall now be subject to the review and approval by the NEDA Board and to a Swiss Challenge from other parties in accordance with the requirements of the BOT Law.

On March 7, 2018, Aboitiz InfraCapital submitt d to the DOTr an unsolicited proposal to upgrade, expand, operate, and maintain four major Philippine airports seen as key entry points into Visayas and Northern Mindanao; namely, Iloilo International Airport, Bacolod-Silay Airport, Laguindingan Airport, and New Bohol International Airport. The ₱148 bn multi-phased project was intended to transform these facilities into world-class regional gateways built under the "green airports" concept. On September 28, 2018, Aboitiz Infracapital was granted OPS by the DOTr for the operations and maintainance, future development, and expansion of the New Bohol International Aiport in Panglao Island, and on March 1, 2019, it was also granted OPS for Laguindingan Airport.

On August 13, 2018, Aboitiz InfraCapital, as part of a consortium, submitt d an unsolicited proposal to the Philippine Statistics Authority for the design and development of a national identity infrastructure solution that will provide a safe and secure identification and benefits payment mechanism for individuals transacting with the government.

On February 7, 2019, Aboitiz InfraCapital signed a Memorandum of Understanding with the Department of Information and Communications Technology (DICT) allowing the former to potentially build, operate, and maintain a network of cellular towers throughout the Philippines that it can lease to the telecommunication companies.

COMPETITIVE STRENGTHS AND BUSINESS STRATEGIES

COMPETITIVE STRENGTHS

AEV believes that its principal strengths are the following:

1. Strong track record in each of its business segments

The Company believes that it has a proven track record of successfully operating its various business units - as AEV, or through previous activities of the Aboitiz family. It entered the power distribution business in 1918 when the family bought a 20% equity stake in the Visayan Electric Company, and the power generation business in 1978 when Hedcor was formed. Even earlier, around 1914-1916, the family entered banking and the allied field of insurance as Cebu agent of the Manila-based insurance and loan firms El Hogar Filipino and Filipinas. It entered the flour milling business in 1958 with Central Philippine Milling Corporation, the land business in 1989 with Acoland, and cement business in 1995 with Republic Cement Corporation. To date, AEV's power, banking, food, cement, land, and water businesses have leading market positions in their respective industries.

2. Strong financial position and the ability to obtain limited recourse and corporate level financing

The Company believes that its strong financial position enables it to implement its strategy of expanding its business portfolio through selective acquisitions and greenfield projects, while at the same time supporting organic growth of its existing businesses. The Company's strong balance sheet supports its growth plans. The Company, through its business units, has also consistently been able to secure bank financing from leading Philippine banks.

Additionally, the growth that the Company's business segments have achieved over the years, particularly the power segment, has enabled AEV to benefit from strong cash flow generation and high levels of liquidity of its financial resources.

3. Strong and experienced management team

The Company has an experienced management team with a hands-on understanding of both the financial and technical aspects of its various business units. The Company's senior management has extensive operational and management experience in the relevant industries and has enjoyed a long tenure with the Company and the Aboitiz Group.

The Company also believes that its reputation and its management team's experience and relationships in the various industries it is present in are key factors in ensuring the sustainability of the Company's operations. The Company believes its growth and strong financial performance are indicative of the capabilities of the Company's management team.

4. Strategic partners and key alliances

The Company has established strategic partnerships across its businesses, as well as key alliances. The Company believes that these partnerships and alliances enhance its ability to compete for, develop, finance and operate future growth projects.

AboitizPower owns and operates the Magat and Ambuklao-Binga hydroelectric plants with SN Power, which is a leading renewable energy Company with projects and operations in Asia, Africa and Latin America. It has also established partnerships with the likes of STEAG GmbH, Global Power, Meralco, and TeaM Energy, which are recognized names in their respective industries.

UnionBank has an exclusive relationship with Insular Life for its bancassurance business. It has also partnered with the Government Service Insurance System for pension, and the Department of Education for CitySavings Bank, as well as key technology service providers and FinTech partners critical to its digital transformation.

Finally, AEV has partnered with the CRH Group of Ireland for its cement business, and formed key alliances through Aboitiz InfraCap with the JV Angeles Construction Company and Balibago Waterworks System for various water projects.

The Company remains open to new strategic partnerships and alliances in the pursuit of its growth projects.

5. Established corporate reputation

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

The Company has been consistently recognized in international surveys as among the Philippines' best managed companies and has also been cited for its commitment to good corporate governance. More importantly, the Company's reputation as a responsible corporate citizen has allowed its various business units to prosper in communities where they have established operations.

BUSINESS STRATEGIES

The AEV group strategy is best understood through four strategic pillars that guide it in creating long-term value for all its stakeholders:

1. Grow the business
2. Engage stakeholders
3. Build human capital
4. Execute with excellence

Business Growth

AEV's first strategic pillar is to grow the business. In general terms, it will continue to explore businesses that build on its existing experience and expertise, are scalable, and with recurring profits.

AEV will grow within its acceptable thresholds for risk, leverage, and returns.

Part of AEV's strategy is to keep its balance sheets healthy and its capacity to raise money through the debt markets strong. This allows it to seize opportunities as they arise in the market.

While AEV remains open to the possibility of a sixth leg of business, it remains bullish on the long term prospects of its five main businesses. Power, banking, food, land, and infrastructure are basic needs of society. AEV fuels economic growth, and economic growth fuels even more demand for its products and services. It is in a sweet spot in the country's economic cycle, and well positioned to reap its demographic dividends.

Power Generation, Distribution, and Retail Electricity Supply

The Philippine GDP is projected to grow by over 6% next year, and in the succeeding years. To sustain this growth, and maintain its position as one of the faster growing economies of the world, the country will need ample and competitively priced power to meet its growing energy needs. AboitizPower's mission is to provide the country reliable power, at a reasonable cost, and in a responsible manner; and therefore address the country's Energy Trilemma.

To achieve this, AboitizPower will continue to expand its generation portfolio of multi-fuel technologies, while protecting and optimizing its current business as a means to drive cost-efficient growth.

In support of its developmental efforts, acquisitions like GNPower will play a critical role in the pursuit of growth. AboitizPower believes that coal has a critical role in the country's energy mix. It provides reliable base load power and is the most competitive fuel at this point.

Notwithstanding, AboitizPower will continue to expand its renewable portfolio. AboitizPower is the country's second largest renewable company, the largest renewable player in the open access market, and a pioneer of run-of-river mini hydros. It recently started to operate a new 68 MW run of river mini hydro plant in Mindanao.

AboitizPower is leveraging on its renewable expertise to make sure it has enough assets to address the future demands to comply with the Renewable Portfolio Standards and give customers the power of choice under the Green Energy Option Program.

Aside from the local projects AboitizPower has in the pipeline, it is exploring opportunities overseas where it makes sense.

AboitizPower looks forward to the full implementation of open access. It has been strengthening its menu of products and services to meet the evolving demands of the market. It recently rolled out its rooftop solar venture. AboitizPower gives its customers the option to self-generate.

Financial Services

UnionBank is currently strengthening its business model by repositioning itself as a digital bank. Hence, it has invested in things like its UnionBank Mobile app, the Ark, and other initiatives delivering 24/7 service. The expectation is to drive revenues up while driving costs down.

Unionbank is also expanding its core business model to the unbanked. This segment is not necessarily unbanked, but actually serviced by fragmented institutions relying on traditional brick-and-mortar and face-to-face delivery. Its approach is to bank them by teching them up.

Technology is at the core of its strategy, to the extent where some believe it will evolve into a tech company with an embedded banking experience.

Food

Pilmico is strategically positioned at the beginning of the food chain. To meet the rising global protein consumption, it is building a comprehensive animal nutrition platform in Asia.

Pilmico's strategy is to sustain and strengthen the profitability of existing core businesses, as it builds new businesses within its ecosystem.

As part of its overseas strategy, the recent Gold Coin acquisition has allowed Pilmico to expand its customer base and geographic reach. Pilmico is now the fourth largest animal feed manufacturer in Southeast Asia, and is present in 11 countries across the Asia Pacific. This provides it a foothold in those regional markets to explore opportunities down the value chain. It also provides Pilmico and the rest of AEV's businesses with natural listening posts for expansion opportunities.

Pilmico looks forward to harnessing synergies it sees in distribution, localized operation, cross selling, R&D, and raw materials and logistics costs.

Land

AboitizLand's strategy has been to expand outside of Cebu and Metro Manila, and step up mid-market residential launches. It is looking to capitalize on the growing provincial H&L mid-market, to develop commercial spaces that complement its residential and industrial communities, and to grow its well-performing industrial business.

AboitizLand will start building its recurring income by focusing on opportunities around its current developments.

In all these, AboitizLand will actively explore complementary services from AEV's utilities, financial services, and infrastructure businesses, as it is doing at the Lima Technology Center.

Infrastructure

Aboitiz InfraCapital (AIC) will continue to support the government's infrastructure program, and continue to submit unsolicited proposals to address the country's pressing needs.

AIC's bulk water project, Apo Agua, was the result of an unsolicited bid. It has commenced construction, and is expected to start operating in about 3 years. Together with Lima Water and Balibago Water Systems, AIC is now present in all areas of the water value chain – from water supply, to distribution, to waste water treatment. Using this water portfolio as a platform, it will look into unserved or underserved areas for opportunities to enter the water space across the country.

AIC will continue looking into more projects. As needed, it will develop strategic partnerships that will complement its existing expertise.

Republic Cement remains committed to build capacity for the country's long-term cement requirements and upgrade its facilities to ensure best in class efficiency standards.

Stakeholder Engagement

AEV's second strategic pillar is to engage stakeholders.

AEV's mission is to create long term value for all its stakeholders. It is fundamental to AEV that its shareholders are not the only beneficiaries in its value creation efforts. It believes that the only way the business enterprise will be truly sustainable and enduring is if all its stakeholders benefit from it. Therefore, it is focused on improving the satisfaction of all its stakeholders

AEV also believes that its reputation is its greatest asset. It recognizes that reputation management is not a one-off event but a continuing and never ending process. As Aboitiz grows, establishing and protecting a solid reputation becomes more important than ever. It puts great emphasis on this as it continues to embark on initiatives that aim to further strengthen stakeholder trust and confidence in the Company.

Human Capital

AEV's third strategic pillar is to build human capital. This entails strengthening its capability to attract, retain, and optimize top caliber professionals who will not only help manage its businesses, but upgrade the Group's capabilities and skills. Talent management and succession planning are at the core of its strategy.

AEV looks to hire people who believe in its purpose and its brand promise, whose values are aligned with its core values, and who will thrive in its culture.

Execution Excellence

AEV's fourth strategic pillar is to execute with excellence. This means executing its plans in a timely and effective manner. Best-in-class processes are continuously being upgraded in the corporate service units and across the strategic business units to ensure it sharpens its competitive edge.

Additionally, corporate governance best practices, and a consistently executed risk management program have been put in place to satisfy the heightened expectations of its various stakeholders. 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.

Sustainability

AEV will not grow for growth's sake. A key component of its strategy is to match its business expansion with sustainability initiatives.

AEV looks at a triple-bottom line to measure the impact of its activities not only on profit but also on people and the planet. In line with this, it continues to strengthen its commitment to Environmental, Social, and Governance (ESG) practices.

AEV's goal is to grow profitably, while partnering with its stakeholders to create shared value, and minimizing its environmental impact.

PRINCIPAL PRODUCTS AND SERVICES

GENERATION OF ELECTRICITY

Since its incorporation in 1998, AboitizPower has accumulated interests in both renewable and non-renewable generation plants. As of 2018, the power generation business accounted for 80% of earning contributions from AboitizPower's business segments. AboitizPower conducts its power generation activities through the Subsidiaries and Affiliates listed in the table below.

The table below summarizes the Generation Companies' operating results as of December 31, 2018 compared to the same period in 2017 and 2016:

Generation Companies	Energy Sold			Revenue		
	2018	2017	2016	2018	2017	2016
	(in GWh)			(in mn Pesos)		
APRI	2,975	2,747	2,688	12,518	11,645	10,334
Hedcor	172	162	140	694	821	776
LHC	291	272	263	970	774	801
Hedcor Sibulan	213	259	189	1,385	1,591	1,131
Hedcor Tudaya	32	41	30	191	240	180
Hedcor Sabangan	53	55	28	315	325	166
SN Aboitiz Power-Magat	2,379	1,324	923	7,182	8,298	6,308
SN AboitizPower-	2,085	989	867	6,070	6,996	6,307
TLI	6,808	5,126	5,091	26,603	22,939	19,661
TSI	1,959	1,647	1,640	11,141	10,535	8,869
Cebu Energy	1,978	1,724	1,723	9,724	8,752	7,966
STEAG Power	1,840	1,212	1,605	4,373	4,255	4,706
GMCP*	5,498	5,482	0	23,492	21,644	0
WMPC	438	221	355	1,393	1,439	1,636
SPPC	161	50	155	161	524	633
CPPC	551	141	146	1,253	1,484	1,292
EAUC	368	63	90	819	844	725
TMI	1,432	182	917	2,016	2,076	4,268
TMO	814	286	336	1,694	3,111	2,911
Davao Light**	0	0	0	Revenue Neutral	Revenue Neutral	Revenue Neutral
Cotabato Light**	0	0	0	Revenue Neutral	Revenue Neutral	Revenue Neutral

** TPI completed the acquisition of GMCP on December 27, 2016.*
*** Plants are operated as stand-by plants and are revenue neutral, with costs for operating each plant recovered by Davao Light and Cotabato Light, as the case may be, as approved by the ERC.*

Renewables

Aboitiz Renewables, Inc. (ARI)

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

As one of the leading providers of renewable energy in the country, AboitizPower holds all its investments in renewable energy through its wholly-owned Subsidiary, ARI. ARI was incorporated on January 19, 1995. AboitizPower, through and/or with ARI, owns equity interests in the following Generation Companies, among others:

a. 100% equity interest in Luzon Hydro Corporation (LHC), which operates the 70-MW Bakun AC Plant in Ilocos Sur in Northern Luzon;
b. 100% equity interest in Hedcor, which operates 13 mini-hydroelectric plants (each with less than 10 MW in installed capacity) with a total capacity of 37.90 MW located in Benguet Province in northern Luzon and in Davao City in Southeastern Mindanao;
c. 100% equity interest in Hedcor Sibulan, Inc. (Hedcor Sibulan), which operates the 49-MW Sibulan HEPP and Tudaya 1 HEPP in Davao del Sur;
d. 100% equity interest in Hedcor Tudaya, Inc. (Hedcor Tudaya), which operates the 7-MW Tudaya 2 HEPP in Davao del Sur;
e. 100% equity interest in Hedcor Sabangan, Inc. (Hedcor Sabangan), which operates the 14-MW Sabangan run-of- river HEPP in Sabangan, Mountain Province;
f. 100% equity interest in Hedcor Bukidnon, Inc. (Hedcor Bukidnon), which is currently building a 68-MW run-of-river HEPP in Manolo Fortich, Bukidnon;
g. 83.33% equity interest in Manila-Oslo Renewable Enterprise, Inc. (MORE), which owns SN Aboitiz Power-Magat, the company that operates the 360-MW Magat HEPP and the 8.5MW Maris Plant in Isabela in Northern Luzon and SN Aboitiz Power-Benguet, the company that operates the 245-MW Ambuklao-Binga Hydroelectric Power Complex in northern Luzon;
h. 100% equity interest in APRI, which owns and operates the 344-MW Tiwi-MakBan geothermal facilities located in Albay, Laguna and Batangas. 100% beneficial ownership interest in Sacasun, the company that owns and operates 59-MWp utility-scale solar photovoltaic solar project in San Carlos City, Negros Occidental; and
i. 100% equity interest in Aseagas Corporation, the company that owns the biogas plant in Lian, Batangas, which has ceased operations.

Run-of-River Hydros

Luzon Hydro Corporation (LHC)

Incorporated in September 14, 1994, Luzon Hydro Corporation owns, operates, and manages the 70-MW Bakun AC run-of-river hydropower plant located in Amilongan, Alilem, Ilocos Sur.

LHC was previously ARI's joint venture company with Pacific Hydro of Australia, a privately-owned Australian company that specializes in developing and operating power projects utilizing renewable energy sources. On March 31, 2011, ARI, LHC, and Pacific Hydro signed a MOA granting ARI full ownership over LHC. ARI assumed 100% ownership and control of LHC on May 10, 2011.

LHC's Bakun AC Plant was constructed and operated under the government's build-operate-transfer scheme (BOT). As such, the 254 GWh of energy produced by the Bakun AC Plant annually, is delivered and taken up by NPC pursuant to a Power Purchase Agreement ("Bakun PPA") and dispatched to the Luzon Grid through the 230-kV Bauang-Bakun transmission line of National Grid Corporation of the Philippines (NGCP). Under the terms of the Bakun PPA, all of the electricity generated by the Bakun AC Plant will be purchased by NPC for a period of 25 years from February 2001. The Bakun PPA also requires LHC to transfer the Bakun AC Plant to NPC in February 2026, free from liens and without the payment of any compensation by NPC.

The Independent Power Producer Administrator (IPPA) contract for the Bakun AC Plant was awarded to Northern Renewables (formerly Amlan Power Holdings Corporation) following a competitive bidding process conducted by PSALM.

LHC completed the rehabilitation of approximately 900 meters of unlined tunnel of the Bakun AC Plant on September 2012. LHC also replaced two 15-year old power transformers in February 2016 to improve reliability and to enable the plant to continuously produce clean and renewable energy and supply it to the Luzon Grid.

The Bakun AC Plant received its latest ISO certification, ISO 55001:2014 or the Asset Management Standard, last December 2017. It is also currently ISO-certified on Quality, Environmental, Operational Health and Safety, and Information Security.

Hedcor, Inc. (Hedcor)

Hedcor owns, operates, and manages run-of-river hydropower plants in Northern Luzon and Davao City with a combined net sellable capacity of 36.52 MW.

Hedcor was incorporated on October 10, 1986 by ACO as Baguio-Benguet Power Development Corporation. ARI acquired ACO's 100% ownership interest in Hedcor in 1998.

In 2005, ARI consolidated all of its mini-hydroelectric generation assets, including those developed by HEDC and Cleanergy in Hedcor. The electricity generated from Hedcor's hydropower plants are taken up by NPC, AdventEnergy and Davao Light pursuant to Power Purchase Agreements (PPAs) with the said off-takers. Irisan 1 is selling under the Feed-in Tariff (FIT) mechanism through a Renewable Energy Payment Agreement (REPA) with National Transmission Corporation (Transco). The remaining electricity is being sold through the Wholesale Electricity Spot Market (WESM).

Northern Luzon's climate is classified as having two pronounced seasons - dry from November to April and wet for the rest of the year. Due to this classification, generation levels of Hedcor's plants, particularly those located in Northern Luzon, are typically lower during the first five months of each year. In 2018, Hedcor's hydropower plants generated a total of 149 GWh of Cleanergy, its brand for clean and renewable energy.

In 2017, Hedcor broke ground on its Bineng Combination Hydro project in La Trinidad, Benguet. It will replace Bineng 1, 2, and 2B, which originally had a combined capacity of 6 MW, with a new facility and is expected to produce 19 MW of hydro power of which 100% is attributable to AboitizPower. The plant is targeted commercial operations in July 2019 and is expected to be FIT-eligible.

Hedcor Sibulan, Inc. (Hedcor Sibulan)

Incorporated on December 2, 2005, Hedcor Sibulan is a wholly-owned Subsidiary of ARI and owns, operates, and manages 49.23-MW hydropower plants collectively known as "Sibulan plants" in Sibulan, Santa Cruz, Davao del Sur.

The Sibulan Plants are composed of three cascading plants: Sibulan A Hydro which produces 16.32 MW; Tudaya 1 Hydro which produces 6.7 MW; and Sibulan Hydro B which produces another 26.25 MW by re-using the water from Sibulan A Hydro and Tudaya 1 Hydro. The Energy Regulatory Commission (ERC) renewed the Certificates of Compliance (COC) for Tudaya Hydro 1 on March 10, 2014, and for the Sibulan Hydro A and B plants on May 18, 2015. Since 2007, the energy produced by the Sibulan Plants has been sold to Davao Light through a Power Supply Agreement (PSA).

On September 12, 2012, DOE were awarded to Tudaya 1 with a Renewable Energy Service Contract (RESC) which allowed Hedcor Sibulan to avail of the incentives under the Republic Act No. 9513 or the Renewable Energy Act of 2008 (RE Law) for seven years.

In 2017, Hedcor Sibulan and Hedcor Tudaya obtained the very first ISO 55001:2014 certification which certifies for the Asset Management Standard in the Philippines, proving that the company has an integrated and effective management system for its assets.

Hedcor Tudaya, Inc. (Hedcor Tudaya)

Incorporated in January 17, 2011, Hedcor Tudaya is a wholly-owned Subsidiary of ARI and owns, operates, and manages the 7-MW Tudaya Hydro 2 run-of-river hydropower plant in Astorga, Santa Cruz, Davao del Sur. Commercially operating since March 2014, Tudaya Hydro 2 is currently selling energy under the FIT mechanism through a Renewable Energy Supply Agreement (RESA) with Davao del Sur Electric Cooperative, and through a REPA with Transco.

Together with Hedcor Sibulan, Hedcor Tudaya was awarded the very first ISO certification for Asset Management or the ISO 55001:2014 standard in the Philippines in 2017, certifying that the company has an integrated and effective management system for its assets.

Hedcor Sabangan, Inc. (Hedcor Sabangan)

Incorporated in January 17, 2011, Hedcor Sabangan is a wholly-owned Subsidiary of ARI and owns, operates, and manages the 14-MW Sabangan run-of-river HEPP in Sabangan, Mountain Province. The Sabangan Hydro Plant has been commercially operating since June 2015, and is selling under the FIT mechanism through a REPA with Transco. The plant is a pioneer hydropower plant in the Mountain Province region, harnessing the power of the Chico River.

Hedcor Bukidnon, Inc. (Hedcor Bukidnon)

Incorporated on January 17, 2011, Hedcor Bukidnon is a wholly-owned Subsidiary of ARI and owns, operates, and manages the Manolo Fortich hydropower plants with a combined net sellable capacity of 68.8 MW (“Manolo Fortich Plant”) located in Manolo Fortich, Bukidnon.

The Manolo Fortich plant is composed of two plants: the 43.4-MW Manolo Fortich Hydro 1 and the 25.4-MW Manolo Fortich Hydro 2. Both plants produce at least 350 GWh annually. The construction of the Manolo Fortich project was brought to completion in 2018, with the total project costing estimated total of ₱13 bn.

Large Hydros

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

Incorporated on November 29, 2005, SN Aboitiz Power-Magat is the owner and operator of the 360-MW Magat HEPP (“Magat Plant”) located at the border of Ramon, Province of Isabela and Alfonso Lista, Ifugao in Northern Luzon, and the 8.5-MW run-of-river Maris Main Canal 1 HEPP (“Maris Plant”) located in Brgy. Ambatali in Ramon, Isabela.

The Magat Plant was completed in 1983 and was acquired by SN Aboitiz Power-Magat on December 14, 2006 after winning a bidding process conducted by Power Sector Assets and Liabilities Management Corporation (PSALM). As a hydroelectric facility that can be started up in a short period of time, the Magat Plant is suited to act as a peaking plant with the capability to capture the significant upside potential that can arise during periods of high demand. This flexibility allows for the generation and sale of electricity at the peak demand hours of the day. This hydroelectric asset has minimal marginal costs, which AboitizPower believes gives it a competitive advantage in terms of economic dispatch order versus other fossil fuel-fired power plants that have significant marginal costs. The Magat Plant has a nameplate capacity of 360 MW but is capable of producing up to 380 MW.

The Magat reservoir has the ability to store water equivalent to 17 days of 24 hours of full generating capacity. The Magat Plant's source of upside - water as a source of fuel and the ability to store it - is also its source of limited downside. SN Aboitiz Power-Magat is an accredited provider of much needed Ancillary Services (AS) to the Luzon Grid. Selling a significant portion of its available capacity to the WESM System Operator of the Luzon Grid. SN Aboitiz Power-Magat's remaining capacity is sold as electric energy to the spot market through the WESM and to load customers through bilateral contracts.

In 2009, SN Aboitiz Power-Magat began the refurbishment project of Unit 2, which was completed on January 2018. The refurbishment projects involved the replacement of power transformers and related equipment, as well as automation of its control systems. These aimed to overhaul the plant's electro-mechanical equipment and avert operational inefficiencies that usually occur in HEPPs after more than 25 years of operation. Half-life refurbishment is considered a good industry practice to ensure that the plants remain available throughout their lifespan.

SN Aboitiz Power-Magat's COC was issued on December 2015 which is valid for five years or until November 28, 2020.

The mild La Niña phenomenon experienced during the last quarter of 2017 up to the first quarter of 2018 resulted in higher than normal inflows from January to April. The La Niña episode ended in the first half of 2018, with inflows experienced in the Magat dam higher by 10% compared to the historical normal. In the second half of 2018, third quarter inflows were above normal, but the fourth quarter had below normal inflows due to the impending El Niño. Overall, for 2018, Magat dam experienced water availability that is 10% higher than normal. However, 2018 inflows in Magat dam was 14% lower compared to the high inflow experienced in 2017.

Driven by lower water inflows, the Magat Plant's total sold capacity from spot energy generation and AS decreased by 8% in 2018 at 2.26 Terawatt-hour (TWh) from 2.46 TWh in 2017. This was equivalent to sold capacity factor of 68% in 2018 compared to 75% for 2017. This resulted to spot and AS revenue of ₱6.23 bn in 2018, or 12% lower than the revenue of P7.06 bn in 2017. Bilateral Contract Quantity (BCQ) revenue in 2018 associated with SN Aboitiz Power-Magat is P550 mn, or 21% lower than in 2017 (P698 mn).

In partnership with the Department of Energy (DOE), the Safety and Health Association of the Philippine Energy Sector, Inc. (SHAPES) declared SN Aboitiz Power-Magat as Hall of Famer during the DOE's 2018 Corporate Safety and Health Excellence Awards recognizing its exemplary occupational health and safety performance for three consecutive years from 2016-2018. Magat HEPP of SN Aboitiz Power-Magat recorded nearly 1.18 mn manhours without lost time incident. Several SN Aboitiz Power-Magat safety professionals were also feted for being instrumental in implementing safety and health policies that helped the company attain zero lost time accident.

SN Aboitiz Power-Magat implemented the Integrated Management System consisting of the ISO 14001 Environmental Management System, the ISO 9001 Quality Management System, transition from OHSAS 18001 Occupational Health & Safety Management System to ISO 45001, and ISO 55001 Asset Management, as verified and audited by DQS Philippines in 2018.

SN Aboitiz Power-Magat is ARI's joint venture with SN Power, a leading Norwegian hydropower company with projects and operations in Asia, Africa, and Latin America. MORE owns 60% of the company while SN Power Philippines Inc. (SN Power Philippines) owns the remaining 40%.

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

Incorporated in March 12, 2007, SN Aboitiz Power-Benguet is the owner and operator of the Ambuklao-Binga Hydroelectric Power Complex, which consists of the 105-MW Ambuklao HEPP ("Ambuklao Plant") and the 140-MW Binga HEPP ("Binga Plant"), located in Brgy. Tinongdan, Itogon, Benguet Province.

On March 2017, SN Aboitiz Power-Benguet received its amended COC from the ERC for all four units of the Binga Plant. The amended COC reflects the increase of Binga's capacity from 130 MW (35 MW for each of the four units) to 130.08 MW (35.02 MW for each unit).

The mild La Niña phenomenon experienced during the last quarter of 2017 up to the first quarter of 2018 resulted to higher than normal inflows from January to June. This ended the first half of 2018, with inflows to the Benguet dams higher by 42% as compared to the historical normal. In the second half of 2018, third quarter inflows were way above normal due to the Habagat-fueled typhoons, while the fourth quarter experienced below normal inflows due to the El Niño manifestations. This resulted to the Benguet dams ending 2018 with 57% higher than the normal water availability and for all of 2018 in the Benguet dams nearly doubled the 2017 inflows.

Although inflows were higher in the Ambuklao reservoir in 2018 as compared to 2017, there was an overall lower AS Capacity Approval and Spot Sales for Benguet. Ambuklao Plant's total sold capacity from spot energy generation and Ancillary Services (AS) decreased by 0.74% at 810 GWh in 2018 as compared to 816 GWh in 2017. This is equivalent to sold capacity factor of 88% in 2018, as compared to 89% in 2017.

Similarly, Binga Plant's total sold capacity from spot energy generation and AS in 2018 is at 1.1 TWh as compared to 1.18 GWh in 2017. This is equivalent to sold capacity factor of 90% in 2018 compared to 96% in 2017.

The resulting combined spot and AS revenue of the Ambuklao and Binga Plants for 2018 was ₱4.9 bn, which is 7% lower than the revenue of ₱5.29 bn in 2017. BCQ revenue in 2018 associated with SN Aboitiz Power-Benguet was ₱553 mn, 22% lower than that of 2017 (₱707 mn).

SN Aboitiz Power-Benguet was also declared as Hall of Famer by DOE during the 2018 Corporate Safety and Health Excellence Awards for its exemplary occupational health and safety performance for three consecutive years from 2016-2018. The Ambuklao and Binga Hydroelectric Power Plants (HEPP) jointly have more than 3.79 million-man hours of having no lost time incident and several safety professionals were also feted for being instrumental in implementing safety and health policies that helped the company attain zero lost time accident.

Both the Ambuklao and Binga Plants have implemented of their Integrated Management System (ISO 14001 Environmental Management System, ISO 9001 Quality Management System, and OHSAS 18001 Occupational Health & Safety Management System) and have retained the management system certificates. SN Aboitiz Power-Benguet Inc. was successfully certified on ISO 55001 for Asset Management on its two plants Ambuklao and Binga plant facilities last March 14, 2018. This added to the three ISO standards already obtained by the organization in the past.

SN Aboitiz Power-Benguet is also a joint venture between ARI and SN Power. The company is 60% owned by MORE, while the remaining 40% is owned by SN Power Philippines.

SN Aboitiz Power-Generation, Inc. (SN Aboitiz Power-Gen)

Incorporated on March 10, 2011, SN Aboitiz Power-Gen that implements the SN Aboitiz Power Group's Greenfield Development Program. This program aims to grow the SN Aboitiz Power Group's renewable energy portfolio by looking at potential hydroelectric power projects in the Philippines, primarily within its current host communities in Northern Luzon.

There is a pipeline of projects in various stages from initial prospecting, pre-feasibility, feasibility, construction, including the recently completed Maris Plant which was transferred to SN Aboitiz Power-Magat. As of the end of 2018, SN Aboitiz Power-Gen significant project is the proposed 380-MW Alimit Hydropower Complex Project in Ifugao. The project consists of the 120-MW Alimit hydropower plant, the 250-MW Alimit pumped storage facility (on hold due to market constraints), and the 20-MW Olilicon hydropower plant. The technical part of the feasibility study is completed and all agreements with the indigenous peoples (IPs)/indigenous cultural communities (ICCs) related to the Free Prior and Informed Consent (FPIC) are also concluded. SN Aboitiz Power-Gen is now processing the application for the approval of the FPIC process as it continues to work with the government, IP/ICC representatives, and industry partners.

The company was awarded the 2017 Corporate Safety Milestone Award for its proposed Alimit project, which accumulated at least one mn man-hours without lost time incident. It was also recognized for the safe conduct of activities associated with its feasibility study.

SN Aboitiz Power-Gen is a joint venture between ARI and SN Power. It is currently 60% owned by MORE with the remaining 40% owned by SN Power Philippines.

Geothermal

AP Renewables Inc. (APRI)

Incorporated on March 9, 2007, APRI is a wholly-owned Subsidiary of ARI and one of the leading renewable power companies in the country. It owns and operates the Tiwi-MakBan geothermal facilities located in Tiwi, Albay, Bay and Calauan, Laguna; and Sto. Tomas, Batangas ("Tiwi-MakBan Plants") with a total potential capacity of 693.2 MW. The Tiwi-MakBan Plants were acquired by APRI from PSALM in July 2008 and were formally turned over to APRI on May 25, 2009.

The Tiwi-MakBan Plants produce clean energy that is reasonable in cost, efficient in operation and environment- friendly. As a demonstration of APRI's commitment to providing world class services, adhering to environmental management principles to reduce pollution, complying with regulations, and ensuring a safe and healthy workplace, the company has been issued Integrated Management System (IMS) certifications by TÜV Rheinland Philippines that include International Organization for Standardization (ISO) 9001:2015, ISO 14001:2015 (Environment), and OSHAS (Occupational Health and Safety Series) 18001:2007 (Health and Safety).

On August 24, 2018, APRI and Philippine Geothermal Production Company, Inc. ("PGPC") signed a Geothermal Resources Supply and Services Agreement ("GRSSA") for the supply of steam and drilling of new production wells for the Tiwi-MakBan Plants thereby ensuring the long-term operations of the facilities. Under the GRSSA, PGPC will drill at least 12 new production wells over a six-year period to increase steam availability. The GRSSA also ensures a more equitable and competitive fuel pricing in the long run.

APRI's geothermal facilities have generally operated at par or better than industry standards. The company routinely evaluates and implements various projects while improving coordination with PGPC to improve efficiency levels and counteract the challenges of a declining steam supply.

Solar

Maaraw San Carlos Holdings, Inc. (Maaraw San Carlos)

Maaraw San Carlos was incorporated on April 24, 2015 as the holding company of Sacasun.

AboitizPower, through its wholly owned subsidiaries ARI and AboitizPower International, effectively owns 100% of the company.

San Carlos Sun Power Inc. (SacaSun)

Sacasun was incorporated on July 25, 2014 initially as a joint venture between ARI and SunEdison Philippines, a Dutch company. On December 4, 2017, AboitizPower International acquired SunE Solar B.V.'s equity interest in Sunedison Philippines, resulting in AboitizPower's 100% effective equity ownership in Sacasun.

Sacasun owns and operates the 59-MWp solar photovoltaic power generation plant located in the San Carlos Ecozone, Barangay Punao, San Carlos City, Negros Occidental ("Sacasun Plant").

As a renewable energy developer, Sacasun participates in the renewable energy market and other initiatives which promote utilization of renewable energy resources. The energy generated from the Sacasun Plant benefits more than 8,000 homes. Sacasun believes in producing clean energy for sustainable development and inclusive growth of its communities within a shared environment.

AboitizPower, through its wholly-owned Subsidiaries, ARI and AboitizPower International, effectively owns 100% of Sacasun.

Aboitiz Power Distributed Energy, Inc. (APX1) and Aboitiz Power Distributed Renewables Inc. (APX2)

Incorporated in November 2016, APX1 is the project company which, together with APX2 (formerly: Kookabura Equity Ventures, Inc.) (collectively, APX), will engage in the business of operating light and power systems. APX1 and APX2 are wholly-owned Subsidiaries of ARI.

During their first year of operation, APX1 and APX2 focused on building internal capability to serve various market segments, attracting top technical talent for photovoltaic (PV) solar technology, and defining synergies with other teams and products within the Aboitiz Group.

In February 2018, a 100 kW installation atop the roof of the Aboitiz Corporate Office at Banilad, Cebu City was completed by APX to signal the entry of the AboitizPower Group into Behind the Meter (BTM), distributed energy solutions such as rooftop solar. This was shortly followed by the announcement of a 1.5 MW rooftop solar solution for The Outlets at Lipa in Lima Technology Center which was completed and commissioned in December 2018. Through this project, revenue will be secured for the next 20 years starting January 2019.

Several customers in various locations across Luzon and Visayas have also agreed to terms with APX to go solar. By creating sales channels through relationships with the RES and Distribution Utility teams within the AboitizPower Group, APX is poised to advance its pipeline nationwide in 2019.

Non-Renewables

Therma Power, Inc. (TPI)

Incorporated on October 26, 2007, TPI is a wholly-owned Subsidiary of AboitizPower and is the latter's holding company for its non-renewable energy projects. AboitizPower, through and/or with, TPI has equity interests in the following generation companies, among others:

a. 100% equity interest in TMI, owner and operator of 100-MW Mobile 1 barge-mounted power plant in Maco, Compostela Valley and 100-MW Mobile 2 barge-mounted power plant in Nasipit, Agusan del Norte;
b. 100% equity interest in TMO, owner and operator of Mobile 3-6 barge-mounted power plants in Navotas Fish port, Manila, with a total generating capacity of 242 MW;
c. 100% equity interest in EAUC, owner and operator of a 43-MW Bunker C fired power plant in MEPZ 1, Mactan, Cebu;
d. 100% equity interest in TLI, the IPPA of the 700-MW contracted capacity of the Pagbilao Plant located in Quezon Province;
e. 100% equity interest in TSI, owner and operator of a 300 MW circulating fluidized bed (CFB) coal-fired power plant in Toril, Davao City;
f. 100% equity interest in TPVI, the project company for the Naga power plant, located in Naga City, Cebu;
g. 80% equity interest in TVI, which is currently building a 340-MW CFB coal-fired power plant in Toledo City, Cebu;
h. 66.07% beneficial ownership interest as of March 31, 2018 in GMCP, owner and operator of an approximately 2x316 MW (net) pulverized coal-fired electric power generation facility in Mariveles, Bataan;
i. 50% beneficial ownership interest as of December 31, 2018 in GNPD, which is currently building a 2x668 MW (net) supercritical coal-fired power plant in Bataan;
j. 50% equity interest in PEC, owner and operator of the 400-MW (net) coal-fired power plant in Pagbilao, Quezon Province;
k. 26.4% beneficial ownership interest in Cebu Energy, which operates a 3x82-MW coal-fired power plant in Toledo City, Cebu; and
l. 25% equity interest in RP Energy, the project company for the power plant project at the Redondo Peninsula located in the Subic Bay Freeport Zone (SBFZ).

Oil Group

Therma Marine, Inc. (TMI)

Incorporated on November 12, 2008, TMI is a wholly-owned Subsidiary of TPI and owns and operates Power Barges Mobile 1 (previously known as PB 118) and Mobile 2 (previously known as PB117), with a total generating capacity of 200 MW. Mobile 1 is currently moored at Barangay San Roque, Maco, Compostela Valley, while Mobile 2 is moored at Barangay Sta. Ana, Nasipit, Agusan del Norte.

The 192.2-MW dependable capacities of Mobile 1 and Mobile 2 are currently being fully contracted and sold to various cooperatives, industrial and commercial customers in Mindanao under ERC-approved Energy Supply Agreements (ESAs). The ESAs have been extended with different expiry dates ranging from 2019 to 2021.

Therma Mobile, Inc. (TMO)

Incorporated on October 20, 2008, TMO is a wholly-owned Subsidiary of TPI and owns and operates four barge- mounted power plants located at the Navotas Fish Port, Manila, with a total installed generating capacity of 242 MW.

On January 7, 2019, TMO notified MERALCO that it will physically disconnect from MERALCO's system and will deregister as a Trading Participant in the WESM effective February 5, 2019. This was due to TMO's commercial inactivity since June 26, 2018, following the absence of an approved power supply agreements for its four barges. After evaluating the circumstances and the options available, TMO decided to preserve its bunker C-fired diesel power plants. Notices were also sent to PEMC, DOE, ERC and Independent Electricity Market Operator of the Philippines Inc. (IEMOP), following applicable legal notice requirements.

East Asia Utilities Corporation (EAUC)

Incorporated on February 18, 1993, EAUC is a wholly-owned Subsidiary of TPI and is the owner and operator of a Bunker C-fired power plant in Mactan Economic Processing Zone I (MEPZ I), Lapu-Lapu City, Cebu. It has been operating the plant since 1997 and has been supplying power through the WESM since 2010.

Therma Power Visayas, Inc. (TPVI)

Incorporated on October 8, 2007, TPVI is a wholly-owned Subsidiary of TPI and successfully bid for the NPPC and successfully bid for the NPPC.

Following protracted legal proceedings, on May 18, 2018, PSALM issued a Certificate of Effectivity of the Notice of Award originally issued in April 30, 2014 in favor to TPVI. Thereafter, PSALM and TPVI executed the Asset Purchase Agreement and Land Lease Agreement of the Naga Power Plant Complex (NPPC).

On July 16, 2018, PSALM physically turned over the NPPC to TPVI. TPVI is currently working on the rehabilitation of the NPPC.

Cebu Private Power Corporation (CPPC)

Incorporated on July 13, 1994, CPPC owns and operates a 70-MW Bunker C-fired power plant located in the Old VECO Compound, Cebu City (“CPPC Plant”). It is one of the largest diesel-powered plants on the island of Cebu and is located within the franchise area of VECO. Commissioned in 1998, the CPPC plant was constructed pursuant to a BOT contract to supply 61.72 MW of power to VECO.

CPPC is a joint venture company between AboitizPower and the Vivant Group. AboitizPower beneficially owns 60% of CPPC.

Southern Philippines Power Corporation (SPPC)

Incorporated on March 15, 1996, SPPC owns and operates a 55-MW Bunker C-fired power plant ("SPPC Plant") located in Alabel, Sarangani, a municipality outside General Santos City in Southern Mindanao.

SPPC currently supplies power to electric utilities and cooperatives pursuant to PSAs approved by the ERC. These utilities and cooperatives pay SPPC on a monthly basis for the fuel costs, capital recovery, energy, and fixed and variable operations and maintenance fees as specified in the PSAs.

SPPC is a joint venture company among AboitizPower, Alsing Power Holdings, Inc., and Tomen Power (Singapore) Pte. Ltd. AboitizPower has a 20% equity interest in SPPC.

Western Mindanao Power Corporation (WMPC)

Incorporated on March 15, 1996, WMPC owns and operates a 100-MW Bunker C-fired power station ("WMPC Plant") located in Zamboanga City, Zamboanga Peninsula in Western Mindanao.

WMPC currently supplies power electric utilities and cooperatives pursuant to PSAs approved by the ERC. These utilities and cooperatives pay WMPC on a monthly basis for the fuel costs, capital recovery, energy, and fixed and variable operations and maintenance fees as specified in the PSAs.

WMPC is a joint venture company among AboitizPower, Alsing Power Holdings, Inc., and Tomen Power (Singapore) Pte. Ltd. AboitizPower has a 20% equity interest in WMPC.

Coal Group

Therma Luzon, Inc. (TLI)

Incorporated in October 20, 2009, TLI is a wholly-owned Subsidiary of TPI and was the first IPPA in the country. TLI has been the registered trader of the contracted capacity of the 764-MW (2x382 MW) (gross) Pagbilao coal-fired thermal power plant located in Pagbilao, Quezon ("Pagbilao Plant" or "Pag1" and "Pag2") since October 1, 2009.

As the IPPA for the Pagbilao Plant, TLI is responsible for procuring the fuel requirements of, and selling the electricity generated by, the Pagbilao Plant. The Pagbilao Plant is owned and operated by TeaM Energy Corporation (TeaM Energy). Under the IPPA Agreement, TLI has the right to receive the transfer of Pag1 and Pag2 at the end of the ECA.

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

Currently, TLI is undertaking the necessary procedure to secure its own license to operate as a RES. With this license, TLI will be able to sell, broker, market, and/or aggregate electricity to Contestable Customers and participate in the competitive retail electricity market.

Pagbilao Energy Corporation (PEC)

Incorporated on April 30, 2012, PEC owns and operates third coal-fired power plant within the Pagbilao Plant facilities located in Pagbilao, Quezon with a net capacity of 400 MW ("Pag 3").

Pursuant to their Joint Development Agreement effective May 31, 2012, TPI and TeaM Energy formed PEC as a separate vehicle for Pag3 and as a separate entity from TLI. As such PEC is not covered by either TLI's IPPA with PSALM, or TeaM Energy's BOT contract with NPC/PSALM. An Environmental Compliance Certificate (ECC) was issued by the Department of Environment and Natural Resources – Environmental Management Bureau (DENR-EMB) on June 18, 2013.

In2014, PEC entered into an Engineering Procurement and Construction (EPC) contract with a consortium comprised of Mitsubishi Hitachi Power Systems Ltd., Daelim Industrial Co. Ltd., DESCO Inc. and Daelim Philippines Inc. for the project. It started commercial operations in March 2018.

Through TPI, AboitizPower owns 50% of PEC while TPEC Holdings Corporation owns the remaining 50%.

Therma South, Inc. (TSI)

Incorporated in November 18, 2008, TSI is a wholly-owned Subsidiary of TPI and owns and operates the 300-MW (2x150MW) (gross) CFB coal-fired power plant located both in Barangay Binugao, Toril District, Davao City and Barangay Inawayan, Sta. Cruz, Davao del Sur.

TSI declared commercial operations for Unit 1 and Unit 2 on September 2015 and February 2016, respectively. Formal inauguration of Unit 2 was held on January 8, 2016.

TSI contributes to the continuing growing power requirements of Mindanao by providing stable and cost-effective base load power. TSI has currently contracted out 260 MW of energy and has 22 diff rent approved Power/Energy Supply Agreements with various private distribution utilities and energy cooperatives.

The company seeks to sustain the positive impact it has brought its host communities through various educational, livelihood, and enterprise development programs, benefitting children, students, small and medium business enterprise owners, and most notably its employees.

Therma Visayas, Inc. (TVI)

TVI is the project company for the 2x169 (gross) MW CFB coal-fired power plant located in Barangay Bato, Toledo City, Cebu.

TVI aims to address the increasing power demand of the Visayas Grid with provisions for the future addition of a third generating unit.

In May 2014, TVI signed an EPC contract with Hyundai Engineering Co., Ltd. and Galing Power Energy Co., Inc. The 2x170-MW coal-fired power plant is currently in the testing and commissioning phase, but has experienced technical issues that will delay Commercial Operations Date (COD) of the first unit to June 2019 and the second unit to April 2019.

AboitizPower through TPI, effectively owns 80% of TVI. The remaining 20% is held by Vivant Group through VIGC and VEC.

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

Incorporated on November 28, 2007, Abovant is a joint venture company between AboitizPower and Vivant Group formed as the holding company for shares in Cebu Energy.

Cebu Energy was incorporated on December 5, 2008 by Abovant and Global Formosa Power Holdings, Inc. (Global Formosa), a joint venture between Global Business Power Corporation and Flat World Limited, to own, operate and maintain a 3x82 MW CFB coal-fired power plant situated within the Toledo Power Complex in Barangay Daanlungsod, Toledo City, Cebu. The first 82 MW unit was commissioned in February 2010, while the second and third units were commissioned in the second and fourth quarter of 2010, respectively.

The Cebu Energy power plant in Toledo City completed its first full year of commercial operations in 2018. The power plant provides much-needed power to the province of Cebu and its neighboring province, Bohol.

Abovant has a 44% stake in Cebu Energy, while Global Formosa owns the remaining 56%. Consequently, AboitizPower, through TPI, holds a 26.4% effective ownership interest in Cebu Energy.

Redondo Peninsula Energy, Inc. (RP Energy)

RP Energy was incorporated on May 30, 2007 to construct, own and operate the 2x300-MW (net) coal-filed power plant located in Redondo Peninsula of Subic Bay within the SBFZ, Subic, Zambales.

RP Energy was originally a joint venture between AboitizPower and TCIC. MPGC acquired a majority interest in RP Energy by virtue of a share purchase agreement with TPI on July 22, 2011. AboitizPower, through TPI, and TCIC each retained a 25% stake in RP Energy.

STEAG State Power Inc. (STEAG Power)

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

While STEAG Power's pioneer status expired on November 14, 2012, its COC, on the other hand, was renewed by the ERC and is effective until August 2021.

AboitizPower has 34% equity interest in STEAG Power following the purchase of said equity from Evonik Steag GmbH (now STEAG GmbH or STEAG), Germany's fifth largest power generator. STEAG and La Filipina Uy Gongco Corporation currently hold the remaining 51% and 15% equity, respectively, in STEAG Power.

GNPower Mariveles Coal Plant Ltd. Co. (GMCP)

GMCP is a private limited partnership organized on May 13, 2007 and established to undertake the development, construction, operation, and ownership of an approximately 2x316MW (net) pulverized coal-fired power plant located in Mariveles, Bataan, Philippines ("Mariveles Project").

The Mariveles Project is located within an industrial zone on a 60-hectare coastal site near the port of Mariveles, Bataan. The project site lies near the northern entrance to Manila Bay, providing easy and safe shipping access from the West Philippine Sea. The Mariveles Project commenced construction after execution of the equity and financing documentation, approval by the relevant government authorities and the initial drawdown under the non-recourse loan on January 29, 2010. It was declared commercially available in 2013 and currently supplies electric capacity to the Luzon and Visayas markets.

The electricity produced by the Mariveles Project is exported through a 230kV high voltage transmission line owned and operated by NGCP. Substantially all of the capacity of the Mariveles Project is contracted under long term power purchase agreements with highly-rated distribution utilities and Contestable Customers, through its designated RES.

In October 2016, TPI entered into Purchase and Sale Agreements for the acquisition of partnership interests held by affiliated investment funds of The Blackstone Group L.P. in World Power Holdings, L.P. (currently registered as Therma Mariveles Holdings L.P.) and Sithe Global Power, L.P. (currently registered as Therma Dinginin L.P.) Following the receipt of approvals from the Board of Investments (BOI) and the PCC, TPI completed the acquisition of GMCP and GNPD on December 27, 2016.

Begining October 13, 2017, through its general and limited partners, AboitizPower's, sharing percentage on: (i) profits and losses and (ii) distributions, including net distributable liquidation proceeds, in GMCP is 66.0749%.

On March 7, 2018, AboitizPower completed the restructuring of its share ownership structure in GMCP by transferring its direct ownership of GMCP from the offshore subsidiaries of TPI to TPI itself, and the eventual dissolution and liquidation of the offshore intermediary subsidiaries that own the GMCP shares.

Effectively, the partnership interests in GMCP are owned by (i) TPI, (ii) ACE Mariveles Power Ltd. Co., a joint venture between between AC Energy, Inc. (ACE), a wholly-owned Subsidiary of Ayala Corporation, and Power Partners Ltd. Co. (Power Partners), and (iii) Power Partners.

GNPower Dinginin Ltd. Co. (GNPD)

GNPD is a limited partnership organized and established on May 21, 2014 with the primary purpose of: (a) developing, constructing, operating, and owning a 2x668 MW (net) supercritical coal-fired power plant to be located at Mariveles, Bataan; (b) generating, selling and trading of electric power, importing machines, equipment, motor vehicles, tools, appurtenant spare parts, coal for fuel, lubricants, cleansing substances, and other necessary and related materials or chemicals; and (c) obtaining, entering into and performing any and all contracts and engaging in any and all transactions consistent with the foregoing purpose.

GNPD successfully achieved financial close and started the construction of Unit 1 in September 2016, with target delivery in the first half of 2019. The company also proceeded with the expansion of the power plant and successfully achieved its financial closing for Unit 2 in December 2017. To date, GNPD has signed numerous Power Purchase and Sale Agreements with highly-rated distribution utilities and RES.

GNPD's construction is being conducted in two phases: (i) the first phase is for Unit 1 and its associated ancillary facilities as well as the balance of plant and (ii) the second phase is for an additional identical 668MW (net) unit (Unit 2) and associated ancillary facilities. The electricity that will be produced by Unit 1 of GNPD will be exported through the existing 230kV high voltage transmission line owned and operated by NGCP. Eventually, energy from Unit 1 and Unit 2 will be exported through NGCP's 500kV high voltage transmission line once completed.

On December 27, 2016, TPI completed the acquisition of the partnership interests held by affiliated investment funds of The Blackstone Group, L.P in World Power Holdings, L.P. (currently registered as Therma Mariveles Holdings L.P.) and Sithe Global Power, L.P. (currently registered as Therma Dinginin L.P.) The sharing percentage on (i) profits and losses and (ii) distributions of AboitizPower in GNPD, through its general and limited partners, will eventually be reduced to 40%.

In 2018, AboitizPower, through TPI, restructured its share ownership structure in GNPD and the transferred direct ownership of GNPD from the offshore subsidiaries of TPI to TPI itself. After the restructuring and as of January 31, 2019, TPI directly owns a 50% partnership interest in GNPD.

GNPD is co-developed by Powers Partners, ACE, and TPI.

Other Generation Assets

Cotabato Light maintains a stand-by 9.927-MW Bunker C-fired power plant capable of supplying approximately 15% of its requirements as of December 31, 2018.

Future Projects

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

DISTRIBUTION OF ELECTRICITY

The Aboitiz Group has more than 85 years of experience in the Philippine power distribution sector.

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

As of December 31, 2018, the power distribution business' earnings contribution from AboitizPower's business segments is equivalent to 20%. The Distribution Utilities had a total customer base of 995,828 as of end-2018, compared to 954,300 in 2017, and 916,876 in 2016.

The table below summarizes the key operating statistics of the Distribution Utilities for each of the past three years.

Company	Electricity Sold (MWh)			Peak Demand (MW)			No. of Customers		
	2018	2017	2016	2018	2017	2016	2018	2017	2016
Davao Light	2,468,192	2,317,985	2,173,373	421	404	380	404,574	384,434	367,782

Cotabato	165,409	153,973	146,678	31	29	27	41,681	41,110	38,924
VECO	3,159,032	2,938,532	2,922,950	547	522	524	437,823	422,814	408,586
SFELAPCO	665,425	623,607	588,985	134	116	117	107,536	101,942	97,847
SEZ	423,939	517,558	535,010	100	106	103	3,343	3,267	3,151
MEZ	123,276	114,272	111,486	22	21	21	85	83	82
BEZ	100,554	91,273	102,208	27	27	30	31	31	32
LEZ	224,175	197,908	165,481	39	33	28	755	619	472
Total	**7,330,002**	**6,955,108**	**6,746,171**	**1,320**	**1,258**	**1,230**	**995,828**	**954,300**	**916,876**

Visayan Electric Company, Inc. (VECO)

Incorporated in February 22, 1961, VECO is the second largest privately-owned distribution utility in the Philippines in terms of customer size and annual MWh sales. It supplies electricity to the greater part of Metro Cebu, covering an area of 674 square kilometers (sq. kms.) and with a population of approximately 1.7 mn. To date, VECO has 20 power substations and one mobile substation that serve the power needs of the cities of Cebu, Mandaue, Talisay and Naga, and the municipalities of Minglanilla, San Fernando, Consolacion, and Liloan. As of December 31, 2018, VECO served a total of 437,823 customers and had a peak demand during 2018 of 525 MW.

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

VECO, directly and through its predecessors-in-interest, has been in the business of distributing electricity in Cebu since 1905. In the early 1900s, the predecessors-in-interest of the Aboitiz Group acquired a 20% interest in VECO's predecessor-in-interest, the Visayan Electric Company, S.A. Since that time, the Aboitiz Group's ownership interest in VECO has increased from 20% to its current ownership interest of 55.25%, which is directly held by AboitizPower.

VECO is part of the third group (Group C) of private distribution utilities to shift to Performance-Based-Rate-Setting Regulation (PBR). VECO entered into a PPA for the purchase of electric energy from CPPC for a period of 15 years starting from the commercial operation date of the latter. After its expiry in 2013, a new Power Supply Agreement was signed between VECO and CPPC and it is awaiting for ERC approval. The ERC, however, has allowed VECO to continue drawing power from CPPC under the same terms and conditions of the expired PPA until the ERC approves the 2013 PSA.

For its long-term capacity requirement, VECO entered into a 15-year PSA with TVI for the supply of 150MW beginning in 2018. To reduce WESM exposure in 2016 until TVI's commercial operations have commenced, the company entered into a PSA with South Luzon Power Generation Company (SLPGC) for 50MW in 2016. The contract with SLPGC has expired last June 26, 2018.

With the Retail Competition and Open Access, some of VECO's customers who qualified as Contestable Customers who voluntarily migrated to Retail Electricity Suppliers (RES). VECO continues to renegotiate the reduction of its bilateral contracts to account for the continued migration of Contestable Customers.

As of December 2018, VECO's systems loss is at 6.73%, which includes a feeder loss cap of 5.22%. This is below the government-mandated feeder loss cap of 6.5% which results to reduced power costs thereby providing more savings to the customer.

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

Davao Light is the third largest privately-owned electric distribution utility in the country in terms of customer size and annual kWh sales. Davao Light's franchise area covers Davao City, areas of Panabo City, and the municipalities of Carmen, Dujali, and Santo Tomas in Davao del Norte, with a population of approximately 1.8 mn and a total area of 3,561 sq. kms. During 2018, Davao Light served a total of 404,983 customers, with a recorded peak demand of 421MW.

Davao Light was incorporated in October 11, 1929, and acquired by the Aboitiz Group in 1946. Davao Light's original 50-year franchise, covering Davao City, was granted on November 1930 by the Philippine Legislature. On September 2000, RA 8960 granted Davao Light a franchise for a period of 25 years, or until September 2025.

The large percentage of Davao Light's power supply comes from renewable energy sources from the NPC-PSALM, Hedcor Sibulan, and Hedcor's Talomo plant, which comprised 52.29% of Davao Light's power mix.

In 2016, Davao Light signed a 60MW Power Supply Contract (PSC) with San Miguel Consolidated Power Corporation, subject to ERC approval. Davao Light also signed a 50MW firm power supply contract with Therma Marine Inc. and 55MW with Western Mindanao Power Corporation on October and November 2017, respectively, respectively, with a total capacity of 105MW. This is intended to supply Davao Light's power requirements during the drought months when the supply coming from NPC- PSALM is very limited.

Davao Light has several ongoing projects to improve the services within its franchise area. In July 2018, Davao Light started the works for the implementation of the 1st Phase of its Underground Distribution System which involves 1.2 kilometers of cables being migrated along CM Recto Street. During the last quarter of 2018, Davao Light began a five-year partnership program with the Davao City LGU to replace all sodium lamps in Davao City with Light Emitting Diode (LED) lamps. The shift will reduce the city's energy consumption without compromising services. During 2018, Davao Light has upgraded its R. Castillo and Panabo Substations to increase reliability and flexibility in the subtransmission line in the City-North area of Davao Light's franchise to match the power demand of the thriving economy of the franchise's north sector. Davao Light also installed new 13.2 kV lines within the city's downtown and Calinan areas to increase reliability and provide additional capacity. It has also increased the capacity of its ERA Line 2 and has constructed and upgraded a total of 8.2 circuit kilometers of 13.8 kV line and 6 circuit kilometers of 69 kV line.

These projects are indication of the expected robust economic growth in the various areas within the Davao Light franchise.

The growth during 2018 resulted in total sales of 2,502,802 MWh, a total growth in energy sales of 5.75% and increase in demand of 6.37%.

Davao Light's systems loss at 7.03% in 2018 remains below the government-mandated cap of 8.5%. Systems loss below the mandated caps translates to reduced power costs, resulting in customer savings.

Davao Light is part of Group C of private distribution utilities to enter the PBR. The reset process for the next regulatory period is put on hold by the ERC.

Davao Light is currently owned 99.93% by AboitizPower.

Cotabato Light and Power Company (Cotabato Light)

Cotabato Light and Power Company is a wholly owned electric distribution utility of Aboitiz Power Corporation. It supplies electricity to Cotabato City and portions of the municipalities of Datu Odin Sinsuat and Sultan Kudarat, both in Maguindanao, with a land area of 191 sq. kms. As of December 2018, Cotabato Light's peak demand was recorded at 32 MW and is serving a total of 41,645 customers.

Cotabato Light began its operation last June 18, 1939 by virtue of Commonwealth Act No. 487. In June 16, 2014, franchise was been renewed for another 25 years under R.A 10637.

As of 2018, Cotabato Light has three substations of 12 MVA, 12.5 MVA and 25 MVA. It is served by one 69-kV transmission line. Cotabato Light's distribution voltage is 13.8 kV. These lines can be remotely controlled using the Supervisory Control Data Acquisition (SCADA).

Cotabato Light also maintains a standby 4.45-MW Bunker C-fired plant capable of supplying approximately 15% of its franchise area requirements. The existence of a standby plant, capable of supplying electricity in cases of power supply problems with its power suppliers or the NGCP and for the stability of voltage whenever necessary, is another benefit to Cotabato Light's customers.

As of December 2018, its total systems loss stands at 8.46%, where 7.44% is the feeder loss. Cotabato Light is continuously innovating its strategies and process.

Cotabato Light utilizes the most up-to-date systems such as the Customer Care and Billing, Enterprise Resource Planning (ERP) and soon, the Work and Asset Management (WAM). Cotabato Light is committed to provide reliable and ample power supply when needed, ensure that the supply of electricity is provided and competitive price, and accomplish the first two duties with the least possible adverse effects on our environment and communities.

AboitizPower directly owns 94% of Cotabato Light.

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

SFELAPCO was incorporated in May 17, 1927 and was granted a municipal franchise in 1927. Its franchise in the City of San Fernando, Pampanga covers an area of 78.514 sq. kms. It supplies 35 barangays in the City of San Fernando, Barangays San Isidro and Cabalantian in Bacolor, Pampanga, 25 barangays in the municipality of Floridablanca, and one barangay in Guagua, Pampanga which includes 584.011 and 977.372 circuit-kilometers on its 13.8-kV and 240- volt distribution lines, respectively. During 2018, SFELAPCO's peak demand was recorded at 118,490 kW, and as of December 31, 2018 it was serving a total of 105,076 customers.

SFELAPCO's current legislative franchise was granted through RA 9967, for 25 years commencing on March 24, 2010. It belongs to the fourth batch (Group D) of private utilities to enter PBR whose reset process for the next regulatory period is put on hold by the ERC.

SFELAPCO's systems loss at 4.7751% remains below the government-mandated cap of 7.5% plus Subtransmission loss. Systems loss below the mandated caps translates to reduced power costs resulting in bigger customer savings.

AboitizPower owns an effective 43.78% interest in SFELAPCO.

Subic EnerZone Corporation (SEZ)

In May 2003, the consortium of AEV and Davao Light won the competitive bid to provide distribution management services to SBMA and to operate the SBFZ power distribution utility for a period of 25 years. On June 3, 2003, SEZ was incorporated as a joint venture company owned by a consortium comprised of Davao Light, AEV, SFELAPCO, Team Philippines, Okeelanta, and PASUDECO to undertake the management and operation of the SBFZ power distribution utility. Eventually, SEZ was formally awarded the contract to manage SBFZ's power distribution utility and took over operations.

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

In 2018, the contracted capacity of SEZ with TLI was carved down from 15.73 MW in 2017 and then reduced to 12.09 MW in December 2018. Similarly, its contracted capacity with San Miguel Energy Corporation was carved down from 4.2 MW in 2017 and reduced to 4.02 MW in December 2018.

The recorded peak demand during 2018 was 55.99 MW. As of December 31, 2018, SEZ served a total of 3,342 customers, consisting of 82 industrial locators, 1,168 commercial locators, 1,973 residential customers, 101 streetlights and 18 industrial locators under RES.

SEZ's systems loss at 2.64% in 2018 remains below the government-mandated feeder loss cap of 6.5%. Systems loss below the mandated caps translates to reduced power costs resulting in customer savings.

Together with Davao Light's interest of 35%, AboitizPower owns 100% of SEZ.

Mactan Enerzone Corporation (MEZ)

MEZ was incorporated on February 19, 2007 when AboitizLand spun off the power distribution system of its Mactan Export Processing Zone II (MEPZ II) project. The MEPZ II project, which was launched in 1995, was operated by AboitizLand under a BOT agreement entered into with the Mactan-Cebu International Airport Authority (MCIAA).

On June 8, 2007, AboitizPower entered into an agreement to acquire AboitizLand's 100% equity stake in MEZ, representing 8,754,443 common shares.

MEZ sources its power from SN Aboitiz Power-Magat and GCGI pursuant to a CSEE. Under this CSEE, GCGI is required to provide 4.957 MW to MEZ base load. SN Aboitiz Power-Magat is required to supply 4.957 MW with 50% load factor.

During 2018, MEZ recorded peak demand at 22.24 MW, and served a total of 85 customers, consisting of 53 captive industrial locators, 26 captive commercial locators, and 6 industrial locators under RES.

MEZ's systems loss at 0.99% in 2018 remains below the government-mandated cap of 8.5%. Systems loss below the mandated cap translates to reduced power costs resulting in customer savings.

AboitizPower directly owns 100% of MEZ.

Balamban Enerzone Corporation (BEZ)

BEZ was incorporated on February 19, 2007 when Cebu Industrial Park Developers, Inc. (CIPDI), a joint venture between AboitizLand and Tsuneishi Holdings (Cebu), Inc. (THC), spun off the power distribution system of the West Cebu Industrial Park – Special Economic Zone (WCIP-SEZ). WCIP-SEZ is a special economic zone for light and heavy industries owned and operated by CIPDI. CIPDI, located in Balamban, Cebu, is home to the shipbuilding and ship repair facilities of Tsuneishi Heavy Industries (Cebu), Inc. (THICI), the modular fabrication facility of Aboitiz Construction International, Inc. (formerly: Metaphil International, Inc.) and recently, Austal Philippines Pty. Limited.

As of February 2017, only the firm contract with Cebu Energy remained, since its other Contestable Customers have switched to RES.

BEZ's peak demand for 2018 was recorded at 27 MW and served a total of 31 customers composed of 14 captive industrial customers, 11 captive commercial customers, and 6 contestable industrial customers.

BEZ's systems loss at 0.50% in 2018 remains below the government-mandated cap of 8.5%. Systems loss below the mandated caps translates to reduced power costs resulting in customer savings.

AboitizPower directly owns 100% of BEZ.

Lima Enerzone Corporation (LEZ)

LEZ was incorporated as Lima Utilities Corporation on June 5, 1997 to serve and provide locators within the Lima Technology Center (LTC) with a reliable and stable power supply.

LEZ was originally a wholly-owned Subsidiary of Lima Land. With the acquisition by AboitizLand of the interests of the Alsons and Marubeni groups in Lima Land in 2013 and 2014, respectively, LEZ and Lima Land became a wholly- owned Subsidiaries of AboitizLand.

LEZ's responsive interface ensures that customers receive power that fully meets their business requirements. As asset manager of the electrical infrastructure constructed at the LTC, LEZ has the sole responsibility of providing clean, reliable and uninterrupted power supply to enable the multinational manufacturing companies to produce quality products at international standards. On December 10, 2017, LEZ completed an additional 50-MVA power transformer, and is now capable of serving the increasing demand for future locators and expansions. This allows LEZ to provide reliable and flexible power to the LTC.

During 2018, LEZ recorded peak demand at 37 MW, and as of December 31, 2018 it served a total of 771 customers, consisting of 76 captive industrial locators, 21 captive commercial locators, 659 captive residential customers, and 15 industrial locators under RES.

LEZ's systems loss at 5.3% in 2018 remains below the government-mandated cap of 8.5%. Systems loss below the mandated cap translates to reduced power costs resulting in customer savings.

AboitizPower directly owns 100% of LEZ.

Malvar Enerzone Corporation (Malvez)

Malvez was incorporated in June 9, 2017 to serve and provide locators within the Light Industry & Science Park IV (LISP IV) of Malvar, Batangas. Malvez will manage the construction, installation, operation, and maintenance of the power distribution of LISP IV for 25 years. LISP IV will have two 50-megawatt transformers to provide reliable and quality power to locators, which are mostly from manufacturers and exporters.

AboitizPower directly owns 100% of Malvez.

RETAIL ELECTRICITY AND OTHER RELATED SERVICES

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

Aboitiz Energy Solutions, Inc. (AESI)

Incorporated in August 11, 1998, AESI, a wholly-owned Subsidiary of AboitizPower, is engaged in the business of a retail energy supplier and energy consolidator. It was granted a license to act as a RES on November 9, 2009, which license was renewed on October 29, 2012 for another 5 years. Its application for renewal of RES license has been duly filed, and is currently pending with the ERC. At the start of commercial operations of Open Access on June 26, 2013, AESI served 42 customers. For the year 2018, AESI supplied retail electricity to a total of 185 customers, with total energy consumption of 2,326.56 mn kWh.

AESI was able to deliver a total of 346.56 mn kWh to its off-taker, VECO, during 2018.

Adventenergy, Inc. (AdventEnergy)

Incorporated in August 14, 2008, AdventEnergy, a wholly-owned Subsidiary of AboitizPower, is a RES company that sells, brokers, markets, or aggregates electricity to end-users, including those within economic zones. AdventEnergy's application for renewal of RES license is currently pending with the ERC. AdventEnergy was specifically formed to serve Contestable Customers located in economic zones.

AdventEnergy differentiates itself from competition by sourcing electricity from a 100% renewable source. With this competitive advantage, more and more companies are opting to source their electricity supply from AdventEnergy as an environmental initiative.

During 2018, AdventEnergy supplied retail electricity to 83 customers with a total consumption of 1,944.48 mn kWh.

Prism Energy, Inc. (Prism Energy)

Prism Energy was incorporated on March 24, 2009 as a joint venture between AboitizPower (60%) and Vivant Corporation (40%). It was granted a five-year RES license by the ERC on May 22, 2012, and its application for renewal of RES license has been duly filed and is currently pending with the ERC.

Prism Energy is envisioned to serve Contestable Customers in the Visayas region. As a RES, Prism Energy will provide its customers with contract options for electricity supply to be based on their operating requirements.

During 2018, Prism Energy supplied retail electricity to 37 customers with a total energy consumption of 155.90 mn kWh.

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

Incorporated on December 23, 2009, SN Aboitiz Power – RES is the RES arm of the SN Aboitiz Power Group. SN Aboitiz Power - RES caters to the Contestable Customer sector and electricity consumers using an average of at least 1 MW in the last 12 months across all industries under Open Access. It offers energy supply packages tailored to its customers' needs and preferences.

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

From a single customer in 2013, SN Aboitiz Power-RES has grown its customer base to 31 by the end of 2018, with a significant number of closed deals signed in 2017 and 2018. This growth can be attributed to the strategic focus of SN Aboitiz Power – RES on four major industry segments that allow it to tailor supply packages to customer segment needs and preferences.

Despite the challenging regulatory landscape in the Contestable and aggressive competition, SN Aboitiz Power – RES was still able to steadily carve an expanding market share. As of December 31, 2018, SN Aboitiz Power - RES accounts for 379 GWh or 31% of BCQ volumes which contributed P115 mn or 9.5% of BCQ net revenue.

SN Aboitiz Power - RES is a joint venture between ARI and SN Power. It is currently 60% owned by MORE with the remaining 40% owned by SN Power Philippines.

FINANCIAL SERVICES

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

Union Bank of the Philippines (UnionBank or "The Bank")

UnionBank, originally known as "Union Savings and Mortgage Bank", was incorporated in the Philippines on August 16, 1968. On January 12, 1982, it was given the license to operate as a commercial bank. The Bank's common shares were listed in the PSE on June 29, 1992 and shortly after, it was granted the license to operate as a universal bank on July 15, 1992. The Bank became the 13th and youngest universal bank in the country in only its tenth year of operation as a commercial bank. UnionBank has undertaken two bank mergers, first with International Corporate Bank (Interbank) in 1994 and then with International Exchange Bank (iBank) in 2006.

UnionBank distinguishes itself through superior technology, unique branch sales, service-oriented culture, and centralized backroom operations. UnionBank's superior technology allows delivery of online, real-time business solutions to meet the customers' changing and diverse needs through customized cash management products and service offerings. Its unique branch culture ensures delivery of efficient and quality service, as well as, mitigates operational risk. The Bank's centralized backroom operations enable it to provide responsive, scalable, and secure transaction processing.

Aligned with its thrust of being at the forefront of technology-based banking in the Philippines, UnionBank endeavors to elevate its systems and processes to be at par with international standards and best practices. It obtained ISO 9001:2000 Quality Management System (QMS) Certification for its Central Processing Services (CPS) in 2008, making it at this time the first and only bank in the Philippines awarded for its entire centralized backroom operations. In 2010, UnionBank received the ISO 9001:2008 certification, an update from the previous. Thereafter, UnionBank obtained the ISO 27001:2005 Certification for its Information Security Management System (ISMS), attesting to the Bank's unwavering commitment to become the leader and benchmark for service quality, technological advancement, and operational excellence. UnionBank also achieved ISO 9001:2008 Certifications for its Customer Service Group in 2012 and Branch Operations Management in 2013. In 2015, UnionBank earned ISO 9001:2015 QMS Certifications for its Branch Operations Management, Central Processing Services, and Customer Service Group. UnionBank is the first local bank that was certified under the new ISO standard. In 2016, the Loans and Trade Finance Operations Management group of UnionBank also earned the ISO 9001:2015 QMS Certification. In 2015 and 2016, UnionBank was certified as having zero nonconformance rating during quality audits, demonstrating UnionBank's dedication to uphold quality in its business processes. In 2017, the Bank successfully passed the ISO 9001:2015 QMS standard 2nd surveillance audit, as conducted by TUV Rheinland in November. The certification was also extended to the Treasury Operations.

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

The Bank's principal shareholder groups include AEV; SSS, a government-owned and -controlled corporation that provides social security to workers in the private sector; and Insular Life, one of the leading and largest Filipino- owned life insurance companies in the Philippines.

PETNET, Inc. (PETNET)

Incorporated on August 12, 1998, PETNET is primarily engaged in providing money transfer services as a direct agent of Western Union. In conjunction with Western Union Business Solutions, it offers services that enable local businesses to make international payment transactions in over 140 currencies. PETNET is a BSP-licensed remittance agent, money changer and foreign exchange dealer. Apart from the Western Union money transfer service, PETNET offers money changing, bills payment, airline ticketing, personal accident insurance, and e-loading in its company- owned locations. Since 2015, PETNET has been an outsourced service provider of CitySavings for facilitating and accepting applications for DepEd salary loans and Government Service Insurance System (GSIS) pension loans.

On February 9, 2018, CitySavings and Union Properties, Inc. executed a sale and purchase agreement to acquire AEV's 51% equity interest in PETNET, in order to consolidate the Group's financial services under UnionBank. The sale was approved by the PCC on May 8, 2018, and the investment of CitySavings in PETNET was approved by the BSP on November 23, 2018.

FOOD MANUFACTURING

Pilmico Foods Corporation (Pilmico)

Pilmico, the food arm of the Aboitiz Group, was incorporated on August 8, 1958. Pilmico began as a joint venture of the Aboitiz Group, the Lu Do Group, the Soriano Group and the Pillsbury Group of the United States of America (U.S.A.). The Lu Do, Soriano and Pillsbury Groups eventually sold all their shareholdings to AEV.

Pilmico is primarily engaged in the manufacture and sale of flour, feeds, and their by-products. It has a wide network of distributors and dealers located in major cities of Manila, Cebu, Davao, Iloilo, Bacolod, and Cagayan. To date, it is one of the largest flour manufacturers in the country, and is ranked among the top three domestic flour producers.

Pilmico's key raw materials are imported from the U.S.A., Canada and Australia. This exposes Pilmico to risks arising from currency fluctuations and volatile price movements of raw materials. Meanwhile, the high costs of freight and distribution limit the selling territory of Pilmico within its main network of distributors and dealers. Pilmico responds to this challenge through the strategic location of its Iligan plant, which narrows down the high costs of freight and distribution.

Pilmico established representative offices in Jakarta, Indonesia in 2004 and Ho Chi Minh City, Vietnam in 2015, to expand its flour export business. Through these representative offices Pilmico distributes flour products to Hong Kong, Vietnam, Myanmar, Thailand, Malaysia, and Indonesia. Further efforts will be made by Pilmico to strengthen its presence in the ASEAN region.

Pilmico Animal Nutrition Corporation (PANC)

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

PANC operates farms and feed mill plants in Capas, Tarlac and Kiwalan Cove, Iligan City.

Pilmico, together with another of its wholly owned Subsidiary, Filagri Holdings, Inc., owns 100% of PANC.

Filagri, Inc. (Filagri)

Filagri (formerly Filagri Land, Inc.) was incorporated on July 13, 1997. It was originally formed to hold PANC's investments in real estate properties. In January 2012, as part of the diversification plans of PANC, Filagri became the project vehicle of PANC's low-cost feeds.

Pilmico effectively owns a 100% equity interest in Filagri.

AEV International Pte. Ltd. (AEV International)

Established on May 5, 2014, AEV International is the holding company of AEV's investments outside the Philippines. AEV International owns 100% of Pilmico International, the investment company that holds an 85% equity interest in Pilmico Vietnam Feeds Joint Stock Company (PVF), a 70% equity interest in Pilmico Animal Nutrition – Joint Stock Company (PAN-JSC), and a 100% of Pilmico Viet Nam Trading Company Ltd. (Pilmico Vietnam Trading).

Pilmico International Pte. Ltd. (Pilmico International)

Pilmico International is the project vehicle of AEV's first international investment in the feeds business. The company was established in June 2014 as a wholly-owned Subsidiary of AEV International. Pilmico International has an 85% equity interest in PVF, the operator of an aqua feed mill in Dong Thap Province in Vietnam.

In October 2016, Pilmico International purchased 100% ownership interest in Pilmico Vietnam Trading, a company engaged in the wholsale of food products, beverages, and agricultural and forestry raw materials in Vietnam.

In 2017, Pilmico International further expanded its core feeds business in Vietnam through the acquisition of a 70% equity interest in Europe Nutrition Joint Stock Company (Eurofeed). Eurofeed is a joint stock company organized under the laws of Vietnam and is engaged in the business of producing animal feeds. Eurofeed was then renamed (PAN-JSC).

In 2018, Pilmico International acquired a 75% equity stake in Gold Coin Management Holdings (GCMH), the holding company of the Gold Coin Group and one of Asia's largest privately-owned agribusiness corporations, which operates mills across seven countries in Asia, including South China. The Gold Coin acquisition is Pilmico International's largest investment in the Asia-Pacific region to-date.

In 2019, PAN-JSC was integrated into the Gold Coin Group. Gold Coin Singapore Services, a wholly-owned Subsidiary of GCMH, acquired 100% of PAN-JSC. This mill is expected to supplement the growing animal feeds requirement in South Vietnam.

Pilmico Vietnam Feeds Joint Stock Company (PVF) (formerly: Pilmico VHF Joint Stock Company)

In August 2014, Pilmico International successfully acquired a 70% equity stake in aqua feed mill operator, Vinh Hoan 1 Feed JSC, a company established on May 2, 2007 under the laws of Vietnam. In August 2017, Pilmico International bought an additional 15% equity stake, thereby bringing Pilmico International's total equity stake in the aqua feed mill to 85%. Pilmico International has the right to purchase the remaining 15% by 2019 at a pre-agreed price.

The Food Group's entry in Vietnam marks the first international investment of the Aboitiz Group. Vinh Hoan 1 Feed JSC was officially renamed as Pilmico VHF Joint Stock Company by December 2014 and later on renamed as Pilmico Vietnam Feeds Joint Stock Company (PVF) in July 2017.

PVF is located in Dong Thap Province in Vietnam, approximately 165 kilometers away from Ho Chi Minh City. It is the fourth largest pangasius aqua feeds producer in Vietnam, with a capacity of 165,000 MT per year. PVF's capacity was successfully expanded to 270,000 MT in April 2016. This expansion supported efforts to build a commercial Vietnam and export market in addition to the long-term supply agreement with Vinh Hoan Corporation.

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

Pilmico Viet Nam Trading Company Ltd. (Pilmico Vietnam Trading)

Pilmico Vietnam Trading was incorporated on July 6, 2015. It is a limited liability company operating in Vietnam and engaged in the wholesale of food products, beverages, agricultural and forestry raw materials, among others. In October 2016, Pilmico International purchased 100% ownership interest in Pilmico Vietnam Trading. It is currently the vehicle used for the importation and distribution of Pilmico products within the Vietnam market.

Pilmico Animal Nutrition Joint Stock Company (PAN-JSC)

In August 2017, Pilmico International successfully acquired a 70% equity stake in an animal feed mill operator, Europe Nutrition Joint Stock Company (Eurofeed). Eurofeed was later on renamed as Pilmico Animal Nutrition Joint Stock Company (PAN-JSC). On December 2018, the Pilmico International's ownership stake in PAN-JSC was sold to Gold Coin Singapore Services, Pte. Ltd. as part of the ongoing integration between the businesses of Pilmico and the Gold Coin Group.

<u>International Animal Nutrition</u>

Gold Coin Management Holdings Limited (GCMH)

In July 2018, Pilmico International acquired a 75% equity stake in Gold Coin Management Holdings Limited (GCMH). GCMH is a major producer of animal feeds and operated 20 livestock and aqua feed mills across 11 countries in Asia Pacific. It enjoys lead market positions in key Asian markets and is well-enabling long-term client loyalty. Combined with the Gold Coin Group, Pilmico International expects to become a comprehensive animal nutrition platform across the Asia-Pacific region, with competitive advantages in terms of delivering scientifically balanced livestock and aqua feeds, and specialty nutrition products.

GCMH is an investment holdings company incorporated under the laws of the British Virgin Islands on January 5, 2000. GCMH is the parent holding entity, through which all investments in the Gold Coin Group are held.

a. British Virgin Islands

   Gold Coin Aqua Feed Incorporated (GCAFI) is a wholly-owned Subsidiary of GCMH incorporated under the laws of the British Virgin Islands on May 6, 2008. GCAFI is an investment holdings company, which owns 100% equity interests in Gold Coin Aqua Feed (Singapore) Pte. Ltd. (formerly Syaqua Singapore Pte Limited) and Gold Coin Aqua Feed (Hong Kong) Ltd. (formerly SYA Holdings (HongKong) Limited).

b. Singapore

GCMH Subsidiaries in Singapore are engaged in: (i) management and consultancy services through Gold Coin Services Singapore Pte. Ltd. (GCSS); (ii) investment holdings such as Gold Coin Aqua Feed (Singapore) Pte Ltd (formerly Syaqua Singapore Pte Limited), Comfez Ltd (CFL), and FEZ Animal Nutrition Pte. Ltd, Inc. (FEZ); and (iii) and commodity trading or procurement of raw materials through APAC Commodities Pte Ltd (APAC) and Comfez Pte Ltd. (CPL).

c. China and Hong Kong

In China and Hong Kong, GCMH's subsidiaries are engaged in the business of: (i) management and consulting services and general trading through GC Investment Holdings Limited (GCIH) and Gold Coin Group Limited (GCG); (ii) manufacture and sales of animal and aqua feeds with production mills through Gold Coin (Zhanjiang) Co Ltd (GCZJ), Gold Coin (Zhangzhou) Co Ltd (GCZZ), Gold Coin (Zhuhai) Co Ltd (GCZH), Gold Coin Feedmill (Kunming) Co Ltd (GCKM), Gold Coin Feedmill (Dongguan) Co. Ltd. (GCDG); and (iii) investment holdings through Gold Coin Management (ShenZhen) Co Ltd. (GCSZ) and Gold Coin Aqua Feed (Hong Kong) Ltd.

d. Indonesia

There are four GCMH Subsidiaries that are located in Indonesia, namely: PT Gold Coin Specialities (GCSI), PT Ayam Unggul (PT Ayam), PT Gold Coin Indonesia (GCI), and PT Gold Coin Trading Indonesia (GCTI). These subsidiaries are engaged in the manufacturing and sales of animal feeds, hatching and breeding of day-old chick (DOC), and importation of feeds and prawn nutrition.

e. Malaysia

GCMH Subsidiaries in Malaysia are engaged in the business of manufacture and sales of animal fish meals feeds, commodity trading, management and consulting services, as well as in investment holdings. Subsidiaries operating in Malaysia are Gold Coin Malaysia Group Sdn Bhd (GCMG), Gold Coin Feedmills (Malaysia) Sdn Bhd (GCFM), Gold Coin Feedmill (Sabah) Sdn Bhd (GCFS), Golden Livestock Sdn Bhd (GLS), Bintawa Fishmeal Factory Sdn Bhd (BFF), Gold Coin Sarawak Sdn Bhd (GCS), Gold Coin Holdings Sdn. Bhd. (GCSHB), Gold Coin Sabah Sdn. Bhd. (GCSAB), Gold Coin Specialties Sdn Bhd (GCSSB), and FEZ Animal Nutrition (Malaysia) Sdn. Bhd.

f. Vietnam

The subsidiaries in Vietnam are engaged in the business of manufacturing and sales of animal feeds, and in special nutrition mitrotoxin birding production. These are Gold Coin Feedmill (Dong Nai) Co Ltd (GCFD), American Feed Co Ltd (AFC), and Gold Coin Feedmill (Hanam) Co Ltd (GCFHN).

g. Thailand

There are two subsidiaries of GCMH located in Thailand, namely, Klean Greentech Co. Ltd. (KGT) and Gold Coin Specialties (Thailand) Co Ltd. (GCST). These subsidiaries are also engaged in the manufacturing and sales of aqua feeds, as well as in the business of special nutrition mitrotoxin birding production.

h. Sri Lanka

Gold Coin Feed Mills (Lanka) Ltd (GCFL) is a 60% owned Subsidiary of GCMH incorporated under the laws of Sri Lanka on December 29, 1992. It is engaged in the manufacturing and sales of animal feeds.

i. Myanmar

Myanmar Gold Coin International Co. Ltd. (MGCI) is a wholly-owned Subsidiary of Gold Coin Services Singapore Pte. Ltd. incorporated under the laws of Myanmar on September 5, 2013. It is engaged in animal and aqua feeds manufacturing.

j. Pakistan

FEZ Animal Nutrition Pakistan (Private) Limited is a wholly-owned Subsidiary of FEZ Animal Nutrition Pte. Ltd. incorporated under the laws of Pakistan on April 30, 2018. It is engaged in the trading of feed additives.

k. Philippines

FEZ Animal Nutrition Philippines, Inc. is a 40% owned Subsidiary of FEZ Animal Nutrition Pte. Ltd. incorporated under the laws of the Philippines on July 27, 2018. It is engaged in business of animal feeds.

l. Brunei

Gold Coin FeedMill (Brunei) Sdn Bhd (GCFB) is 20% owned Subsidiary of GCMH incorporated under the laws of Brunei on December 23, 2009. It is engaged in the manufacturing and sales of animal feeds.

REAL ESTATE

Aboitiz Land, Inc. (AboitizLand)

Incorporated on June 2, 1964, AboitizLand (formerly Central Visayan Warehousing Co., Inc.) is the real estate arm of the Aboitiz Group. It is primarily engaged in the design and development of real estate for residential, industrial, and commercial use.

AboitizLand currently has ten residential projects in the selling phase across three different product types: lot only, house and lot, and condominiums. It is the developer and operator of three economic zones: (a) the Mactan Economic Zone II (MEZ II) in Barangay Basak, Mactan, Lapu Lapu City; (b) the West Cebu Industrial Park (WCIP) in Balamban, Cebu, through its Subsidiary, Cebu Industrial Park Developers Inc. (CIPDI); and (c) the Lima Technology Center (LTC) in Malvar, Batangas. It also has five commercial projects, namely: (a) The Outlets at Lipa in Malvar, Batangas, (b) The Persimmon Plus in Mabolo, Cebu City; (c) the iMez Building, (d) Pueblo Verde; and (e) The Outlets at Pueblo Verde. The latter three commercial projects are all located in Barangay Basak, Mactan, Lapu-Lapu City.

AboitizLand is a wholly-owned Subsidiary of AEV.

Cebu Praedia Development Corporation (CPDC)

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

CPDC is a wholly-owned Subsidiary of AEV.

Cebu Industrial Park Developers, Inc. (CIPDI)

CIPDI is a joint venture company between AboitizLand and the Kambara Group from Japan, through its wholly- owned Subsidiary, Tsuneishi Holdings (Cebu), Inc. Incorporated on June 15, 1992, CIPDI began operations in 1993 with the development and operation of WCIP in Balamban, Cebu. WCIP is a 282-hectare industrial zone, catering to medium to heavy industries such as shipbuilding, ship recycling facilities, iron and steel manufacturing plants, and allied activities. WCIP currently has 15 locators that employ approximately 15,800 employees. On April 2017, the joint venture brought to market the first phase of its 250-hectare sustainable mountain town community, Foressa, also located in Balamban, Cebu.

AboitizLand owns a 60% equity interest in CIPDI.

Propriedad del Norte, Inc. (PDNI)

Incorporated on March 1, 2007, PDNI is engaged in the purchase and development of real estate. PDNI's current land bank stands at 67 hectares, all of which are located in Liloan, Cebu.

PDNI is a wholly-owned Subsidiary of AboitizLand.

Lima Land, Inc. (LimaLand)

Incorporated in October 1995, LimaLand is the developer and operator of LTC, a PEZA-registered economic zone located in the Lipa-Malvar area of Batangas, at the heart of the Calabarzon region, the administrative region composed of the provinces of Cavite, Laguna, Batangas, Rizal and Quezon. LTC is a 590-hectare industrial park catering to export-oriented locators engaged in manufacturing and warehousing operations.

Each year, Limaland has continuously expanded LTC to cater to new investors. The first expansion of 50-hectare property in 2015 is already fully occupied by new locators. The second and third expansions totaling approximately 70 hectares was completed in 2017 to accommodate new investors and the expansion requirements of existing locators. LimaLand's ongoing construction its fourth expansion, with additional 50 hectares will be made available to new and existing locators by the first quarter of 2020. Simultaneously, it is currently on the design phase of its fifth expansion that will add another 47 hectares of inventory.

AboitizLand envisions LTC to be a total township project, combining the concepts of an integrated city and an environment for wholesome living. In 2016, AboitizLand launched The Outlets at Lipa. It is a 9.3-hectare commercial development located inside LTC, aimed to complement the industrial estate by offering outlet shops, restaurants and leisure places for the ecozone employees and neighboring communities. The Outlets first phase was opened to the public in December 2018. To complete its retail offering, AboitizLand broke ground in August – Lima Exchange. This will host a supermarket and a terminal for public transport.

In 2019, AboitizLand also intends to launch its first residential project – The Villages in Lipa. This is planned as a 50 hectare project that will host 2,500 housing units in three villages targeting the upper mid and mid markets.

LTC continues to be one of Asia's new-generation industrial parks that combine smart economics, strategic location, and a synergy of strengths, focused to ensure the growth and profitability of its investors' enterprises.

Lima Land was formerly managed by the Alsons group and the Marubeni group. AboitizLand acquired Alsons’ 60% interest of LimaLand in October 2013. The remaining 40% interest of Marubeni was subsequently acquired in February 2014, thereby making LimaLand a wholly-owned Subsidiary of AboitizLand.

Cebu District Property Enterprise Inc. (CDPEI)

Incorporated on February 20, 2014, CDPEI is a joint venture between Ayala Land and AboitizLand. Committ d to its goal of nurturing communities, AboitizLand partnered with Ayala Land to plan and develop Gatewalk Central – a 17-hectare mixed-use project in Mandaue City, Cebu. The partnership leverages the strengths of both companies, as it brings together AboitizLand’s deep-rooted real estate experience in Cebu and Ayala Land’s proven track record in developing master-planned and sustainable communities.

Having broken ground in 2016, Gatewalk Central is expected to become a stellar growth center in Mandaue, featuring innovative residential developments complemented by commercial retail and office spaces.

AboitizLand and Ayala Land each own a 50% equity interest in CDPEI.

INFRASTRUCTURE

Aboitiz InfraCapital, Inc. (Aboitiz InfraCapital)

Aboitiz InfraCapital, Inc. (Aboitiz InfraCapital) was first incorporated as AEV InfraCapital, Inc. on January 13, 2015. It undertakes all infrastructure and infrastructure related investments of the Aboitiz Group.

Aboitiz InfraCapital established itself as a provider of water supply, water distribution, wastewater treatment, and water-related infrastructure through its acquisition of equity interests in Apo Agua Infrastructura, Inc. (Apo Agua) in 2015, Lima Water Corporation (LWC) in 2017, and Balibago Waterworks System, Inc. (BWSI) in 2017.

Another key area of interest for Aboitiz InfraCapital is infrastructure projects. In 2015 and 2016, the Company, through its infrastructure investment arm, participated in the initial bid process for two of the government’s Public-Private Partnership Projects: (i) LRT Line 2, and (ii) Laguna Lake Expressway-Dike projects. During 2018, it submitted two unsolicited proposals to the DOTr involving the rehabilitation and expansion of: (i) the Ninoy Aquino International Airport (NAIA), as part of a consortium of seven of the country’s major conglomerates in the country; and (ii) four (4) regional airports: Iloilo International Airport, Bacolod-Silay Airport, Laguindingan Airport, and New Bohol International Airport in Panglao. Later in 2018, the DOTr granted the Original Proponent Status to the NAIA and New Bohol International Airport rehabilitation.

Aboitiz InfraCapital is a wholly-owned Subsidiary of AEV.

Lima Water Corporation (LWC)

LWC was incorporated on May 28, 1999. LWC provides industrial and potable water to over 80 industrial locators, at the Lipa, Batangas based LTC. LWC has a daily water capacity of 8,700 cubic meters. The company also operates its own centralized wastewater treatment plant to ensure the proper treatment of waste water generated within the LTC. On August 1, 2017, Aboitiz InfraCapital acquired and took full operational control of LWC from its affiliate AboitizLand.

Aboitiz InfraCapital owns a 100% equity interest in LWC.

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

AEV, in partnership with CRH plc, formed two investment vehicles for their infrastructure projects, AEV CRH and CRH Aboitiz, incorporated on July 2015. On September 15, 2015, CRH Aboitiz acquired equity interests in Republic Cement Services, Inc. (RCSI) (formerly Lafarge Cement Services Philippines, Inc.).

AEV CRH was initially granted the option to acquire 5,174,720,568 shares of Republic Cement Building Materials, Inc. (RCBM) (formerly Lafarge Republic, Inc.), representing 88.85% of RCBM's outstanding capital stock in a private sale from its major shareholder. In compliance with the requirements of the Securities Regulation Code, AEV CRH conducted a mandatory tender offer to acquire the remaining shares from the minority shareholders of RCBM. On September 9, 2015, AEV CRH accepted from the public a total of 596,494,186 shares representing 10.24% of the outstanding shares of RCBM. The tendered shares brought up AEV CRH's total shares in RCBM to 99.09% as of February 29, 2016. As of February 28, 2018, AEV CRH owns 99.39% of RCBM's outstanding capital stock.

AEV owns 60% and 45% equity interests in AEV CRH and CRH Aboitiz, respectively.

Republic Cement & Building Materials, Inc. (RCBM)

Incorporated on May 3, 1955, RCBM is primarily engaged in the manufacture, development, exploitation, and sale of cement, marble and all other kinds and classes of building materials, and the processing or manufacture of materials for any industrial or commercial purposes. On February 4, 2005, the SEC approved the extension of the corporate term of RCBM for another 50 years, or until May 3, 2055.

In September 2015, AEV CRH acquired a total of 99.09% equity interest in RCBM partly through private sale and partly through a mandatory tender offer. AEV CRH was required to conduct a mandatory tender offer subsequent to its acquisition of approximately 88.85% of the issued and outstanding shares of RCBM through a private sale. On January 14, 2016, RCBM filed a Petition for Voluntary Delisting with the PSE, which was approved by the PSE Board of Directors, effective on April 25, 2016.

On September 26, 2016, AEV CRH's equity interest in RCBM increased to 99.37% following the increase in the par value and decrease in its authorized capital stock. RCBM's number of shareholders also fell below 200, thereby it ceased to be a public company. In its Order of Revocation dated January 4, 2017, the SEC granted RCBM's application for Voluntary Revocation of

Registration of Securities and Certificate of Permit to Sell Securities. AEV CRH's equity interest in RCBM has since increased to 99.40% through the purchase of three shares of minority shareholders.

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

RCBM owns 94.63% of Republic Cement Iligan, Inc. (formerly Lafarge Iligan, Inc.) and 99.75% of Republic Cement Mindanao, Inc. (formerly Lafarge Mindanao, Inc.).

Republic Cement Mindanao, Inc. (RCMI)

RCMI was incorporated on May 25, 1957 to engage and deal in the production, purchase and sale of cement, concrete and allied products; quarrying, crushing and dealing in limestone in all its forms; and mixing, processing and sale of limestone with binder of any description. On June 18, 2007, the SEC approved the extension of RCMI's corporate term for another 50 years, or from May 25, 2007 until May 25, 2057. The company amended its corporate name from "Mindanao Portland Cement Corporation" to "Lafarge Mindanao, Inc." on June 11, 2012. To facilitate the transition of RCMI from a Lafarge-associated entity to a CRH-Aboitiz company following the completion of the purchase of the Lafarge Philippine assets, the company once again changed its corporate name from "Lafarge Mindanao, Inc." to "Republic Cement Mindanao, Inc." This was approved by the SEC on November 2, 2015.

On December 29, 2017, RCBM's equity interest in RCMI increased from 99.63% to 99.75% following the increase in the par value and decrease in RCMI's authorized capital stock. RCMI's number of shareholders also fell below 200.

In its Order dated April 6, 2018, the SEC granted RCMI's application for Voluntary Revocation of Registration of Securities and Certificate of Permit to Sell Securities.

Since 1999, RCMI's business operations is concentrated mainly on cement distribution and the contracting for the manufacture of cement by an affiliate, RCII.

Republic Cement Iligan, Inc. (RCII)

Incorporated on June 1, 1967, RCII's primary purpose is to acquire, own, construct, manage and operate a cement plant for the manufacture and production of all kinds of cement and cement products or by-products, including any derivatives thereof.

RCII manufactures cement for RCMI. The company's operating cement manufacturing plant is located in Barangay Kiwalan, Iligan City. RCBM has a 94.63% equity interest in RCII.

Republic Cement Land & Resources, Inc. (RCLR) (formerly: Luzon Continental Land Corporation)

RCLR was incorporated on October 26, 1998 primarily to acquire, develop and operate land, quarries, mining rights, buildings and other real or personal property used for mining, and process all kinds of ore and cement materials. It currently leases land and supplies limestone and other raw materials to its Affiliate, RCBM. The company amended its corporate name from "Luzon Continental Land Corporation" to "Republic Cement Land & Resources, Inc.", approved by the SEC on July 7, 2017.

AEV CRH acquired 100% of RCLR from Calumboyan Holdings, Inc. on September 15, 2015.

Republic Cement Services, Inc. (RCSI)

RCSI was incorporated on August 21, 2001 and is the managing company of the non-nationalized businesses of RCBM, RCMI, and RCII. CRH Aboitiz owns a 100% equity interest in RCSI.

Apo Agua Infrastructura, Inc. (Apo Agua)

Incorporated on August 8, 2014, Apo Agua is a joint venture between AEV and J.V. Angeles Construction Corporation (JVACC). The overall objective of Apo Agua is to provide sustainable, reliable, and safe supply of bulk water to DCWD.

On March 17, 2015, Apo Agua entered into a Joint Venture Agreement and Bulk Water Purchase Agreement with DCWD. Apo Agua will construct the bulk water treatment facility, while DCWD will construct or upgrade the facilities necessary to receive the treated water. The bulk water treatment facility will supply an average of 300 million liters per day, equivalent to an annual supply volume of 109.5 mn cubic meters, beginning on the second to the thirtieth year of actual operations. This will enable DCWD to improve its services to customers by providing 24/7 water availability, sufficient pressure, increased service coverage and the prevention of hazards brought about by over extraction of groundwater.

A unique component of the project is a pioneering innovation which utilizes the "water-energy nexus" concept. The bulk water treatment facility will be powered by its own run-of-river hydropower plant. Following the execution of the engineering, price, and construction contract last February 6, 2018, the project commenced on the implementation of the advanced works in March 21, 2018.

On November 29, 2018, Apo Agua signed a ₱9 bn Omnibus Notes Facility and Security Agreement with a consortium of lender-banks, arranged by BPI Capital Corporation, to finance the construction phase of the Davao City Bulk Water Supply Project (DCBWSP).

AEV and its wholly-owned Subsidiary, Aboitiz InfraCapital, collectively own a 70% equity interest in Apo Agua.

OTHER INVESTMENTS

AEV's other investments include holdings in: (a) aviation through AEV Aviation, Inc., (b) underwriting of its insurable risks through Archipelago Insurance Pte. Ltd., and (c) portfolio investments abroad through AEV International.

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

The divestment of interests in the Abojeb Group is part of AEV's strategy to focus on its identified core businesses. Jebsen Invest AS, AEV's long-time partner in the Abojeb Group, continued to partner with the Aboitiz family members in their personal capacities.

Archipelago Insurance Pte. Ltd. (Archipelago Insurance)

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

As a captive insurer which is licensed to insure only the risks of its parent and related companies, Archipelago Insurance underwrites the insurable risks of AEV and its Subsidiaries. The classes of risks covered by the company include industrial all risk, business interruption, transmission and distribution parametric solution and marine hull insurance of the Aboitiz Group.

AEV Aviation, Inc. (AEV Av)

AEV Av holds AEV's aviation assets, including corporate aircraft and accompanying support facilities. Incorporated on October 22, 1990 as Spin Realty Corporation, AEV Av was reorganized in late 1998 when all AEV corporate aircraft was placed under it.

On September 18, 2013, SEC approved the increase in the authorized capital stock of AEV Av to ₱502 mn. AboitizPower acquired an equity interest in AEV Av through the subscription from its increase in authorized capital stock. AEV and AboitizPower remain the majority stockholders of the company.

AEV Av operates under the strictest safety measures and complies with all government aviation policies and the aircraft manufacturers' mandated maintenance procedures. It has 18 employees, who are tasked to serve the aviation needs of the executives of AEV and its Subsidiaries and Affiliates all over the Philippines. All of AEV Av's pilots and maintenance personnel undergo rigid trainings. This ensures that AEV Av's employees are armed with the latest knowledge and skills in aviation technology.

DISTRIBUTION METHODS OF THE PRODUCTS OR SERVICES

POWER GENERATION AND DISTRIBUTION

The Generation Companies sell their capacities and energy in the following manner: an IPPA with the NPC/PSALM; bilateral PSAs with private distribution utilities, electric cooperatives, RES or other large end-users; and through the WESM. There are also Subsidiaries and Affiliates providing ancillary services through ASPAs with NGCP.

Currently, SN Aboitiz Power-Magat, SN Aboitiz Power-Benguet, and TLI have ASPAs with NGCP as AS providers. The SN Aboitiz Power Group delivers regulating, contingency and dispatchable reserves, as well as blackstart service through its three power plants, namely Ambuklao Hydro, Binga Hydro, Magat Hydro plants. TLI offers contingency reserve under its ASPA. In March 26, 2018, the ERC approved TMI's ASPA with NGCP for a maximum period of five years. TMI provides both contingency and dispatchable reserves to the Mindanao Grid.

In addition, the Hedcor Tudaya Hydro 2, Hedcor Irisan Hydro 1, and Hedcor Sabangan plants, all in commercial operations, have been approved for inclusion in the FIT system for run-of-river HEPPs. Hedcor, Hedcor Tudaya, and Hedcor Sabangan, the companies that own and operate the foregoing plants, have entered into REPAs with Transco, in its capacity as FIT-All Administrator, for the collection and payment of the FIT. The power generated by Hedcor Tudaya 2 is covered by a Renewable Energy Supply Agreement. Currently, HBI is applying for FIT eligibility of the 68.8-MW Manolo Fortich hydro powerplants in Bukidnon province.

AboitizPower's Generation Companies have transmission service agreements with the NGCP for the transmission of electricity to the Grid.

On the other hand, AboitizPower's Distribution Utilities have distribution franchises in the areas where they operate. Each Distribution Utility has a distribution network consisting of a widespread network of predominantly overhead lines and substations. Customers are classified according to voltage levels based on their electricity consumption and demand. Large industrial and commercial consumers receive electricity at distribution voltages of 13.8 kV, 23 kV, 34.5 kV and 69 kV, while smaller industrial, commercial and residential customers receive electricity at 240 V or 480 V.

All of AboitizPower's Distribution Utilities have entered into transmission service contracts with the NGCP. These contracts allow the Distribution Utilities to use the NGCP's transmission facilities to receive power from their respective Independent Power Producers (IPP), the NPC, or PSALM for distribution to their respective customers. All customers that connect to the Distribution Utilities' distribution lines are required to pay a tariff approved by the ERC.

AboitizPower's wholly-owned RES companies, AdventEnergy and AESI, have existing electricity supply contracts to ensure continuous supply of power to their customers. AdventEnergy and AESI follow a pricing strategy which allows customer flexibility. The power rates are calculated using a fixed formula pricing arrangement based on customer load curves, resulting in either a peak-off-peak or capacity-based competitive rate.

FINANCIAL SERVICES

Union Bank of the Philippines

UnionBank provides its relevant target customers' information and transaction needs through its well-trained relationship managers, strategically located branch networks, and automated teller machines (ATMs), supplemented by a call center under its ISO-certified Customer Service Group. Moreover, UnionBank's brick-and-mortar presence is complemented by its digital footprint, exhibited by its website (www.unionbankph.com), online banking portal and mobile application (UnionBank Online), customer service chatbot, as well as its own digital bank, EON.

Relationship Managers. UnionBank's sales force is equipped with the competencies and tools to bring about solutions-based financial services to customers nationwide. Relationship managers are trained to be experts on the Bank's products and service offerings. They are tasked to manage a healthy pipeline of customers and call reports through a mobile-based sales and productivity platform. UnionBank's Relationship Managers and financial advisors are also licensed by the Insurance Commission to provide customers with bancassurance products.

Branch Network. UnionBank and its subsidiaries ended December 2018 with 433 branches nationwide. Select branches are located in strategic areas within and outside of Metro Manila to maximize visibility and expand customer reach. The branches have user-friendly terminals and a web-based Signature Verification System (SVS) which promote efficient processing of teller transactions. Customers can do over-the-counter (OTC) cash deposit and withdrawals, and check deposit and encashment at any UnionBank branch. High-volume transaction branches are provided with Transaction Assistant Portal, an in-house developed self-service innovation, which aims to facilitate faster processing time through paperless transactions and use of a card that stores bills payment and account information. UnionBank's Check Verification System utilizes Philippine Clearing House Corporation's check images, and is instrumental in enabling fast and reliable check clearing. In 2017, the Bank also launched its concept branch called "The Ark". It is a completely digital and paperless branch which allows for straight-thru processing of transactions, and at the same time, houses branch ambassadors for product discovery and advisory services. It will be UnionBank's platform for innovative development and customer experiences as it shifts utilizing branches from transactional spaces to interactional spaces.

ATM Network. UnionBank and its subsidiaries' network of 389 ATMs as of end-December 2018, supplements its branch network by providing 24-hour banking services to its customers. Customers are given access to ATM facilities through ATM cards, which are issued to checking and savings account holders. UnionBank's interconnection with the Bancnet ATM consortium, allows its cardholders to access almost 13,000 ATMs nationwide. In addition, UnionBank's ATM card functions as a VISA debit card that allows electronic purchase and payment transactions.

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

Customer Service Chatbot. UnionBank's Rafa is the country's first banking chatbot that delivers instant 24/7 customer service. Rafa is accessible through Facebook messenger. It is capable of answering customer queries on nearest ATM, nearest branch, provides the latest foreign exchange rate of up to ten currencies, assists customers who are exploring auto loans, and provides customers with options to get the credit card that best suits them, among others. The Bank believes that Rafa provides a more personal and conversational customer experience compared to the interactive voice response or auto reply platforms.

Mobile and E-Banking. UnionBank Online, launched in August 2017, is the new online and mobile banking platform for the Bank's customers. It is designed with an omni-channel user experience wherein the same look and feel applies to different touchpoints (website and mobile app), operating systems (Android or IOS) and device types. UnionBank Online enables the Bank's customers to sign up, transact, view their account information, and update their details online without visiting a branch or ATM, or messaging or calling the Bank's call center. UnionBank Online also allows customers to customize account viewing, manage transaction limits, transfer funds to other banks via PESONet and Instapay, and many more.

EON. The EON cyber account, the Philippine's first online payment card, was launched in 1999. In 2017, the Bank re- launched its EON brand and introduced the first bank account specially designed for digital commerce. It is the only electronic money product in the Philippines with modern application security features including a "selfie banking" feature which employs facial recognition in authorizing transactions through a smart phone, touch ID, pin change, and lock-and-unlock ability. In addition to the EON cyber account, the Bank offers the following products under the EON brand: (a) the EON electronic money account; (b) EON Zero, a virtual lending platform where loan underwriting, application processing, and releasing of proceeds are all completed digitally; and (c) EON Duo, a virtual credit card.

PETNET, Inc.

From a single location in 1998, PETNET has expanded over the years to a network of now over 1,500 company- owned and sub-representative locations nationwide. The initial product offering of its company-owned branches has likewise grown from Western Union services, money changing, bills payment, e-loading, airline ticketing, and personal accident insurance, to now include DepEd Salary and GSIS Pension loan origination as outsourced service provider of CitySavings.

In November 2016, PETNET signed LBC Express, Inc. as its first non-exclusive Western Union sub-representative. With full roll-out completed in September 2017, this added an over 1,300 locations to PETNET's Western Union network. PETNET continues to operate the largest Western Union agent network in the Philippines.

FOOD MANUFACTURING

The rapid population and urbanization of the Asia Pacific Region will and the changing dietary habits in Asia with increased preference on processed food, and growing consumption of poultry and pork as sources of protein are among the key factors that boost demand for animal feeds and feed additives across the Asia-Pacific region.

With the acquisition of GCMH, the Company's food group has developed an Asia Pacific-wide distribution chains and sales network that it believes will be an added competitive advantage. Through GCMH, the Aboitiz Group's food manufacturing business gained access to a comprehensive platform with an extensive distribution and sales network spread across 11 countries in the Asia Pacific Region.

The Gold Coin Group has established relationships with customers, offering a number of brands of livestock and aqua feeds products with top quality feed formulation across various key markets. Moreover, in 2018, the Gold Coin Group launched a sales optimisation program to introduce a centrally designed sales program with aim to integrate livestock operation, distribution, and sales channels to expand its specialty nutrition and aqua feeds. Taking advantage of this program, the Company's Food Group can now develop a stronger and multi-branded one- stop shop platform of animal nutrition products to address the demands of its wide range of customers across the Asia-Pacific Region.

REAL ESTATE

Since the early 1990s, AboitizLand developed upper-mid to high-end residential subdivisions, focusing on horizontal (lot-only and/or house-and-lot) products. Having expanded its portfolio to include mid-market residential products, AboitizLand has also introduced many firsts to Cebu's real estate scene: (a) the New Urbanism concept of live-work- play in the large master-planned community of Pristina North; (b) Zen living, which takes off from the spa lifestyle trend, in Kishanta; (c) the commercial and residential "urban village" that is The Persimmon; (d) the introduction of shophouses as a residential product in Ajoya; (e) fully-furnished affordable units in an all-studio residential tower that is The Persimmon Studios; (f) Asian Contemporary designed units in Almiya; and (g) Amoa, inspired by traditional Filipino residences. In 2017, AboitizLand reached a key milestone as it launched its first residential project in Luzon, the Seafront Residences - a beachside community located in San Juan, Batangas.

A critical component to AboitizLand's overall success, the industrial business unit comprised approximately 62% of its total revenues in 2018. Furthermore, approximately 81% of the industrial business unit's revenue was contributed by LimaLand, which was fully acquired by AboitizLand in 2014. Additionally, AboitizLand is a registered developer/ operator of MEZ II, where it leases land and provides utility services to locators inside the economic zone under a BOT Agreement with MCIAA. The 63-hectare zone is home to 49 light-to-medium manufacturing locators and is fully leased out.

The commercial business unit, which comprised 4% to AboitizLand's revenues for the year, focuses on neighborhood retail and service hubs that complement AboitizLand's existing industrial and residential developments. With the growth of the Business Process Outsourcing (BPO) sector, AboitizLand launched iMEZ in 2009, its first BPO office building, thereby expanding its product line. In 2013, AboitizLand successfully launched its first outlet development in Visayas and Mindanao region, The Outlets at Pueblo Verde, which offers 20%-75% discounts on global brand merchandise year-round.

Additionally, AboitizLand offers property management services to support not only its own business units, but also those of the other companies within the Aboitiz Group. These services cover community security, site and infrastructure maintenance, village activities and policy administration.

INFRASTRUCTURE

In 2017, the cement sales of RCBM and its Subsidiaries (RCBM Group) were primarily made through distributors and dealers, with other sales made directly to contractors, developers, pre-cast manufacturers and ready-mix concrete companies. On the other hand, the RCBM Group's aggregate sales were primarily made directly to customers, with some sales made through dealers and retailers. RCBM Group's products are sold nationwide, with a majority of its sales coming from the Luzon region.

NEW PRODUCTS/SERVICES

POWER

Other than the disclosed ongoing Greenfield and/or rehabilitation projects undertaken by AboitizPower's Generation Companies, AboitizPower and its Subsidiaries do not have any publicly announced new products or services as of the date of this report.

FINANCIAL SERVICES

UnionBank offers a broad range of products and services, which include deposit and related services; corporate and middle market lending, consumer finance loans such as mortgage, auto, and salary loans, and credit cards; investment, treasury, and capital markets; trust and fund management; and remittance, cash management, and mobile banking. In addition, the Bank offers estate planning solutions and a global and diversified multi-asset fund to its high-net-worth and ultra-high-net-worth clients through its partnership with Lombard Odier, and various life insurance products through its bancassurance partnership with Insular Life.

PETNET's primary service is providing money transfer facilities as a direct agent of Western Union. In addition, the company also offers money changing services for its Western Union and walk-in clients. PETNET also offers Western Union Business Solutions, a foreign exchange cross-border business-to-business payment facility, which began in 2011, and has proven to be an effective service for its customers, particularly small and medium-sized enterprises. PETNET also engages in foreign exchange trading of US Dollars, primarily with corporate clients. Another product offering of PETNET in its company-owned branches is Load Central, a one-stop distribution provider for retail prepaid services such as e-load, call cards, internet cards, gaming cards and other prepaid airtime credits. In addition, PETNET also offers money changing, bills payment (Bayad Center), airline ticketing, outsourced origination and acceptance of DepEd salary and GSIS pension loan applications for CitySavings, and personal accident insurance, in all its company-owned locations. Lastly, PETNET provides BDO and FEXCO ATM withdrawal facilities and is an outsourced service provider for Cash Credit micro-loans, in selected branches.

REAL ESTATE

Pursuant to its goal to grow and expand nationwide, in September 2018 AboitizLand launched two new residential projects in Luzon – Ajoya Capas (13 hectares) and Ajoya Cabanatuan (20 hectares). The Ajoya brand represents AboitizLand's flagship mid-market residential product, featuring modern housing units inspired by the "Bahay na Bato" concept, and amenities such as town plaza, clubhouse, and pocket parks among others.

Following the development of The Outlets at Pueblo Verde in Cebu, AboitizLand is expanding its commercial business through the Outlets at Lipa, which began operations in late 2018. The Outlets at Lipa is AboitizLand's first commercial project in Luzon, and is considered to be the largest outlet-format development in the Philippines.

FOOD

Following Pilmico International's acquisition of PVF in August 2014, the Food Group began offering aqua feeds products for the different stages of growing pangasius. In 2016, Pilmico expanded its aqua feed lines to include tilapia and other species.

Following Pilmico International's acquisition of PAN-JSC in October 2017, the Food Group began offering animal feeds products in Vietnam for the different stages of growing swine, poultry, cow, and rabbit.

In 2016, Pilmico started offering animal healthcare products in the Philippines to complete its objective of becoming a total solutions provider for its feeds customers.

From 2015 to 2017, Pilmico participated in the Rice Importation Program of the Philippine government through the National Food Authority.

Pilmico and PANC likewise sell major feeds raw materials through their commodity trading business.

International Animal Nutrition

The Gold Coin Group provides nutritional solutions and onsite technical support to customers to optimize aquaculture and farm production across the Asia-Pacific Region. As of 2018, the group has an existing 17 livestock feed mills in six countries (China, Indonesia, Malaysia, Vietnam, Sri Lanka, and Brunei); four aqua feed mills in three countries (Indonesia, Malaysia, and Thailand); and offers specialty nutrition across six countries (Malaysia, Sri Lanka, Philippines, China, Pakistan, and Myanmar). Meanwhile, research and development activities are supported by five research farms located in Malaysia, Indonesia & China, covering both Livestock and Aqua products. Its production facilities are ISO 22000/HACCP certified.

The Gold Coin Group intends to introduce innovative new products, product variants, and line extensions in the livestock and aquaculture feeds segments. In 2018, the group introduced its entry to the young animal and pet food segment for its livestock portfolio, and enhanced nutritional specifications for shrimp feeds, and fish feed additives for its aquaculture portfolio. The group also relies on technological innovation and feed re-formulation in order to maximize profits. The capabilities of the Gold Coin Group will allow the Food Group to develop a stronger and multi-branded platform of animal nutrition products to address the demands of a wide range of customers across the Asia-Pacific Region.

SOURCES OF RAW MATERIALS AND SUPPLIES

Power Generation Business

The Power Generation Companies produce energy using the following fuel types: hydropower, geothermal, solar, coal, and oil. In 2018 renewable fuel sources comprised 29% of its production, while fossil fuel accounted for 71%.

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

APRI's steam requirement for its geothermal power generation continues to be supplied by the PGPC. The terms of the steam supply are governed by a Geothermal Resource Sales Contract (GRSC) under which price of steam is ultimately indexed to the Newcastle Coal Index and the Japanese Public Utilities coal price. APRI and PGPC signed a new agreement on August 24, 2018 under which PGPC will drill 12 new production wells over the next six years and that the costs shall be completely pegged to the market price by September 26, 2021.

Oil-fired plants use Bunker-C fuel to generate electricity. SPPC and WMPC source fuel from Shell and Phoenix Petroleum, respectively. Each of EAUC, CPPC, TMI, and TMO has a fuel supply agreement with Shell. The fuel prices under these agreements are pegged to the Mean of Platts Singapore index.

TLI has long-term coal supply contracts for the Pagbilao Plant annual coal requirements. Nevertheless, itis continuously looking for and evaluating other coal sources to diversify sources and ensure security of supply.

Likewise, TSI has annual coal supply contracts for its coal plant in Mindanao. It applies the same sourcing strategy as that of Pagbilao where evaluation of other potential coal sources is being conducted in order to establish the most competitive and optimum fuel supply mix. On the other hand, GMCP, STEAG, and CEDC also have long-term coal supply agreements.

Distribution Utilities Business

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

Hedcor Sibulan supplies Davao Light with electricity generated from its Hedcor Sibulan plants pursuant to the Hedcor consortium's 12-year PSA. To add to its power reserve capacity, Davao Light has entered into a PSC with TMI for 15 MW last March 21, 2011. This was later increased to 30 MW in 2012. The contract with TMI finally ended last July 25, 2018. Davao Light and Cotabato Light entered into 25-year PSCs with TSI for 100 MW and 5 MW, respectively. In September 2015, Davao Light and Cotabato Light started drawing the first half of their contracted capacity, or 50 MW and

2.5 MW respectively, from TSI. Starting February 2016, the full 100 MW and 5MW contracted capacity was supplied by TSI. On June 10, 2016, Davao Light and TSI filed a Joint Manifestation with the ERC stating that they agreed to supplement and modify their supply contract to 108 MW.

On December 25, 2015, the CSEEs of Davao Light and Cotabato Light with PSALM expired. Following negotiations, on December 23, 2015, Davao Light and Cotabato Light entered into PSAs with WMPC for the supply of 18 MW and 2 MW, respectively, for a period of four months from January to April 2016. These PSAs were provisionally approved by the ERC on March 1, 2016. On April 2016, the PSALM CSEEs of Davao Light and Cotabato Light were renewed for an annual term with a lower contracted capacity. Due to significant reduction of the contracted capacity of the PSALM CSEEs, Davao Light and Cotabato Light entered into a PSA with SPPC for a supply of 50 MW and 5 MW, respectively, on April 28, 2016 for a period of two years. These were provisionally approved by the ERC on July 11, 2016. On December 1, 2016, PSALM wrote a letter to DLPC extending the CSEE up to December 25, 2018 with the amended contracted demand and energy.

In anticipation of higher demand and lower allocation from PSALM, Davao Light entered into a PSC with San Miguel Consolidated Power Corporation (SMCPC) in November 28, 2016 for a supply of 60MW for a period of ten years. This was provisionally approved by ERC on June 20, 2017, and SMCPC began supplying the 60MW contracted capacity on February 26, 2018.

Due to the increasing load demand and decreasing power allocation from PSALM, Cotabato Light renewed its 1 MW PSC with TMI for another year, and entered into a PSC with San Miguel Consolidated Power Corporation (SMCPC) on November 28, 2016 for a supply of 5 MW for a period of ten years. These contracts have been issued Provisional Authority, pending ERC approval.

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

To further reduce VECO's WESM exposure in 2016, it entered into a PSA with SLPGC for 50 MW in 2016. This contract expired last June 26, 2018. For its long-term capacity requirement, VECO entered into a 15-year PSA with TVI for the supply of 150 MW. In 2018, TVI, during its commissioning and testing stage, has been injecting power to VECO under pre-commercial terms. The contract between VECO and TVI was approved by the Energy Regulatory Commission in June 2018.

When the Retail Competition and Open Access was embarked, there were Contestable Customers who voluntarily migrated to RES. The DUs will continue to renegotiate the reduction of its bilateral contracts to account for the continued migration of these Contestable Customers.

In 2016, following the on-set of Retail Competition and Open Access, the contracted capacity of SEZ with TLI was carved down from 30 MW to 20.5 MW. This was further reduced to 15.73 MW in 2017 and to 12.09 MW in December 2018.

Also in 2016, the contracted capacity of SEZ with San Miguel Energy Corporation was carved down from 10 MW to 8.8 MW. It was then reduced to 4.2 MW in 2017 and to 4.02 MW in December 2018.

On September 25, 2015, MEZ entered into PSAs with its SN Aboitiz Power-Magat and Green Core Geothermal Inc. with contracted capacity 10 MW each and load factor 50% and 100%, respectively, which translated to energy per year of 43,920 MWh and 87,840 MWh, respectively. However, on February 26, 2017, these were reduced to 4.957 MW each with same load factor but with energy per year of 21,712 MWh and 43,423 MWh. The decrease was due to the transfer of MEZ's contestable customers with 1MW capacity to RES.

On March 26, 2017, the contracted capacity of BEZ with CEDC was reduced to 9.8967 GWh from 51.12 GWh for 2017 and reduced to 6.55275 GWh from 51.12 GWh for 2018. This was due to the entry of six of BEZ's Contestable Customers into Open Access thru various RES. BEZ PSA with CEDC will end on February 26, 2025.

On February 26, 2017, the contracted capacity of LEZ with Therma Luzon, Inc. was reduced to 51,126 GWh from 163,147 GWh. This was due to the entry of the Contestable Customers into Open Access thru various RES. LEZ PSA with TLI will end on January 25, 2020.

Transmission Charges

Five of AboitizPower's Distribution Utilities have existing Transmission Service Agreements (TSAs) with the NGCP for the use of the latter's transmission facilities in the distribution of electric power from the Grid to its customers, which are valid until the dates specified below:

Distribution Utility	Valid until
Davao Light	January 25, 2019
Lima Enerzone	July 25, 2022
Mactan Enerzone	January 25, 2020
Balamban Enerzone	January 25, 2020
SFELAPCO	December 25, 2018

Cotabato Light has renewed its TSA while Subic Enerzone is still in the process of securing its TSA with NGCP. VECO, Davao Light, and SFELAPCO have each signed their respective TSA renewals and are awaiting NGCP's execution of the document. The Distribution Utilities have negotiated agreements with the NGCP in connection with the security deposit to secure their obligations to the NGCP under the TSAs.

Food Manufacturing

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

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

International Animal Nutrition

A wide variety of raw materials are required by the Gold Coin Group to manufacture its livestock and aqua feeds products, including, but not limited to, corn grains, soya beans and meals, and wheat products. Costs of raw materials account for 80% to 85% of sales value (2018 Budget: US$685 mn). Corn grains and soy bean, sourced from China, Malaysia, Singapore, Indonesia, and Vietnam, account for 65% to 70% raw material usage is subject to volatile price movements that can go up to US$20 per metric ton.

Sourcing of these materials is a combination of local and import strategies. In order to optimize its position as one of the largest animal nutrition providers in the Asia-Pacific Region, and take advantage of the synergies between related-parties and affiliates, the Gold Coin Group instituted a centralized commodity trading team within the group wherein all procurement and strategic sourcing activities and decisions are made.

Infrastructure

Purchases of Raw Materials

The principal raw materials for the manufacture of cement consist of minerals such as limestone, silica sand and shale, which are quarried from the RCBM Group's or RCLR's sites, mining claims, or purchased from local suppliers or affiliates. Cement manufacture is the result of a definite process - the crushing of minerals, grinding, mixing, calcining/sintering, cooling and adding of retarder or gypsum. Other raw materials, slag, coal, other fuel and spare parts are obtained locally and abroad.

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

CUSTOMERS, ANALYSIS OF DEMAND AND RATES

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

Power Generatiion Business

Out of the total electricity sold by AboitizPower's Generation Companies, approximately 94% is covered by bilateral contracts with, among others, private distribution utilities, electric cooperatives, and industrial and commercial companies. The remaining, approximately 6%, is sold by the Generation Companies through the WESM.

Retail Electricity Supply Business

The Company's RES business has nearly 300 Contestable Customers from a wide number of industries, including property development, meat processing, semiconductors, steel, and cement. AboitizPower thus believes that this diversity will insulate its RES business from downturns in any one industry.

Distribution Utilities

Most of AboitizPower's Distribution Utilities, on the other hand, have wide and diverse customer bases. As such, the loss of any one customer is not expected to have a material adverse impact on AboitizPower. The Distribution Utilities' customers are categorized into four principal categories:

a. *Industrial customers.* Industrial customers generally consist of large-scale consumers of electricity within a franchise area, such as factories, plantations and shopping malls.
b. *Residential customers.* Residential customers are those who are supplied electricity for use in a structure utilized for residential purposes.
c. *Commercial customers.* Commercial customers include service-oriented businesses, universities and hospitals.
d. *Other customers.* Customers not falling under any of the above categories.

Government accounts for various government offices and facilities are categorized as either commercial or industrial depending on their load. Each Distribution Utility monitors government accounts separately and further classifies them to local government accounts, national government account, or special government accounts.

Food Manufacturing

International Animal Nutrition

The Gold Coin Group's businesses are not dependent upon a single customer or a few customers that a loss of anyone would have a material adverse effect on the performance of its sales and distribution. The Gold Coin Group has no single customer that, based on existing orders, will account for 20% or more of its total sale of goods and services.

Real Estate

AboitizLand's residential projects currently targets a diverse base of customers, ranging from the middle to upper income brackets. AboitizLand's industrial division serves various locators, with the slight exception of its industrial segment operated through CIPDI, which has commitments to Tsuneishi Holdings Corporation (THC) of Japan.

Other Subsidiaries and Affiliates

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

COMPETITION

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

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

Generation Business

The Open Access regime and additional capacities from new power plants have led to a steady but significant increase in competition over the last five years. As of the date of this report, DC 2015-06-010 and the four ERC issued RCOA resolutions in 2016 regarding Open Access are still subject of a TRO at the Supreme Court.

PEC which is AboitizPower's joint venture with TeaM Energy brought a considerable increase in its capacity in 2018 due to the retail and commercial operation of Pag3 in March 2018. The Manolo Fortich hydro power plants started its commercial operations and contributed an additional 68.8 MW into the net attributable capacity of AboitizPower during 2018.

In 2019, AboitizPower expects to further add some 860MW to its attributable capacity through its ongoing projects. With this project pipeline, AboitizPower is closer to its target of 4,000 MW net attributable capacity in 2020. This target already includes its 40% beneficial share in the Bataan project of GNPower Dinginin.

AboitizPower's portfolio, consisting of a mix of renewable and non-renewable energy sources and a mix of baseload and peaking power plants, allows for flexibility in pricing and reliability of supply, thus enhancing competitiveness.

Retail Electricity Supply Business

Based on ERC's Competitive Retail Electricity Market Monthly Statistical Data as of November 2018, there are 30 licensed RES companies and 25 Local RES companies participating in the Open Access market in Luzon and Visayas. The Meralco group, through its RES companies, has the largest market share, at 31.33%. The AboitizPower Group, through its RES companies, has the second-largest market share, at 19.53%.

From December 2016 through early 2017, RES companies geared up in anticipation of the reduction of the threshold for contestability of 1 MW to 750 kW, and further down to 500 kW. At that point in time, switching to the Open Access regime was mandatory for captive customers with levels of demand at those thresholds. A TRO on the mandatory switching was executed, however, in the first quarter of 2017, which also put a halt to the lowering of the contestability thresholds. With issuance of the TRO, the switch of Contestable Customers continues to be allowed by the DOE (through Department Circular No. 2017-12-0013 published on December 12, 2017), on a voluntary basis for Contestable Customers with an average peak demand of 750 kW and above. This substantially reduced the pool of customers that the numerous RES companies can vie for, and thus intensifying the level of competition.

The increase in the number of power plants, the number of RES companies, and volatile oil and coal prices have also increased the level of competition in the Open Access market. RES companies have resorted to both aggressive pricing and contractual concessions. AboitizPower's believes that its portfolio, consisting of different types of energy sources with a mix of renewables and non-renewables, allows it to be flexible in both pricing and reliability of supply, thus enhancing its competitiveness.

Distribution Utilities Business

Each of AboitizPower's Distribution Utilities currently have an exclusive franchise to distribute electricity in the areas covered by their representative franchises.

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

Pursuant to DOE Circular No. DC2015-06-0010 entitled: "Providing Policies to Facilitate the Full Implementation of Retail Competition and Open Access (RCOA) in the Philippine Electric Power Industry", all Contestable Customers which are currently being served by their franchised distribution utilities are mandated to secure their respective Retail Supply Contracts (RSCs) no later than June 25, 2016 with any of the following: (i) any licensed RES; (ii) any generating company with a

COC and a RES license; or (iii) any prospective generation company whose power generation project is undergoing construction or planned and has been included in the DOE's Power Development Plan.

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

All electricity end users with an average demand ranging from 501 kW to below 750 kW for the preceding twelve (12) months may be allowed to choose their respective RES effective June 26, 2018, subject to the determination of the ERC on the basis of its evaluation on the performance of the retail electricity market.

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

On November 29, 2017, the DOE promulgated Department Circular No. 2017-12-0013 entitled "Providing Policies on the Implementation of Retail Competition and Open Access (RCOA) for Contestable Customers in the Philippine Electric Power Industry." The circular provides, inter alia, that (i) upon its effectivity, all Contestable Customers with a monthly average peak demand of 750 kW and above, for the preceding twelve months, may participate in the Contestable Market; (ii) by June 26, 2018 or on an earlier date specified by the ERC, all eligible electricity end-users to become Contestable Customers with a monthly average peak demand of 500 kW to 749 kW for the preceding twelve months may voluntarily participate in the Contestable Market; and (iii) by December 26, 2018 or on an earlier date specified by the ERC, electricity end-users within a contiguous area whose aggregate average peak demand is not less than 500 kW for the preceding twelve-month period may aggregate their demand to be part of the Contestable Market and may voluntarily enter into RSC with the Aggregators. The circular also provides the list of entities that may become RES, and stipulates that distribution utilities may provide electricity services to Contestable Customers within its franchise area as a local RES upon authorization from the ERC.

Despite the foregoing DOE issuances, the lack of nuance in the TRO issued by the Supreme Court created a blanket prohibition against the implementation of every provision in these issuances. As a result, the ERC has restrained themselves from issuing RES Licenses, for fear that it might be cited in contempt.

Financial Services

UnionBank faces competition from both domestic and foreign banks, in part, as a result of the liberalization of the banking industry by the Government. Since 1994, a number of foreign banks, which have greater financial resources than the Bank, have been granted licenses to operate in the Philippines. Foreign banks have not only increased competition in their corporate market, but have caused more domestic banks to focus on the commercial middle-market, placing pressure on margins in both markets. On January 21, 2016, the Monetary Board approved the phased lifting of the moratorium on the grant of new banking license or establishment of new domestic banks. The moratorium on the establishment of new domestic banks and locational restrictions shall be fully liberalized beginning on January 1, 2018.

Since September 1998, the BSP has been encouraging consolidation among banks in order to strengthen the Philippine banking system. Mergers and consolidation result in greater competition, as a smaller group of "top tier" banks compete for business.

Certain factors arising from the 1997 Asian crisis and the 2008 global financial crisis also resulted in greater competition and exert downward pressure on margins. Banks instituted more restrictive lending policies as they focused on asset quality and reduction of their nonperforming loans, which resulted in increasing liquidity. As Philippine economic growth further accelerates and banks apply such liquidity in the lending market, greater competition for corporate, commercial, and consumer loans is expected.

Amidst this operating environment, UnionBank leverages its competitive advantages anchored on the case of superior technology, unique branch sales and service culture, and centralized backroom operations. As a result, UnionBank has been acknowledged as a leader in developing innovative products and services. It is recognized as among the industry's lowest cost producers, measured by revenue-to-expense ratio, which is a result of its wholesale customer acquisition strategy of providing cash management solutions to principals' ecosystems, having automated and centralized operations, and establishing a full-blown digital strategy rather than the traditional brick-and-mortar expansion. Lastly, the Bank is one of the most profitable in terms of return on equity, return on assets, and absolute income.

PETNET faces competition from other remittance companies in terms of number of branches, variety of products and services, level and type of marketing promotions and advertising, and pricing schemes. In order to address these challenges, PETNET embarked on a rapid expansion program and undertook a brand re-boot with its new retail brand "pera HUB" in April of 2016. It continues to increase its product and service offerings. In tandem with all these efforts, PETNET has and is poised to launch digital initiatives and leverage technology to more effectively market its product and service offerings. Among these initiatives is a mobile application, then the first within the Western Union network in the Philippines, which was launched in January 2017, initially with only promotional functionalities. Its transactional capabilities were introduced in the first quarter of 2017.

Food Manufacturing

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

International Animal Nutrition

The animal nutrition business is described as highly competitive and competition varies by country and product segment. The Gold Coin Group considers quality consistency, brand recognition and awareness, and the distribution network as the principal competitive factors that affects the group.

The Gold Coin Group's principal competitors on the livestock feeds are the following: Charoen Pokphand Group, Japfa Comfeed, Cargill, and Proconco.

The Gold Coin Group's principal competitors on the aqua feeds are the following: Charoen Pokphand Group, Suri Tani Pemuka (STP), and Thai Union.

The Gold Coin Group relies on innovation and synergies among affiliates in order to address these risks.

Real Estate

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

Infrastructure

The main competitors of the RCBM Group for its cement products consist of the cement manufacturers in the Philippines, as well as traders who import cement into the Philippines.

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

TRANSACTIONS WITH AND/OR DEPENDENCE ON RELATED PARTIES

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

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

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

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

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

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

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

The above related party transactions are discussed extensively in the audited financial statements of the Company.
No other transaction, without proper disclosure, was undertaken by the Company in which any director or executive officer, any nominee for election as director, any beneficial owner (direct or indirect) or any member of his immediate family was involved or had a direct or indirect material interest.

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

GOVERNMENT APPROVALS, PATENTS, COPYRIGHTS, FRANCHISES

Power Generation Business

Power generation is not considered a public utility operation under the EPIRA. Thus, a national franchise is not needed to engage in the business of power generation. Nonetheless, no person or entity may engage in the generation of electricity unless such person or entity has secured a Certificate of Compliance (COC) from the ERC to operate a generation facility and has complied with the standards, requirements, and other terms and conditions set forth in the said COC.

In its operations, a generation company is required to comply with technical, financial and environmental standards. It shall ensure that facilities connected to the Grid meet the technical design and operation criteria of the Philippine Grid Code, Philippine Distribution Code, and Philippine Electrical Code. It shall also conform with financial standards and comply with applicable environmental laws, rules and regulations.

AboitizPower's Distribution Utility, Cotabato Light, has its own generation facility and is required under the EPIRA to obtain a COC. For IPPAs such as TLI, the COCs issued to the IPPs of the relevant generation facilities are deemed issued in favor of the IPPAs. As such, the IPPAs are also bound to comply with the provisions of the Philippine Grid Code, Philippine Distribution Code, WESM rules, and applicable rules and regulations of the ERC.

AboitizPower's HEPPs are also required to obtain water permits from the NWRB for the water flow used to run their respective hydroelectric facilities. These permits specify the source of the water flow that the Generation Companies can use for their hydroelectric generation facilities, as well as the allowable volume of water that can be used from the source of the water flow. Water permits have no expiration date and require their holders to comply with the terms of the permit with regard to the use of the water flow and the allowable volume.

AboitizPower, its Subsidiaries and Affiliates are in various stages of development of several projects. Some of these projects have been awarded renewable energy service contracts by the DOE.

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

Title of Document	Issued under the Name of	Power Plant						Date of Issuance/ Validity Period
		Name	Type	Location	Capacity	Fuel	Economic Life/Term of COC	

Title of Document	Issued under the Name of	Power Plant						Date of Issuance/ Validity Period
		Name	Type	Location	Capacity	Fuel	Economic Life/Term of COC	
COC No. 18-12-M-00330L	Hedcor, Inc.	Irisan 3	Hydroelectric Power Plant	Tadiangan, Tuba, Benguet	1.20 MW	Hydro	November 5, 2018 - November 4, 2023	December 11, 2018
COC No. 18-12-M-00334L	Hedcor, Inc.	Bineng 3	Hydroelectric Power Plant	Bineng, La Trinidad, Benguet	5.625 MW	Hydro	November 5, 2018 - November 4, 2023	December 11, 2018
COC No. 18-12-M-00329L	Hedcor, Inc.	Ampohaw	Hydroelectric Power Plant	Banengbeng, Sablan, Benguet	8.00 MW	Hydro	November 5, 2018 - November 4, 2023	December 11, 2018
COC No. 18-12-M-00336L	Hedcor, Inc.	Sal-angan	Hydroelectric Power Plant	Ampucao, Itogon, Benguet	2.40 MW	Hydro	November 5, 2018 - November 4, 2023	December 11, 2018
COC No. 17-04-M-00032L	Hedcor, Inc.	Irisan 1	Hydroelectric Power Plant	Brgy. Tadiangan, Tuba, Benguet	3.89 MW	Hydro	April 30, 2017 – April 29, 2022	April 19, 2017
COC No. 16-05-M-00061M	Hedcor, Inc.	Talomo 1 – Unit 1	Hydroelectric Power Plant	Calinan, Davao City	500 kW	Hydro	February 15, 2015 - February 14, 2020	May 4, 2016
		Talomo 1 – Unit 2			500 kW			
COC No. 16-05-M-00062M	Hedcor, Inc.	Talomo 2 – Unit 1	Hydroelectric Power Plant	Mintal Proper, Davao City	200 kW	Hydro	February 15, 2015 - February 14, 2020	May 4, 2016
		Talomo 2 – Unit 2			200 kW			
		Talomo 2 – Unit 3			200 kW			
COC No. 16-05-M-00063M	Hedcor, Inc.	Talomo 2A – Unit 1	Hydroelectric Power Plant	Upper Mintal, Davao City	450 kW	Hydro	February 15, 2015 - February 14, 2020	May 4, 2016
		Talomo 2A – Unit 2			200 kW			
COC No. 16-05-M-00064M	Hedcor, Inc.	Talomo 2B	Hydroelectric Power Plant	Upper Mintal, Davao City	300 kW	Hydro	February 15, 2015 - February 14, 2020	May 4, 2016
COC No. 16-05-M-00065M	Hedcor, Inc.	Talomo 3 – Unit 1	Hydroelectric Power Plant	Catalunan, Pequeño, Davao City	960 kW	Hydro	February 15, 2015 - February 14, 2020	May 4, 2016
		Talomo 3 – Unit 2			960 kW			
COC No. 18-12-M-00327L	Hedcor, Inc.	FLS Plant	Hydroelectric Power Plant	Poblacion, Bakun, Benguet	6.40 MW	Hydro	November 5, 2018 - November 4, 2023	December 11, 2018
COC No. 18-12-M-00335L	Hedcor, Inc.	Lower Labay	Hydroelectric Power Plant	Ampusongan, Bakun, Benguet	2.40 MW	Hydro	November 5, 2018 - November 4, 2023	December 11, 2018
COC No. 18-12-M-00328L	Hedcor, Inc.	Lon-oy	Hydroelectric Power Plant	Poblacion, Bakun, Benguet	3.60 MW	Hydro	November 5, 2018 - November 4, 2023	December 11, 2018
COC No. 15-05-M-56M	Hedcor Sibulan, Inc.	Sibulan A – Unit 1	Hydroelectric Power Plant	Brgy. Sibulan, Sta. Cruz, Davao	8.164 MW	Hydro	25 years	May 18, 2015 -

Title of Document	Issued under the Name of	Power Plant						Date of Issuance/ Validity Period
		Name	Type	Location	Capacity	Fuel	Economic Life/Term of COC	
		Sibulan A – Unit 2		del Sur	8.164 MW			August 9, 2020
COC No. 15-05-M-54M	Hedcor Sibulan, Inc.	Sibulan B – Unit 1	Hydroelectric Power Plant	Brgy. Sibulan, Sta. Cruz, Davao del Sur	13.128 MW	Hydro	25 years	May 18, 2015 - May 24, 2020
		Sibulan B – Unit 2			13.128 MW			
COC No. 14-03-GN 346-20102M	Hedcor Sibulan, Inc.	Tudaya 1	Hydroelectric Power Plant	Sitio Tudaya, Brgy. Sibulan, Sta. Cruz, Davao del Sur	6.65 MW	Hydro	15 years	March 10, 2014 - March 10, 2019
COC No. 18-06-M-00017L	Luzon Hydro Corporation	Bakun AC	Hydroelectric Power Plant	Amilongan, Alilem, Ilocos Sur	74.80 MW	Hydro	July 30, 2018 – July 29, 2023	June 20, 2018
COC No. 15-06-M-00013M	Hedcor Tudaya, Inc.	Tudaya 2	Hydroelectric Power Plant	Sta. Cruz, Davao del Sur	8.13 MW	Hydro	25 years	June 15, 2015
COC No. 15-09-M-00023L	Hedcor Sabangan, Inc.	Sabangan	Hydroelectric Power Plant	Brgy. Namatec, Sabangan, Mountain	14.96 MW	Hydro	25 years	September 29, 2015
COC No. 15-11-M-13701M	Davao Light & Power, Co.	Bajada Diesel Power Plant	Diesel Power Plant	J.P. Laurel Ave., Bajada, Davao City	58.70 MW	Diesel	20 years	November 26, 2015 - December 7, 2020
			Blackstart		483.20 kW	Diesel	20	
COC No. 17-04-M-15911M	Cotabato Light and Power Company, Inc.	N/A	Bunker C-Fired Diesel Engine	CLPC Compound, Sinsuat Ave., Rosary Heights I, Cotabato City	9.927 MW	Diesel / Bunker C	January 10, 2017 - January 9, 2022	April 19, 2017
			Blackstart		10 kW	Diesel		
COC No. 18-03-M-00002V	East Asia Utilities Corporation	N/A	Bunker C/Diesel Fired Power Plant	Barrio Ibo, Mactan Export Processing Zone 1 (MEPZ 1), Lapu-Lapu City,	49.60 MW	Bunker C	June 10, 2018 – June 10, 2023	March 27, 2018
COC No. 18-03-M-00001V	Cebu Private Power Corporation	N/A	Bunker C/Diesel Fired Power Plant	Old Veco Compound, Brgy. Ermita, Carbon, Cebu	70.59 MW	Bunker C/ Diesel	June 4, 2018 – June 3, 2023	March 27, 2018
COC No. 18-12-M-00020M	Western Mindanao Power Corporation	N/A	Bunker C-Fired Power	Malasugat, Sangali, Zamboanga City	112 MW	Bunker C/Diesel	August 27, 2018 – August 26, 2023	December 4, 2018
		N/A	Blackstart		160 kW	Diesel		
COC No. 18-12-M-00021M	Southern Philippines Power Corporation	N/A	Bunker C-Fired Diesel Power Plant	Brgy. Baluntay, Alabel, Sarangani Province	61.72 MW	Bunker C/ Diesel	August 27, 2018 – August 26, 2023	December 4, 2018
			Blackstart		160 kW	Diesel		
COC No. 18-04-M-00150L	SN Aboitiz Power – Magat, Inc.	Maris Main Canal I	Hydroelectric Power Plant	Brgy. Ambatali, Ramon, Isabela	8.50 MW	Hydro	April 4, 2018 – April 3, 2023	April 4, 2018
COC No. 17-03-M-00309L	SN Aboitiz Power –	Binga – Unit 1	Hydroelectric Power Plant	Brgy. Tinongdan,	35.02 MW	Hydro	March 12,	March 9, 2017

Title of Document	Issued under the Name of	Power Plant: Name	Type	Location	Capacity	Fuel	Economic Life/Term of COC	Date of Issuance/ Validity Period
	Benguet, Inc.	Binga – Unit 2	Hydroelectric Power Plant	Itogon, Benguet	35.02 MW		2017 - March 11, 2022	
		Binga – Unit 3	Hydroelectric Power Plant		35.02 MW			
		Binga – Unit 4	Hydroelectric Power Plant		35.02 MW			
		Binga Hydroelectric Power Plant	Blackstart Generator Set		320 KW	Diesel		
		Binga Hydroelectric Power Plant	Auxiliary Generator Set		330.40 KW	Diesel		
COC No. 16-08-M-00087L	SN Aboitiz Power – Benguet, Inc.	Ambuklao – Unit 1	Hydroelectric Power Plant	Brgy. Ambuklao, Bokod, Benguet	34.85 MW	Hydro	August 31, 2016 - August 30, 2021	August 18, 2016
		Ambuklao – Unit 2			34.85 MW			
		Ambuklao – Unit 3			34.85 MW			
		Ambuklao Hydroelectric Power Plant	Auxiliary Generator Set		320 KW	Diesel		
		Ambuklao Hydroelectric Power Plant	Blackstart Generator Set		314 KW	Diesel		
COC No. 16-06-M-00016M	STEAG State Power, Inc.	N/A	Coal Fired Power Plant	Phividec Industrial Estate, Balascanas,	232 MW	Coal	August 30, 2016 - August 29, 2021	June 13, 2016
			Emergency Generating		1.25 MW	Diesel		
COC No. 15-03-S-00013M	STEAG State Power, Inc.	N/A	Diesel Engine	Phvidec Industrial Estate, Villanueva,	400 kW	Diesel	25 years	March 25, 2015 - March 25, 2020
COC No. 15-05-M-00007L	AP Renewables, Inc.	Makban – Bay, Plant A	Geothermal Power Plant	Brgy. Bitin, Bay, Laguna	63.2 MW	Geo-thermal Steam	23 years	May 4, 2015 - May 31, 2020
		Makban – Bay,			63.2 MW			
		Makban – Bay,			20.0 MW			
		Makban – Bay,			20.0 MW			
COC No. 15-05-M-00008L	AP Renewables, Inc.	Makban – Calauan, Plant	Geothermal Power Plant	Brgy. Limao, Calauan, Laguna	63.2 MW	Geo-thermal Steam	23 years	May 4, 2015 - May 31, 2020
		Makban – Calauan, Plant			63.2 MW			
		Makban – Calauan, Plant			55.0 MW			
		Makban – Calauan, Plant			55.0 MW			
COC No. 15-05-M-00009L	AP Renewables, Inc.	Makban – Sto. Tomas, Plant	Geothermal Power Plant	Brgy. Sta. Elena, Sto. Tomas, Batangas	20.0 MW	Geo-thermal Steam	23 years	May 4, 2015 - May 31, 2020
		Makban – Sto. Tomas, Plant			20.0 MW			

Title of Document	Issued under the Name of	Power Plant						Date of Issuance/ Validity Period
		Name	Type	Location	Capacity	Fuel	Economic Life/Term of COC	
COC No. 15-11-M-00028L	AP Renewables, Inc.	Plant A, Unit 1	Geothermal Power Plant	Brgy. Naga, Tiwi, Albay	60 MW	Geo-thermal Steam	25 years	November 26, 2015 - December 12, 2020
		Plant A, Unit 2			60 MW			
COC No. 15-11-M-286rL	AP Renewables, Inc.	Plant C, Unit 5	Geothermal Power Plant	Brgy. Cale, Tiwi, Albay	57 MW	Geo-thermal Steam	25 years	November 26, 2015 - December 12, 2020
		Plant C, Unit 6			57 MW			
COC No. 17-05-M-00105L	AP Renewables, Inc.	MakBan Binary 1	Geothermal Power Plant	Brgy. Sta. Elena, Sto. Tomas, Batangas	7.0 MW	Brine	November 7, 2016 - November 6, 2021	May 15, 2017
COC No. 16-03-M-00286ggM	Therma Marine, Inc.	Mobile 1	Diesel Power Plant	Brgy. San Roque, MACO, Compostela Valley	100.33 MW	Diesel	25 years	March 30, 2016 - April 18, 2021
			Blackstart		1.68 MW	Diesel	5 years	
COC No. 16-03-M-00286bbM	Therma Marine, Inc.	Mobile 2	Diesel Power Plant	Brgy. Nasipit, Agusan del Norte	100.33 MW	Diesel	25 years	March 30, 2016 - April 5, 2021
			Blackstart		1.68 MW	Diesel	5 years	
COC No. 17-07-M-00305L	Therma Mobile, Inc.	Barge 1/ Mobile 3	Bunker C-Fired Diesel Power Plant	Navotas Fish Port Complex, Navotas, Metro Manila	66 MW	Bunker C/ Diesel	July 9, 2017 - July 8, 2022	June 22, 2017
COC No. 17-07-M-00306L	Therma Mobile, Inc.	Barge 2/ Mobile 4	Bunker C-Fired Diesel Power Plant	Navotas Fish Port Complex, Navotas, Metro Manila	56 MW	Bunker C/ Diesel	July 9, 2017 - July 8, 2022	June 22, 2017
COC No. 17-07-M-00307L	Therma Mobile, Inc.	Barge 3/ Mobile 5	Bunker C-Fired Diesel Power Plant	Navotas Fish Port Complex, Navotas, Metro Manila	57 MW	Bunker C/ Diesel	July 9, 2017 - July 8, 2022	June 22, 2017
COC No. 17-07-M-00308L	Therma Mobile, Inc.	Barge 4/ Mobile 6	Bunker C-Fired Diesel Power Plant	Navotas Fish Port Complex, Navotas, Metro Manila	52 MW	Bunker C/ Diesel	July 9, 2017 - July 8, 2022	June 22, 2017
COC No. 15-09-M-00022M	Therma South, Inc.	Unit 1	Coal Fired Power Plant	Brgy. Binugao, Toril District, Davao City	150 MW	Coal	25 years	September 1, 2015 - August 31, 2020
		Unit 2	Coal Fired Power Plant	Brgy. Binugao, Toril District, Davao City	150 MW	Coal	25 years	January 19, 2016 - August 31, 2020
COC No. 18-02-M-00145L	Pagbilao Energy Corporation	Pagbilao Unit 3 Coal Fired Thermal Power Plant	Coal Fired Thermal Power Plant	Isla Grande, Ibabang Polo, Pagbilao, Quezon	420 MW	Coal	February 20, 2018 – February 19, 2023	February 20, 2018
			Black Start		1.04 MW	Diesel		
COC No.	GNPower	Unit 1	Coal Fired	Brgy. Alas-asin,	325.8 MW	Coal	December	November

Title of Document	Issued under the Name of	Power Plant						Date of Issuance/ Validity Period
		Name	Type	Location	Capacity	Fuel	Economic Life/Term of COC	
17-11-M-00282L	Mariveles Coal Plant Ltd. Co.	Unit 2	Power Plant	Mariveles, Bataan	325.8 MW		3, 2017 – December 2, 2022	21, 2017
		N/A	Blackstart		1.68 MW	Diesel		

Distribution Business

Under the EPIRA, the business of electricity distribution is a regulated public utility business that requires a franchise that can be granted only by Congress. In addition to the legislative franchise, a CPCN from the ERC is also required to operate as a public utility. However, distribution utilities operating within economic zones, are not required to obtain a franchise from Congress, but must be duly registered with the PEZA in order to operate within the economic zone.

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

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

DU	Franchise	Term	Expiry
VECO	R.A. 9339	25 years from effectivity of R.A. 9339. (R.A. 9339 approved on Sept. 1, 2005. Publication date not known.)	Valid until September 24, 2030
	ERC Certificate No. CPCN-09-01 (ERC Decision dated January 26, 2009, ERC Case No. 2008-095 MC).	25 years from September 24, 2005 to September 24, 2030	
DLPC	R.A. 8960	25 years from effectivity of the Act (Lapsed into law September 7, 2000. Publication date not known.)	Valid until September 7, 2025
	CPCN (Decision dated February 26, 2002, ERC Case No. 2001-792)	September 7, 2000 to September 7, 2025	
CLPC	R.A. 10637 (Approved June 16, 2014)	25 years from expiration of CA 487, as amended	Valid until June 16, 2039
	ERC Certificate No. CPCN-14-001 (ERC Decision dated December 9, 2019, ERC Case No. 2013-063 MC)	25 Years from June 17, 2014 or until June 16, 2039	
SFELAPCO	R.A. 9967	25 years from effectivity of the Act (Lapsed into law on Feb. 6, 2010)	Valid until March 23, 2035
	ERC Certificate No. CPCN-10-01 (ERC Decision dated August 31, 2010, ERC Case No. 2010-029 MC)	March 24, 2010 to March 23, 2035	
SEZ	Distribution Management Service Agreement (DMSA) between SEZ and JV of AEV-DLPC	Notarized on May 15, 2003. Term of the DMSA is 25 years.	Valid until May 15, 2028

MEZ, BEZ and LEZ, which operate the power distribution utilities in MEPZ II, WCIP and LTC, respectively, are duly registered with PEZA as Ecozone Utilities Enterprises. Cotabato Light's franchise was renewed for another 25 years upon the signing of RA 10637 on June 16, 2014 by then-President Benigno C. Aquino III.

Retail Electricity Supply Business

Like power generation, the business of supplying electricity is not considered a public utility operation under the EPIRA, but is considered a business affected with public interest. As such, the EPIRA requires all suppliers of electricity to end-users in the contestable market, other than distribution utilities within their franchise areas, to obtain a license from the ERC. With the implementation of Open Access in 2013, AboitizPower's Subsidiaries, AESI, AdventEnergy, SN Aboitiz

Power – RES, and Prism Energy, obtained separate licenses to act as RES and Wholesale Aggregator. AESI, AdventEnergy and Prism Energy have each filed the corresponding application for renewal of its RES licenses.

Banking and Financial Services Business

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

PETNET, as a company engaged in money remittance, is required to obtain licenses from the BSP for its branches. It is also required to comply with the requirements of the Anti-Money Laundering Act.

International Animal Nutrition

The Gold Coin Group, with companies and plant operations across different Asia Pacific countries, have secured the necessary registrations, permits, and licenses to allow it to do business in the following countries: China, Indonesia, Malaysia, Thailand, Sri Lanka.

Trademarks

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

Trademarks	Applicant	Date Filed	Registration No./Date Issued	Certificate of Description	Status
A Better Future word mark (Class Nos. 39, 40 and 42)	Aboitiz Power Corporation	April 23, 2010	4-2010-004383 November 11, 2010	Application for the word mark "A Better Future".	Original Certificate of Registration was issued on November 11, 2010. The 3rd year Anniversary Declaration of Actual Use (DAU) was filed on April 23, 2013 with the IP Office. The 5th year Anniversary DAU was filed on October 26, 2016 with the IP Office. The 10th year Anniversary DAU and application for renewal are due for filing on November 11, 2020.
Better Solutions word mark (Class Nos. 39, 40 and 42)	Aboitiz Power Corporation	April 23, 2010	4-2010-004384 November 11, 2010	Application for the word mark "A Better Solutions".	Original Certificate of Registration was issued on November 11, 2010. The 3rd year Anniversary DAU was filed on April 23, 2013 with the IP Office. The 5th year Anniversary DAU was filed on October 26, 2016 with the IP Office. The 10th year Anniversary DAU and application for renewal are due for filing on November 11, 2020.
AboitizPower word mark (Class Nos. 39, 40 and 42)	Aboitiz Power Corporation	April 23, 2010	4-2010-004385 November 11, 2010	Application for the word mark "AboitizPower".	Original Certificate of Registration was issued on November 11, 2010. The 3rd year Anniversary DAU was filed on April 23, 2013 with the IP Office. The 5th year Anniversary DAU was filed on October 26, 2016 with the IP Office. The 10th year Anniversary DAU and application for renewal are due for filing on November 11, 2020.

Trademarks	Applicant	Date Filed	Registration No./Date Issued	Certificate of Description	Status
AboitizPower Spiral Device (Class Nos. 39, 40 and 42)	Aboitiz Power Corporation	April 23, 2010	4-2010-004380 February 10, 2011	Application for the device mark "AboitizPower Spiral and Device", with color claim. The representation of a spiral rendered in blue.	Original Certificate of Registration was issued on February 10, 2011. The 3rd year Anniversary Declaration of Actual Use (DAU) was filed on April 23, 2013 with the IP Office. The 5th year Anniversary DAU was filed on February 3, 2017 with the IP Office. The 10th year Anniversary DAU and application for renewal are due for filing on February 10, 2021.
Cleanergy word mark (Class No. 40)	Aboitiz Power Corporation	October 19,2001	4-2001-007900 January 13, 2006	Application for the word mark "Cleanergy".	Original Certificate of Registration for the mark CLEANERGY was issued on January 13, 2006. The 3rd year Anniversary DAU was filed on November 11, 2004. The 5th year Anniversary DAU was filed on December 27, 2011 with the IP Office. The 10th year Anniversary DAU and renewal of registration were filed with the IP Office on January 13, 2016. The 15th DAU is due on January 13, 2021.
Cleanergy word mark (Class Nos. 39 and 42)	Aboitiz Power Corporation	January 16, 2019	4-2019-000850	Application for the word mark "Cleanergy" for the additional goods and services under Class Nos. 39 and 42.	Pending with the IP Office. The 3rd year Anniversary DAU is due for filing on January 16, 2022 with the IP Office.

Trademarks	Applicant	Date Filed	Registration No./Date Issued	Certificate of Description	Status
Cleanergy and Device (Class No. 42)	Aboitiz Power Corporation	July 30, 2002	4-2002-06293 July 16, 2007	Application for the device mark "Cleanergy and Device", with color claim). The representation of a light with bulb with three leaves attached to it, with the words "CLEANERGY" and a small "ABOITIZ" diamond logo below it.	Original Certificate of Registration was issued on July 16, 2007. The 3rd year Anniversary DAU was filed on June 28, 2005 with the IP Office. The 5th year Anniversary DAU was filed on July 15, 2013 with the IP Office. The 10th year Anniversary DAU and application for renewal of registration were filed on July 16, 2017 with the IP Office. The Renewal DAU was due on July 16, 2018 but was not filed due to non-use.
Cleanergy Get It and Device (Class Nos. 39, 40 and 42)	Aboitiz Power Corporation	April 23, 2010	4-2010-004381 November 11, 2010	Application for the device mark "Cleanergy Get it and Device". The word "Cleanergy", with color claim. The phrase "get it" below it with both words endorsed by representation of a thumbs up sign. The whole mark is rendered in two shades of green.	Original Certificate of Registration was issued on November 11, 2010. The 3rd year Anniversary DAU was filed on April 23, 2013 with the IP Office. The 5th year Anniversary DAU was filed on October 26, 2016 with the IP Office. The 10th year Anniversary DAU and application for renewal are due for filing on November 11, 2020.
Cleanergy Got It and Device (Class Nos. 39, 40 and 42)	Aboitiz Power Corporation	April 23, 2010	4-2010-004382 November 11, 2010	Application for the device mark "Cleanergy got it and device". The word "Cleanergy" with the phrase "got it" below it with both words endorsed by representation of a thumbs up sign. The whole mark is rendered in two shades of	Original Certificate of Registration was issued on November 11, 2010. The 3rd year Anniversary DAU was filed on April 23, 2013 with the IP Office. The 5th year Anniversary DAU was filed on October 26, 2016 with the IP Office.

Trademarks	Applicant	Date Filed	Registration No./Date Issued	Certificate of Description	Status
				green.	The 10th year Anniversary DAU and application for renewal are due for filing on November 11, 2020.
AboitizPower and Device (Class Nos. 39, 40 and 42)	Aboitiz Power Corporation	April 23, 2010	4-2010-004379 February 10, 2011	Application for the device mark "AboitizPower and Device", with color claim.	Original Certificate of Registration was issued on February 10, 2011. The 3rd year Anniversary DAU was filed on April 23, 2013 with the IP Office. The 5th year Anniversary DAU was filed on February 3, 2017 with the IP Office. The 10th year Anniversary DAU and application for renewal are due for filing on February 10, 2021.
Alterspace word mark (Class Nos. 9, 39 and 40)	Aboitiz Power Corporation	April 6, 2011	4-2011-003968 February 24, 2012	Application for the word mark "ALTERSPACE".	Original Certificate of Registration was issued on February 24, 2012. The 3rd year Anniversary DAU was filed on May 20, 2014 with the IP Office. The 5th DAU was due on February 24, 2018 but was not filed due to non-use.

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Alterspace and Device (Class Nos. 9, 39 and 40)	Aboitiz Power Corporation	May 31, 2011	4-2011-006291 December 22, 2011	Application for the device mark "Alterspace and Device". A globe with the words "alter" and "space" inside an arrow circling the globe and separating the words. The globe is rendered in forest green, while the words and arrow are rendered in lime green.	Original Certificate of Registration was issued on December 22, 2011. The 3rd year Anniversary DAU was filed May 20, 2014 with the IP Office. The 5th DAU was due on December 22, 2017 but was not filed due to non-use.
RP Energy and Device (Class No. 40)	Redondo Peninsula Energy, Inc.	August 12, 2008	4-2008-0093737 April 13, 2009	Application for the device mark "RP Energy and Device".	Original Certificate of Registration was issued on April 13, 2009. The 5th year DAU was filed on February 16, 2015. The 10th year Anniversary DAU and application for renewal are due for filing on April 13, 2019.
Subic EnerZone Corporation and Logo (Class No. 39)	Subic EnerZone Corporation	July 6, 2006	4-2006-007306 August 20, 2007	Trademark application for Subic EnerZone Corporation and Logo, with color claim (blue and yellow). The mark consists of the words "SUBIC ENERZONE" in Fujiyama extra bold font with the word "CORPORATION" below it, also in Fujiyama font, rendered in cobalt medium blue color, and a representation of the letter "S" taking the shape of a flame (the company logo) above the words. The logo is likewise rendered in the cobalt medium blue color in a yellow background.	Original Certificate of Registration was issued on August 20, 2007. The mark was renewed on August 20, 2017. The renewal DAU was filed on August 20, 2018 with the IP Office. The Renewal 5th Year DAU is due on August 20, 2023.

Trademarks	Applicant	Date Filed	Registration No./Date Issued	Certificate of Description	Status
Subic EnerZone Corporation and Logo (Class No. 39)	Subic EnerZone Corporation	July 6, 2006	4-2006-007305 August 20, 2007	Application for the Subic EnerZone Corporation word mark and device (gray). The mark consists of the words "SUBIC ENERZONE" in Fujiyama extra bold font with the word "CORPORATION" below it, also in Fujiyama font, and a representation of the letter "S" taking the shape of a flame (the company logo) above the words.	Original Certificate of Registration was issued on August 20, 2007. The mark was renewed on August 20, 2017. The renewal DAU was filed on August 20, 2018 with the IP Office. The Renewal 5th Year DAU is due on August 20, 2023.
Subic EnerZone Corporation word mark (Class No. 39)	Subic EnerZone Corporation	July 6, 2006	4-2006-007304 June 4, 2007	Application for the word mark "Subic EnerZone Corporation".	Original Certificate of Registration was issued on June 4, 2007. The 3rd year Anniversary DAU was filed with the IP Office on July 6, 2009. The 5th year Anniversary DAU was filed with the IP Office on June 4, 2013. The 10th year Anniversary DAU and application for renewal of registration was filed with the IP Office on June 4, 2017. The renewal DAU was filed on June 4, 2018 with the IP Office. The Renewal 5th Year DAU is due on June 4, 2023.
Driven to Lead. Driven to Excel. Driven to Serve. word mark (Class Nos. 30, 36, 37, 39, 40 and 42)	Aboitiz Equity Ventures, Inc.	January 30, 2012	04-2012-001132 June 21, 2012	Application for the word mark "Driven to Lead. Driven to Excel. Driven to Serve.".	Original Certificate of Registration was issued on June 21, 2012. The 3rd year Anniversary DAU was filed on January 30, 2015 with the IP Office. The 5th year Anniversary DAU was filed on June

Trademarks	Applicant	Date Filed	Registration No./Date Issued	Certificate of Description	Status
					21, 2018 with the IP Office. The 10th year Anniversary DAU and application for renewal are due for filing on June 21, 2022.
Aboitiz Better Ways word mark (Class Nos. 30, 31, 35, 36, 37, 39, 40 and 42)	Aboitiz Equity Ventures, Inc.	December 18, 2013	04-2013-015095 March 27, 2014	Application for the word mark "Aboitiz Better Ways".	Original Certificate of Registration was issued on March 27, 2014. The 3rd year Anniversary DAU was filed on December 12, 2016 with the IP Office. The 5th year Anniversary DAU is due for filing on March 27, 2020.
Aboitiz Better World word mark (Class Nos. 30, 31, 35, 36, 37, 39, 40 and 42)	Aboitiz Equity Ventures, Inc.	December 18, 2013	04-2013-015094 March 27, 2014	Application for the word mark "Aboitiz Better World".	Original Certificate of Registration was issued on March 27, 2014. The 3rd year Anniversary DAU was filed on December 12, 2016 with the IP Office. The 5th year Anniversary DAU is due for filing on March 27, 2020.
Aboitiz word mark (Class Nos. 30, 35, 36, 37, 39, 40 and 42)	Aboitiz Equity Ventures, Inc	October 16, 2018	04-2018-018635	Application for the word mark "Aboitiz".	Pending with the IP Office. The 3rd year Anniversary DAU is due on October 16, 2021.
Aboitiz word mark (Additional activities under Class Nos. 36, 37)	Aboitiz Equity Ventures, Inc.	January 3, 2019	04-2019-000086	Application for the word mark "Aboitiz" to cover additional services under Class Nos. 36 and 37.	Pending with the IP Office. The 3rd year Anniversary DAU is due on January 3, 2022.
Advancing Business and Communities Logo (Class Nos. 35	Aboitiz Equity Ventures, Inc	December 5, 2018	04-2018-021743	Application for the device mark "Advancing Business and Communities", with color claim.	Pending with the IP Office. The 3rd year Anniversary DAU is due on December 5, 2021.

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and 36)					
Aboitiz Equity Ventures word mark (Class Nos. 35 and 36)	Aboitiz Equity Ventures, Inc	November 29, 2018	04-2018-021492	Application for the word mark “Aboitiz Ventures”.	Pending with the IP Office. The 3rd year Anniversary DAU is due on November 29, 2021.
Aboitiz Equity Ventures Logo (Class Nos. 35 and 36)	Aboitiz Equity Ventures, Inc	November 29, 2018	04-2018-021742	Application for the device mark “Aboitiz Equity Ventures”, with color claim.	Pending with the IP Office. The 3rd year Anniversary DAU is due on November 29, 2021.
Aboitiz InfraCapital word mark (Class Nos. 35, 36 and 37)	Aboitiz InfraCapital, Inc.	April 18, 2018	04-2018-00006537	Application for the word mark “Aboitiz InfraCapital”	Pending with the IP Office. The 3rd year Anniversary DAU is due on April 18, 2021.
Aboitizland Geometric Symbol Logo (Class Nos. 35 and 37)	Aboitiz Land, Inc.	May 25, 2009	04-2009-005107 March 11, 2010	Application for the word mark “ABOITIZLAND GEOMETRIC SYMBOL LOGO”, with color claim.	Original Certificate of Registration was issued on March 11, 2010. The 3rd year Anniversary DAU was filed on May 21, 2012 with the IP Office. The 5th year Anniversary DAU was filed on March 10, 2016 with the IP Office. The 10th year Anniversary DAU and application for renewal of registration are due for filing on March 11, 2020.
Aboitizland Made For Life And Device (Class Nos. 35 and 37)	Aboitiz Land, Inc.	May 25, 2009	04-2009-005108 March 11, 2010	Application for the device mark “ABOITIZLAND MADE FOR LIFE AND DEVICE, with color claim.	Original Certificate of Registration was issued on March 11, 2010. The 3rd year Anniversary DAU was filed on May 21, 2012 with the IP Office.

Trademarks	Applicant	Date Filed	Registration No./Date Issued	Certificate of Description	Status
					The 5th year Anniversary DAU was filed on March 10, 2016 with the IP Office. The 10th year Anniversary DAU and application for renewal of registration are due for filing on March 11, 2020.
Aboitizland and Device (Class Nos. 35 and 37)	Aboitiz Land, Inc.	May 25, 2009	04-2009-005106 March 11, 2010	Application for the device mark "ABOITIZLAND AND DEVICE" with color claim.	Original Certificate of Registration was issued on March 11, 2010. The 3rd year Anniversary DAU was filed on May 21, 2012 with the IP Office. The 5th year Anniversary DAU was filed on March 10, 2016 with the IP Office. The 10th year Anniversary DAU and application for renewal of registration are due for filing on March 11, 2020.
Aboitizland word mark (Class Nos. 35 and 37)	Aboitiz Land, Inc.	July 14, 2009	04-2009-006961 April 15, 2010	Application for the word mark "ABOITIZLAND".	Original Certificate of Registration was issued on April 15, 2010. The 3rd year Anniversary DAU was filed on May 21, 2012 with the IP Office. The 5th year Anniversary DAU was filed on March 10, 2016 with the IP Office. The 10th year Anniversary DAU and application for

Trademarks	Applicant	Date Filed	Registration No./Date Issued	Certificate of Description	Status
					renewal of registration are due for filing on April 15, 2020.
The Outlets word mark (Class Nos. 16, 35 and 37)	Aboitiz Land, Inc.	April 11, 2014	04-2014-004494 February 26, 2015	Application for the word mark "THE OUTLETS".	Original Certificate of Registration was issued on February 26, 2015. The 3rd year Anniversary DAU was filed on March 7, 2017 with the IP Office. The 5th year Anniversary DAU is due for filing on February 26, 2021.
The Outlets and Device (Class Nos. 16, 35 and 37)	Aboitiz Land, Inc.	April 11, 2014	04-2014-004493 December 4, 2014	Application for device mark "THE OUTLETS AND DEVICE", with color claim.	Original Certificate of Registration was issued on December 4, 2014. The 3rd year Anniversary DAU was filed on March 7, 2017. The 5th year Anniversary DAU is due for filing on December 4, 2020.
Ajoya word mark (Class Nos. 16, 35, and 37)	Aboitiz Land, Inc.	November 29, 2016	4-2016-506202 March 9, 2017	Application for the word mark "Ajoya".	Original Certificate of Registration was issued on March 9, 2017. The 3rd year Anniversary DAU is due for filing on November 29, 2019.
Ajoya and Device (Logo) (Class Nos. 16, 35, and 37)	Aboitiz Land, Inc.	November 29, 2016	4-2016-506203 March 24, 2017	Application for the device mark "Ajoya".	Original Certificate of Registration was issued on March 24, 2017. The 3rd year Anniversary DAU is due for filing on November 29, 2019.
Foressa word mark (Class Nos. 16, 35, and 37)	Aboitiz Land, Inc.	December 6, 2016	4-2016-506331 March 24, 2017	Application for the word mark "Foressa".	Original Certificate of Registration was issued on March 24, 2017. The 3rd year Anniversary DAU is due for filing on December 6, 2019.
Foressa	Aboitiz Land, Inc.	December 6,	4-2016-506329	Application for the device mark	Original Certificate of Registration was issued on

Trademarks	Applicant	Date Filed	Registration No./Date Issued	Certificate of Description	Status
Mountain Town and Device (Class Nos. 16, 35, and 37)		2016	June 15, 2017	"Foressa".	June 15, 2017. The 3rd year Anniversary DAU is due for filing on December 6, 2019.
Lekeitio word mark (Class Nos. 16, 35, and 37)	Aboitiz Land, Inc.	December 20, 2016	4-2016-506607 April 20, 2017	Application for the word mark "Lekeitio".	Original Certificate of Registration was issued on April 20, 2017. The 3rd year Anniversary DAU is due for filing on December 20, 2019.
Lekeitio Device (Class Nos. 16, 35, and 37)	Aboitiz Land, Inc.	January 30, 2017	4-2017-5004-24 June 2, 2017	Application for the device mark "Lekeitio".	Original Certificate of Registration was issued on June 2, 2017. The 3rd year Anniversary DAU is due for filing on January 30, 2020.
Seafront Residences word mark (Class Nos. 16,35, and 37)	Aboitiz Land, Inc.	January 26, 2017	4-2017-500379 July 14, 2017	Application for the word mark "Seafront Residences"	Original Certificate of Registration was issued on July 14, 2017. The 3rd year Anniversary DAU is due for filing on January 26, 2020.
Seafront Residences Device (Class Nos. 16,35, and 37)	Aboitiz Land, Inc.	January 30, 2017	4-2017-500423 August 10, 2017	Application for the device mark "Seafront Residences".	Original Certificate of Registration was issued on August 10, 2017. The 3rd year Anniversary DAU is due for filing on January 26, 2020.
The Outlets Logo (Class Nos. 16, 35, and 37)	Aboitiz Land, Inc.	January 24, 2017	04-2017-500324 July 14, 2017	Application for the device mark "The Outlets".	Original Certificate of Registration was issued on July 14, 2017. The 3rd year Anniversary DAU is due for filing on January 24, 2020.
Seafront Villas word mark (Class Nos. 16, 35, and 37)	Aboitiz Land, Inc.	January 26, 2017	4-2017-500378 July 14, 2017	Application for the word mark "Seafront Villas".	Original Certificate of Registration was issued on July 14, 2017. The 3rd year Anniversary DAU is due for filing on January 26, 2020.

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Seafront Villas Device (Class Nos. 16,35, and 37)	Aboitiz Land, Inc.	January 30, 2017	4-2017-5004-22 August 17, 2017	Application for the device mark "Seafront Villas".	Original Certificate of Registration was issued on August 17, 2017. The 3rd year Anniversary DAU is due for filing on January 30, 2020.
La Villita word mark (Class Nos. 16,35, and 37)	Aboitiz Land, Inc.	March 7, 2017	4-2017-500953 July 14, 2017	Application for the word mark "La Villita".	Original Certificate of Registration was issued on July 14, 2017. The 3rd year Anniversary DAU is due for filing on March 7, 2020.
La Villita Device (Class Nos. 16, 35, and 37)	Aboitiz Land, Inc.	March 8, 2017	4-2017-500968 August 10, 2017	Application for the device mark "La Villita".	Original Certificate of Registration was issued on August 10, 2017. The 3rd year Anniversary DAU is due for filing on March 8, 2020.
Plaza Kalea word mark (Class Nos. 16,35, and 37)	Aboitiz Land, Inc.	March 7, 2017	4-2017-500954 September 14, 2017	Application for the word mark "Plaza Kalea".	Original Certificate of Registration was issued on September 14, 2017. The 3rd year Anniversary DAU is due for filing on March 7, 2020.
Plaza Kalea Device (Class Nos. 16,35, and 37)	Aboitiz Land, Inc.	March 7, 2017	4-2017-500951 July 14, 2017	Application for the device mark "Plaza Kalea".	Original Certificate of Registration was issued on July 14, 2017. The 3rd year Anniversary DAU is due for filing on March 7, 2020.
Lima Exchange word mark (Class Nos. 16, 35, 36, 37 and 39)	Aboitiz Land, Inc.	July 13, 2017	04-2017-00502724 December 7, 2017	Application for the word mark "Lima Exchange".	Original Certificate of Registration was issued on December 7, 2017. The 3rd year Anniversary DAU is due for filing on July 13, 2020.
Lima Exchange Device (Class Nos. 16, 35, 36, 37 and	Aboitiz Land, Inc.	July 13, 2017	4-2017-502734 October 26, 2017	Application for the device mark "Lima Exchange".	Original Certificate of Registration was issued on October 26, 2017. The 3rd year Anniversary DAU is due for filing on

Trademarks	Applicant	Date Filed	Registration No./Date Issued	Certificate of Description	Status
39)					July 13, 2020.
Lima Land, Inc. word mark (Class Nos. 16,35, 36, 37, and 39)	Aboitiz Land, Inc.	July 13, 2017	04-2017-00502737 April 12, 2018	Application for the word mark "Lima Land".	Original Certificate of Registration was issued on April 12, 2018. The 3rd year Anniversary DAU is due for filing on July 13, 2020.
Lima Land, Inc. Logo (Class Nos. 16,35, 36, 37, and 39)	Aboitiz Land, Inc.	July 14, 2017	04-2017-00502749 March 22, 2018	Application for the device mark "Lima Land".	Original Certificate of Registration was issued on March 22, 2018. The 3rd year Anniversary DAU is due for filing on July 14, 2020.
Lima Technology Center word mark (Class Nos. 16,35, 36, 37, and 39)	Aboitiz Land, Inc.	July 13, 2017	4-2017-503466 June 15, 2018	Application for the word mark "Lima Technology Center".	Original Certificate of Registration was issued on June 15, 2018. The 3rd year Anniversary DAU is due for filing on July 13, 2020.
Lima Technology Center Device (Class Nos. 16,35, 36, 37, and 39)	Aboitiz Land, Inc.	July 13, 2017	4-2017-502735 April 12, 2018	Application for the device mark "Lima Technology Center"	Original Certificate of Registration was issued on April 12, 2018. The 3rd year Anniversary DAU is due for filing on July 13, 2020.
The Villages at Lipa word mark (Class Nos. 16, 35, 37)	Aboitiz Land, Inc.	October 16, 2018	04-2018-018626	Application for the word mark "The Villages at Lipa".	Pending with the IP Office. The 3rd year Anniversary DAU is due for filing on October 16, 2021.
The Villages At Lipa Device (Class Nos. 16, 35, 37)	Aboitiz Land, Inc.	October 16, 2018	04-2018-018629	Application for the device mark "The Villages at Lipa".	Pending with the IP Office. The 3rd year Anniversary DAU is due for filing on October 16, 2021.
Pilmico Foods Corporation Device	Pilmico Foods Corporation	October 26, 1998	4-1998-007886 November 28,	Application for device mark "PILMICO FOODS CORPORATION".	Original Certificate of Registration was issued on November 28, 2005. The mark was renewed on November 28, 2015.

Trademarks	Applicant	Date Filed	Registration No./Date Issued	Certificate of Description	Status
(Class No. 30)			2005		The 5th Year Renewal DAU is due for filing on November 28, 2021.
SUN-MOON-STAR Device (Class No. 30)	Pilmico Foods Corporation	January 22, 2002	4-2002-100524 October 2, 2006	Application for device mark “SUN-MOON-STAR”	Original Certificate of Registration was issued on October 2, 2006. The mark was renewed on October 2, 2016. The 5th Year Renewal DAU is due for filing on October 2, 2022.
GOLD STAR AND Device (Class No. 30)	Pilmico Foods Corporation	January 22, 2002	4-2002-000525 August 17, 2006	Application for the device mark “GOLD STAR AND DEVICE”.	Original Certificate of Registration was issued on August 17, 2006. The mark was renewed on August 17, 2016. The 5th Year Renewal DAU is due for filing on August 17, 2022.
SUNSHINE (Class No. 30)	Pilmico Foods Corporation	April 17, 1996	4-1996-127942 October 15, 2007	Application for the device mark “SUNSHINE”.	Original Certificate of Registration was issued on October 15, 2007. The 3rd year Anniversary DAU was filed on November 29, 2001 with the IP Office. The 5th year Anniversary DAU was filed on May 17, 2013 with the IP Office. The 10th year Anniversary DAU and application for renewal of registration was filed on October 5, 2018 with the IP Office. The 5th Year Renewal DAU is due for filing on October 15, 2023.
GLOWING SUN Device	Pilmico Foods Corporation	November 13, 1998	4-1998-008409	Application for the device mark “GLOWING SUN”.	Original Certificate of Registration was issued on October 2, 2006.

Trademarks	Applicant	Date Filed	Registration No./Date Issued	Certificate of Description	Status
(Class No. 30)			October 2, 2006		The mark was renewed on October 2, 2016. The 5th year renewal DAU is due for filing on October 2, 2022.
KUTITAP and Device (Class No. 30)	Pilmico Foods Corporation	October 26, 2001	4-2001-008098 January 17, 2005	Application for the device mark "KUTITAP AND DEVICE".	Original Certificate of Registration was issued on January 17, 2005. The mark was renewed on January 17, 2015. The 5th Year Renewal DAU is due on January 17, 2021.
KUTITAP (Class No. 30)	Pilmico Foods Corporation	January 22, 2002	4-2002-000523 December 5, 2004	Application for the device mark "KUTITAP", with color claim.	Original Certificate of Registration was issued on December 5, 2004. The mark was renewed on December 5, 2014. The 5th year Renewal DAU is due on December 5, 2020.
MEGA STAR and Device (Class No. 30)	Pilmico Foods Corporation	August 2, 2002	4-2002-006424 November 28, 2005	Application for the device mark "MEGA STAR AND DEVICE" with color claim.	Original Certificate of Registration was issued on November 28, 2005. The mark was renewed on November 28, 2015. The 5th year Renewal DAU is due for filing on November 28, 2021.
SUNFLOUR AND DESIGN Device (Class No. 30)	Pilmico Foods Corporation	June 8, 2007	4-2007-005916 May 5, 2008	Application for the device mark "SUNFLOUR AND DESIGN".	Original Certificate of Registration was issued on May 5, 2008. The 3rd year Anniversary DAU was filed on June 8, 2010 with the IP Office. The 5th year Anniversary DAU was filed on March 7, 2013 with the IP Office.

Trademarks	Applicant	Date Filed	Registration No./Date Issued	Certificate of Description	Status
					The 10th year Anniversary DAU and application for renewal of registration was filed on May 4, 2018. The Renewal DAU is due on May 5, 2019. The 5th Year Renewal DAU is due for filing on May 5, 2024.
PILMICO FLOUR AND DESIGN Device (Class No. 30)	Pilmico Foods Corporation	December 19, 2008	4-2008-015334 July 30, 2009	Application for the device mark "PILMICO FLOUR".	Original Certificate of Registration was issued on July 30, 2009. The 3rd year Anniversary DAU was filed on October 18, 2011 with the IP Office. The 5th year Anniversary DAU was filed on July 23, 2015 with the IP Office. The 10th year Anniversary DAU and application for renewal of registration are due for filing on July 30, 2019.
PILMICO 'M' Handshake Device (Class Nos. 30 and 31)	Pilmico Foods Corporation	October 13, 2009	4-2009-010359 August 12, 2010	Application for the device mark "PILMICO 'M' handshake".	Original Certificate of Registration was issued on August 12, 2010. The 3rd year Anniversary DAU was filed on September 11, 2012 with the IP Office. The 5th year Anniversary DAU was filed on August 1, 2016 with the IP office. The 10th year Anniversary DAU and application for renewal are due for filing on August 12, 2020.
Silver Star word mark (Class No. 30)	Pilmico Foods Corporation	August 31, 2011	4-2011-010284 February 24,	Application for the word mark "Silver Star".	Original Certificate of Registration was issued on February 24, 2012.

Trademarks	Applicant	Date Filed	Registration No./Date Issued	Certificate of Description	Status
			2012		The 3rd year Anniversary DAU was filed on August 22, 2014 with the IP Office. The 5th year Anniversary DAU was filed on January 15, 2018. The 10th year Anniversary DAU and application for renewal are due for filing on February 24, 2022.
Silver Star Logo (Class No. 30)	Pilmico Foods Corporation	September 13, 2011	4-2011-010919 January 13, 2012	Application for the device mark “Silver Star logo”, with color claim.	Original Certificate of Registration was issued on January 13, 2012 The 3rd year Anniversary DAU was filed on August 22, 2014 with the IP Office. The 5th year Anniversary DAU was filed on January 15, 2018. The 10th year Anniversary DAU and application for renewal are due for filing on January 13, 2022.
Sun Rays Hard Wheat Flour Device (Class No. 30)	Pilmico Foods Corporation	June 10, 2013	4-2013-006662 February 20, 2014	Application for the device mark “SUN RAYS HARD WHEAT FLOUR”.	Original Certificate of Registration was issued on February 20, 2014. The 3rd year Anniversary DAU was filed on December 12, 2016 with the IP Office. The 5th year Anniversary DAU is due for filing on February 20, 2020.
Star Beam Soft Wheat Flour Device (Class No. 30)	Pilmico Foods Corporation	June 10, 2013	4-2013-006658 December 26, 2013	Application for the device mark “STAR BEAM SOFT WHEAT FLOUR”.	Original Certificate of Registration was issued on December 26, 2013. The 3rd year Anniversary DAU was filed on December 12, 2016 with the IP Office. The 5th year Anniversary DAU is due for filing on

Trademarks	Applicant	Date Filed	Registration No./Date Issued	Certificate of Description	Status
					December 26, 2019.
Star Blaze Soft Wheat Flour Device (Class No. 30)	Pilmico Foods Corporation	June 10, 2013	4-2013-006663 February 20, 2014	Application for the device mark "STAR BLAZE SOFT WHEAT FLOUR".	Original Certificate of Registration was issued on February 20, 2014. The 3rd year Anniversary DAU was filed on December 12, 2016 with the IP Office. The 5th year Anniversary DAU is due for filing on February 20, 2020.
LUNA CAKE FLOUR Device (Class No. 30)	Pilmico Foods Corporation	June 10, 2013	4-2013-006661 February 20, 2014	Application for the device mark "LUNA CAKE FLOUR".	Original Certificate of Registration was issued on February 20, 2014. The 3rd year Anniversary DAU was filed on December 12, 2016 with the IP Office. The 5th year Anniversary DAU is due for filing on February 20, 2020.
SUN STREAM HARD WHEAT FLOUR Device (Class No. 30)	Pilmico Foods Corporation	June 10, 2013	4-2013-006659 February 20, 2014	Application for the device mark "SUN STREAM HARD WHEAT FLOUR".	Original Certificate of Registration was issued on February 20, 2014. The 3rd year Anniversary DAU was filed on December 12, 2016 with the IP Office. The 5th year Anniversary DAU is due for filing on February 20, 2020.
PILMICO Device (Class No. 31)	Pilmico Foods Corporation	August 7, 2013	4-2013-00009422 December 26, 2013	Application for the device mark "PILMICO".	Original Certificate of Registration was issued on December 26, 2013. The 3rd year Anniversary DAU was filed on August 1, 2016 with the IP Office. The 5th year Anniversary DAU is due for filing on December 26, 2019.
PILMICO FLOUR	Pilmico Foods	August 7, 2013	4-2013-00009423	Application for the device mark	Original Certificate of Registration was issued on

Trademarks	Applicant	Date Filed	Registration No./Date Issued	Certificate of Description	Status
Device (Class Nos. 30, 31 and 44)	Corporation		February 20, 2014	"PILMICO FLOUR".	February 20, 2014. The 3rd year Anniversary DAU was filed on August 1, 2016 with the IP Office. The 5th year Anniversary DAU is due for filing on February 20, 2020.
MAHALIN PAGKAING ATIN LOGO (Class Nos. 29, 30 and 31)	Pilmico Foods Corporation	March 4, 2015	4-2015- 002322 July 2, 2015	Application for the device mark "Mahalin Pagkaing Atin", with color claim. The mark consists of images of two eggs, bread, ham and whole dressed chicken (from left to right) in a basket is embraced by a human represented by a heart-shaped figure with a circle on top. The words Mahalin Pagkaing Atin in curvy letter forms are located below the images. The images and words are in WHITE color drawn on a CYAN background.	Original Certificate of Registration was issued on July 2, 2015. The 3rd year Anniversary DAU was filed on March 4, 2018 with the IP Office. The 5th year Anniversary DAU is due for filing on July 2, 2021.
SUN BEAM word mark (Class No. 30)	Pilmico Foods Corporation	November 27, 2015	4-2015-013643 April 7, 2016	Application for the word mark "SUN BEAM".	Original Certificate of Registration was issued on April 7, 2016. The 3rd year Anniversary DAU was due for filing on November 27, 2018 but was not filed due to non-use.
SUNLIGHT word mark (Class No. 30)	Pilmico Foods Corporation	November 27, 2015	4-2015-013644 September 1, 2016	Application for the word mark "SUNLIGHT".	Original Certificate of Registration was issued on September 1, 2016. The 3rd year Anniversary DAU was filed on November 27, 2018 with the IP Office.

Trademarks	Applicant	Date Filed	Registration No./Date Issued	Certificate of Description	Status
					The 5th year Anniversary DAU is due on September 1, 2022.
KIRA word mark (Class No. 30)	Pilmico Foods Corporation	November 27, 2015	4-2015-013645 April 7, 2016	Application for the word mark "KIRA".	Original Certificate of Registration was issued on April 7, 2016. The 3rd year Anniversary DAU was due for filing on November 27, 2018 but was not filed due to non-use.
MOON BEAM word mark (Class No. 30)	Pilmico Foods Corporation	November 27, 2015	4-2015-013642 April 7, 2016	Application for the word mark "MOON BEAM".	Original Certificate of Registration was issued on April 7, 2016. The 3rd year Anniversary DAU was due for filing on November 27, 2018 but was not filed due to non-use.
NUTRA BITE word mark (ClassNo. 30)	Pilmico Foods Corporation	August 30, 2016	4-2016-504397 November 24, 2016	Application for the word mark "Nutra Bite"	Original Certificate of Registration was issued on November 24, 2016. The 3rd year Anniversary DAU is due for filing on August 30, 2019.
NUTRA BITE logo (Class No. 30)	Pilmico Foods Corporation	August 30, 2016	4-2016-50404401 November 24, 2016	Application for the device mark "Nutra Bite"	Original Certificate of Registration was issued on November 24, 2016. The 3rd year Anniversary DAU is due for filing on August 30, 2019.
THE CARE PACKAGE word mark (Class Nos. 30, 35, 41, 44, 45)	Pilmico Foods Corporation	August 30, 2016	4-2016-504398	Application for the word mark "The Care Package"	The application which was filed on August 30, 2016 is pending with the IP Office. The 3rd year Anniversary DAU is due for filing on August 30, 2019.
THE CARE PACKAGE Device (Class Nos. 30,	Pilmico Foods Corporation	August 30, 2016	4-2016-504400	Application for the logo "The Care Package".	The application which was filed on August 30, 2016 is pending with the IP Office.

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35, 41, 44, 45)					The 3rd year Anniversary DAU is due for filing on August 30, 2019.
WOODEN SPOON Device (Class No. 30)	Pilmico Foods Corporation	March 15, 1991	4-1991-00054939 May 4, 1993	Application for the device mark "WOODEN SPOON".	Original Certificate of Registration was issued on May 4, 1993. The mark was renewed on May 4, 2013. The 5th year Renewal DAU is due for filing on May 4, 2019.
WOODEN SPOON word mark (additional classes – Class Nos. 35, 43)	Pilmico Foods Corporation	August 30, 2016	4-2016-504396 December 17, 2017	Application for the word mark "WOODEN SPOON" for additional classes Nos. 35 and 43.	Original Certificate of Registration was issued on December 17, 2017. The 3rd year anniversary DAU is due for filing on August 30, 2019.
WOODEN SPOON AND DEVICE (additional classes – Class Nos. 35, 43)	Pilmico Foods Corporation	August 30, 2016	4-2016-504399	Application for the device mark "WOODEN SPOON" for additional classes Nos. 35 and 43.	The application which was filed on August 30, 2016 is pending with the IP Office. The 3rd year Anniversary DAU is due for filing on August 30, 2019.
PILMICO word mark (Class Nos. 5, 29, 30, 31, 35, 43, and 44)	Pilmico Foods Corporation	September 21, 2016	4-2016-504847 March 24, 2017	Application for the word mark "PILMICO"	Original Certificate of Registration was issued on March 24, 2017. The 3rd year Anniversary DAU is due for filing on September 21, 2019.
Silver 168 (Class No. 30)	Pilmico Foods Corporation	October 24, 2017	4-2017-017183 February 22, 2018	Application for the word mark "Silver 168"	Original Certificate of Registration was issued on February 22, 2018. The 3rd year anniversary DAU is due for filing on October 24, 2020.
Yummii word mark (Class No. 30)	Pilmico Foods Corporation	August 25, 2017	4-2017-0503463 December 28, 2017	Application for the word mark "Yummii".	Original Certificate of Registration was issued on December 28, 2017.

Trademarks	Applicant	Date Filed	Registration No./Date Issued	Certificate of Description	Status
					The 3rd year anniversary DAU is due for filing on August 25, 2020.
Silver Star with Chinese Slogan Device (Class No. 30)	Pilmico Foods Corporation	October 24, 2017	4-2017-017184 February 22, 2018	Application for the device mark “Silver Star with Chinese Slogan Device.”	Original Certificate of Registration was issued on February 22, 2018. The 3rd year anniversary DAU is due for filing on October 24, 2020.
SOLA ALL PURPOSE FLOUR word mark (Class No. 30)	Pilmico Foods Corporation	June 10, 2013	4-2013-00006660 February 20, 2014	Application for the word mark “SOLA ALL PURPOSE FLOUR”.	The Original Certificate of Registration was issued on February 20, 2014. The 3rd year Anniversary DAU was filed on December 12, 2016. The 5th year Anniversary DAU is due for filing on February 20, 2020.
PILMICO logo (Class Nos. 5 , 29, 30, 31, 35, 43, and 44)	Pilmico Foods Corporation	February 21, 2017	4-2017-500751 June 2, 2017	Application for the device mark “PILMICO”.	The Original Certificate of Registration was issued on June 2, 2017. The 3rd year Anniversary DAU is due for filing on February 21, 2020.
“M” handshake mark (Class Nos. 5, 29, 30, 31, 35, 43, and 44)	Pilmico Foods Corporation	February 20, 2017	4-2017-500744 August 17, 2017	Application for the “M” handshake mark.	The Original Certificate of Registration was issued on August 17, 2017. The 3rd year Anniversary DAU is due for filing on February 20, 2020.
Tinapay Natin word mark (Class No. 41)	Pilmico Foods Corporation	January 22, 2018	04-2018-001238	Application for the word mark “Tinapay Natin”.	Pending with the IP Office. The 3rd year Anniversary DAU is due for filing on January 22, 2021.
My Wooden Spoon word mark (Class Nos. 9, 35,38,41)	Pilmico Foods Corporation	June 19, 2018	04-2018-010221	Application for the word mark “My Wooden Spoon”.	Pending with the IP Office. The 3rd year Anniversary DAU is due for filing on June 19, 2021.

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PIGROW Device (Class Nos. 31 and 34)	Filagri, Inc.	February 28, 2012	4-2012-002465 September 28, 2012	Application for the device mark "PIGROW", with color claim.	Original Certificate of Registration was issued on September 28, 2012. The 3rd year Anniversary DAU was filed on February 28, 2015 with the IP Office. The 5th year Anniversary DAU was filed on September 28, 2018 with the IP Office. The 10th year Anniversary DAU and application for renewal are due for filing on September 28, 2022.
PIGROW MATERNA word mark (Class Nos. 31 and 44)	Filagri, Inc.	February 28, 2012	4-2012-002463 May 24, 2012	Application for the word mark "PIGROW MATERNA".	Original Certificate of Registration was issued on May 24, 2012. The 3rd year Anniversary DAU was filed on February 27, 2015 with the IP Office. The 5th year Anniversary DAU was filed on May 24, 2018 with the IP Office. The 10th year Anniversary DAU and application for renewal are due for filing on May 24, 2022.
PORK SOLUTIONS word mark (Class No. 31)	Pilmico Animal Nutrition Corporation	January 4, 2006	4-2006-000130 August 20, 2007	Application for the word mark "PORK SOLUTIONS".	Original Certificate of Registration was issued on August 20, 2007. The 3rd year Anniversary DAU was filed on January 5, 2009 with the IP Office. The 5th year Anniversary DAU was filed on October 19, 2012 with the IP Office. The request for renewal of registration was filed on August 7, 2017.

Trademarks	Applicant	Date Filed	Registration No./Date Issued	Certificate of Description	Status
					The renewal DAU was filed on August 17, 2018. The 5th year Renewal DAU is due on August 20, 2023.
POULTRY SOLUTIONS word mark (Class No. 31)	Pilmico Animal Nutrition Corporation	January 4, 2006	4-2006-000132 August 20, 2007	Application for the word mark “POULTRY SOLUTIONS”.	Original Certificate of Registration was issued on August 20, 2007. The 3rd year Anniversary DAU was filed on January 5, 2009 with the IP Office. The 5th year Anniversary DAU was filed on October 19, 2012 with the IP Office. The request for renewal of registration was filed on August 7, 2017. The renewal DAU was filed on August 17, 2018. The 5th year Renewal DAU is due for filing on August 20, 2023.
CIVIC Device (Class No. 31)	Pilmico Animal Nutrition Corporation	August 10, 2012	4-2012- 00009841 June 6, 2013	Application for the device mark “CIVIC”.	Original Certificate of Registration was issued on June 6, 2013. The 3rd year Anniversary DAU was filed on August 5, 2015 with the IP Office. The 5th year Anniversary DAU is due for filing on June 6, 2019.
TAMERA word mark (Class No. 31)	Pilmico Animal Nutrition Corporation	August 10, 2012	4-2012-00009856 June 6, 2013	Application for the word mark “TAMERA”.	Original Certificate of Registration was issued on June 6, 2013. The 3rd year Anniversary DAU was filed on August

Trademarks	Applicant	Date Filed	Registration No./Date Issued	Certificate of Description	Status
					5, 2015 with the IP Office. The 5th year Anniversary DAU is due for filing on June 6, 2019.
PILMICO ANIMAL NUTRITION word mark (Class No. 31)	Pilmico Animal Nutrition Corporation	August 10, 2012	4-2012-00009849 June 6, 2013	Application for the word mark “PILMICO ANIMAL NUTRITION”.	Original Certificate of Registration was issued on June 6, 2013. The 3rd year Anniversary DAU was filed on August 5, 2015 with the IP Office. The 5th year Anniversary DAU is due for filing on June 6, 2019.
AQUAMAX word mark (Class No. 31)	Pilmico Animal Nutrition Corporation	August 10, 2012	4-2012-00009857 June 6, 2013	Application for the word mark “AQUAMAX”.	Original Certificate of Registration was issued on June 6, 2013. The 3rd year Anniversary DAU was filed on February 10, 2016 with the IP Office. The 5th year Anniversary DAU is due for filing on June 6, 2019.
CLASSIC word mark (Class No. 31)	Pilmico Animal Nutrition Corporation	August 10, 2012	4-2012-00009844 April 14, 2013	Application for the word mark “CLASSIC”.	Original Certificate of Registration was issued on April 14, 2013. The 3rd year Anniversary DAU was filed on August 5, 2016 with the IP Office. The 5th year Anniversary DAU is due for filing on April 14, 2019.
ULTIMAX word mark (Class No. 31)	Pilmico Animal Nutrition Corporation	August 10, 2012	4-2012-009845 April 14, 2013	Application for the word mark “ULTIMAX”	Original Certificate of Registration was issued on April 14, 2013. The 3rd year Anniversary DAU was filed on August 5, 2015 with the IP Office.

Trademarks	Applicant	Date Filed	Registration No./Date Issued	Certificate of Description	Status
					The 5th year Anniversary DAU is due for filing on April 14, 2019.
POULTRY EXPRESS word mark (Class No. 31)	Pilmico Animal Nutrition Corporation	August 10, 2012	4-2012-009847 April 14, 2013	Application for the word mark "POULTRY EXPRESS".	Original Certificate of Registration was issued on April 14, 2013. The 3rd year Anniversary DAU was filed on August 5, 2015 with the IP Office. The 5th year Anniversary DAU is due for filing on April 14, 2019.
ELITE word mark (Class No. 31)	Pilmico Animal Nutrition Corporation	August 10, 2012	4-2012-009843 April 14, 2013	Application for the word mark "ELITE".	Original Certificate of Registration was issued on April 14, 2013. The 3rd year Anniversary DAU was filed on August 5, 2015 with the IP Office. The 5th year Anniversary DAU is due for filing on April 14, 2019.
ALAS NG SALTO word mark (Class No. 31)	Pilmico Animal Nutrition Corporation	September 25 2012	4-2012-011803 February 28, 2013	Application for the word mark "ALAS NG SALTO".	Original Certificate of Registration was issued on February 28, 2013. The 3rd year Anniversary DAU was filed on August 5, 2015 with the IP Office. The 5th year Anniversary DAU was filed on February 1, 2019 with the IP Office. The 10th year Anniversary DAU and application for renewal are due for filing on February 28, 2023

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AVE MAX word mark (Class No. 31)	Pilmico Animal Nutrition Corporation	August 10, 2012	4-2012-009848 February 8, 2013	Application for the word mark "AVE MAX".	Original Certificate of Registration was issued on February 28, 2013. The 3rd year Anniversary DAU was filed on August 5, 2015 with the IP Office. The 5th year Anniversary DAU was filed on February 8, 2019 with the IP Office. The 10th year Anniversary DAU and application for renewal are due for filing on February 8, 2023
SALTO Device (Class No. 31)	Pilmico Animal Nutrition Corporation	August 10, 2012	4-2012-009850 February 8, 2013	Application for the device mark "SALTO".	Original Certificate of Registration was issued on February 8, 2013. The 3rd year Anniversary DAU was filed on August 5, 2015 with the IP Office. The 5th year Anniversary DAU was filed on February 1, 2019 with the IP Office. The 10th year Anniversary DAU and application for renewal are due for filing on February 8, 2023
ANGAT SARADO word mark (Class No. 31)	Pilmico Animal Nutrition Corporation	August 10, 2012	4-2012-009852 February 8, 2013	Application for the word mark "ANGATSARADO"	Original Certificate of Registration was issued on February 8, 2013. The 3rd year Anniversary DAU was filed on August 5, 2015 with the IP Office. The 5th year Anniversary DAU was filed on February 1, 2019 with the IP Office. The 10th year Anniversary DAU and application for renewal are due for filing on February 8, 2023
BASIC word mark	Pilmico Animal	August 10, 2012	4-2012-009853	Application for the word mark	Original Certificate of Registration was issued on

Trademarks	Applicant	Date Filed	Registration No./Date Issued	Certificate of Description	Status
(Class No. 31)	Nutrition Corporation		February 8, 2013	"BASIC".	February 8, 2013. The 3rd year Anniversary DAU was filed on August 5, 2015 with the IP Office. The 5th year Anniversary DAU was filed on February 1, 2019 with the IP Office. The 10th year Anniversary DAU and application for renewal are due for filing on February 8, 2023
LAKAS GATAS word mark (Class No. 31)	Pilmico Animal Nutrition Corporation	August 10, 2012	4-2012-009842 February 8, 2013	Application for the word mark "LAKAS GATAS".	Original Certificate of Registration was issued on February 8, 2013. The 3rd year Anniversary DAU was filed on August 5, 2015 with the IP Office. The 5th year Anniversary DAU was filed on February 8, 2019 with the IP Office. The 10th year Anniversary DAU and application for renewal are due for filing on February 8, 2023
GALLIMAX word mark (Class No. 31)	Pilmico Animal Nutrition Corporation	August 10, 2012	4-2012-009846 February 8, 2013	Application for the word mark "GALLIMAX".	Original Certificate of Registration was issued on February 8, 2013. The 3rd year Anniversary DAU was filed on August 5, 2015 with the IP Office. The 5th year Anniversary DAU was filed on February 1, 2019 with the IP Office. The 10th year Anniversary DAU and application for renewal are due for filing on February 8, 2023
SUPREMECON word mark (Class No. 31)	Pilmico Animal Nutrition Corporation	March 21, 2011	4-2011-003166 July 22, 2011	Application for the word mark "SUPREMECON".	Original Certificate of Registration was issued on July 22, 2011.

Trademarks	Applicant	Date Filed	Registration No./Date Issued	Certificate of Description	Status
					The 3rd year Anniversary DAU was filed on March 21, 2014 with the IP Office. The 5th year Anniversary DAU was filed on July 22, 2017 with the IP Office. The 10th year Anniversary DAU is due for filing on July 22, 2021.
POWERMIX word mark (Class No. 31)	Pilmico Animal Nutrition Corporation	June 10, 2011	4-2011-006860 January 13, 2012	Application for the word mark "POWERMIX".	Original Certificate of Registration was issued on January 13, 2012. The 3rd year Anniversary DAU was filed on June 9, 2014 with the IP Office. The 5th year Anniversary DAU is was filed on January 13, 2018. The 10th year Anniversary DAU is due for filing on January 13, 2022.
PILMICO FEEDS word mark (Class No. 31)	Pilmico Animal Nutrition Corporation	September 8, 2011	4-2011-010731 March 8, 2012	Application for the word mark "PILMICO FEEDS".	Original Certificate of Registration was issued on March 8, 2012. The 3rd year Anniversary DAU was filed on September 8, 2014 with the IP Office. The 5th year Anniversary DAU was filed on March 6, 2018 with the IP Office. The 10th year Anniversary DAU and application for renewal are due for filing on March 8, 2022.
GROW YOUR PROFIT word mark (Class No. 31 and	Pilmico Animal Nutrition Corporation	July 3, 2013	4-2013-007729 December 26, 2013	Application for the word mark "GROW YOUR PROFIT".	Original Certificate of Registration was issued on December 26, 2013. The 3rd year Anniversary DAU was filed on June

Trademarks	Applicant	Date Filed	Registration No./Date Issued	Certificate of Description	Status
44)					22, 2016 with the IP Office. The 5th year Anniversary DAU is due for filing on December 26, 2019.
PARTNERS FOR GROWTH word mark (Class No. 31)	Pilmico Animal Nutrition Corporation	January 15, 2010	4-2010-000543 July 16, 2010	Application for the word mark "PARTNERS FOR GROWTH"	Original Certificate of Registration was issued July 16, 2010. The 3rd year Anniversary DAU was filed on September 25, 2012 with the IP Office. The 5th year Anniversary DAU was filed on June 22, 2016 with the IP Office. The 10th year Anniversary DAU and application for renewal are due for filing on July 16, 2020.
PILMICO FARMS LOGO (Class No. 31)	Pilmico Animal Nutrition Corporation	August 7, 2013	4-2013-009415 April 17, 2014	Application for the device mark "PILMICO FARMS".	Original Certificate of Registration was issued April 17, 2014. The 3rd year Anniversary DAU was filed on August 7, 2016 with the IP Office. The 5th year Anniversary DAU is due for filing on April 17, 2020.
PILMICO FEEDS word mark (Class Nos. 31 and 44)	Pilmico Animal Nutrition Corporation	August 7, 2013	4-2013-009416 April 17, 2014	Application for the word mark "PILMICO FEEDS".	Original Certificate of Registration was issued April 17, 2014. The 3rd year Anniversary DAU was filed on August 6, 2016 with the IP Office. The 5th year Anniversary DAU is due for filing on April 17, 2020.
GROWING PIG	Pilmico Animal	August 7, 2013	4-2013-009417	Application for the device mark	Original Certificate of Registration was issued April

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LOGO (Class Nos. 31 and 44)	Nutrition Corporation		April 17, 2014	"GROWING PIG LOGO".	17, 2014. The 3rd year Anniversary DAU was filed on August 6, 2016 with the IP Office. The 5th year Anniversary DAU is due for filing on April 17, 2020.
GROWING CHICKEN LOGO (Class Nos. 31 and 44)	Pilmico Animal Nutrition Corporation	August 7, 2013	4-2013-009418 April 17, 2014	Application for the device mark "GROWING CHICKEN LOGO".	Original Certificate of Registration was issued April 17, 2014. The 3rd year Anniversary DAU was filed on August 6, 2016 with the IP Office. The 5th year Anniversary DAU is due for filing on April 17, 2020.
GROWING QUAIL LOGO (Class Nos. 31 and 44)	Pilmico Animal Nutrition Corporation	August 7, 2013	4-2013-009419 April 17, 2014	Application for the device mark "GROWING QUAIL LOGO".	Original Certificate of Registration was issued on April 17, 2014. The 3rd year Anniversary DAU was filed on August 6, 2016 with the IP Office. The 5th year Anniversary DAU is due for filing on April 17, 2020.
GROWING PIGEON LOGO (Class Nos. 31 and 44)	Pilmico Animal Nutrition Corporation	August 7, 2013	4-2013-009420 April 17, 2014	Application for the device mark "GROWING PIGEON LOGO".	Original Certificate of Registration was issued on April 17, 2014. The 3rd year Anniversary DAU was filed on August 6, 2016 with the IP Office. The 5th year Anniversary DAU is due for filing on April 17, 2020.
GROWING DUCK LOGO (Class Nos. 31	Pilmico Animal Nutrition Corporation	August 7, 2013	4-2013-009421 December 26,	Application for the device mark "GROWING DUCK LOGO".	Original Certificate of Registration was issued on December 26, 2013.

Trademarks	Applicant	Date Filed	Registration No./Date Issued	Certificate of Description	Status
and 44)			2013		The 3rd year Anniversary DAU was filed on August 6, 2016 with the IP Office. The 5th year Anniversary DAU is due for filing on December 26, 2019.
POWERHEAL word mark (Class Nos. 5 and 31)	Pilmico Animal Nutrition Corporation	December 16, 2013	4-2013-014947	Application for the word mark "POWERHEAL".	Original Certificate of Registration was issued on April 17, 2017. A Declaration of Non-Use was filed on June 16, 2017.
POWERBOOST word mark (Class No. 31)	Pilmico Animal Nutrition Corporation	September 29, 2016	4-2016-505003 December 8, 2016	Application for the word mark "POWERBOOST".	Original Certificate of Registration was issued on December 8, 2016. The 3rd year Anniversary DAU is due on September 29, 2019.
POWERBOOST AND PIG DEVICE (Class No. 31)	Pilmico Animal Nutrition Corporation	September 29, 2016	4-2016-505000 December 8, 2016	Application for the device mark "POWERBOOST and PIG".	Original Certificate of Registration was issued on December 8, 2016. The 3rd year Anniversary DAU is due on September 29, 2019.
POWERBOOST AND ROOSTER DEVICE (Class No. 31)	Pilmico Animal Nutrition Corporation	September 29, 2016	4-2016-504998 July 29, 2017	Application for the device mark "POWERBOOST and ROOSTER".	Original Certificate of Registration was issued on July 29, 2017. The 3rd year Anniversary DAU is due on September 29, 2019.
POWERBOOST DEVICE (Class No. 31)	Pilmico Animal Nutrition Corporation	September 29, 2016	4-2016-505001 December 8, 2016	Application for the device mark "POWERBOOST" in black and white.	Original Certificate of Registration was issued on December 8, 2016. The 3rd year Anniversary DAU is due on September 29, 2019.
IMMUNODIGEST word mark (Class No. 31)	Pilmico Animal Nutrition Corporation	September 29, 2016	4-2016-505002 December 8, 2016	Application for the word mark "Immunodigest".	Original Certificate of Registration was issued on December 8, 2016. The 3rd year Anniversary DAU is due on

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					September 29, 2019.
AVEMAX word mark (Class No. 31)	Pilmico Animal Nutrition Corporation	March 7, 2017	4-2017-500952	Application for the word mark "AVEMAX".	Application still pending with the IP Office. The 3rd year Anniversary DAU is due for filing on March 7, 2020.
CIVIC word mark (Class No. 31)	Pilmico Animal Nutrition Corporation	March 7, 2017	4-2017-500955 June 22, 2017	Application for the word mark "CIVIC".	Original Certificate of Registration was issued on June 22, 2017. The 3rd year Anniversary DAU is due for filing on March 7, 2020.
ELITE word mark (Class No. 31)	Pilmico Animal Nutrition Corporation	March 7, 2017	4-2017-500956 June 22, 2017	Application for the word mark "ELITE".	Original Certificate of Registration was issued on June 22, 2017. The 3rd year Anniversary DAU is due for filing on March 7, 2020.
SALTO word mark (Class No. 31)	Pilmico Animal Nutrition Corporation	March 8, 2017	4-2017-500969 July 29, 2017	Application for the word mark "SALTO".	Original Certificate of Registration was issued on July 29, 2017. The 3rd year Anniversary DAU is due for filing on March 8, 2020.
ULTIMAX word mark (Class No. 31)	Pilmico Animal Nutrition Corporation	April 26, 2017	4-2017-006377 September 7, 2017	Application for the word mark "ULTIMAX".	Original Certificate of Registration was issued on September 7, 2017. The 3rd year Anniversary DAU is due for filing on April 26, 2020.
EGG2GO word mark (Class No. 29)	Pilmico Animal Nutrition Corporation	January 23, 2018	4-2018-001326 September 13, 201	Application for the word mark, "EGG2GO".	Original Certificate of Registration was issued on September 13, 2018. The 3rd year Anniversary DAU is due for filing on January 23, 2021.
BAGWIS word mark (Class No. 31)	Pilmico Animal Nutrition Corporation	January 23, 2018	4-2018-001327 September 13, 201	Application for the word mark, "Bagwis".	Original Certificate of Registration was issued on September 13, 2018. The 3rd year Anniversary DAU is due for filing on

Trademarks	Applicant	Date Filed	Registration No./Date Issued	Certificate of Description	Status
					January 23, 2021.
GUT PROTECH word mark (Class No. 31)	Pilmico Animal Nutrition Corporation	January 23, 2018	4-2018-001328	Application for the word mark, "Gut Protech".	Pending with the IP Office. The 3rd year Anniversary DAU is due for filing on January 23, 2021.
WITH GUT PROTECH Device (Class No. 31)	Pilmico Animal Nutrition Corporation	January 23, 2018	4-2018-001329 July 19, 2018	Application for the device mark, "With Gut ProTech".	Original Certificate of Registration was issued on July 19, 2018. The 3rd year Anniversary DAU is due for filing on January 23, 2021.
WORM BUSTER word mark (Class No. 31)	Pilmico Animal Nutrition Corporation	February 2, 2018	4-2018-002030	Application for the word mark "Worm Buster".	Pending with the IP Office. The 3rd year Anniversary DAU is due for filing on February 2, 2021.
WORM BUSTER Device (Class No. 31)	Pilmico Animal Nutrition Corporation	February 2, 2018	4-2018-002029 November 1, 2018	Application for the device mark "Worm Buster".	Original Certificate of Registration was issued on November 1, 2018. The 3rd year Anniversary DAU is due for filing on February 2, 2021.
YOLO! CHICHA, ATBP. Word mark (Class No. 29)	Pilmico Animal Nutrition Corporation	March 15, 2018	4-2018-004853 September 23, 201	Application for the word mark, "YOLO! Chicha, atbp."	Original Certificate of Registration was issued on September 23, 2018 The 3rd year Anniversary DAU is due for filing on March 15, 2021.
DOK TILAOK word mark (Class Nos. 5,9,31,38)	Pilmico Animal Nutrition Corporation	June 20, 2018	4-2018-010408	Application for the word mark, "Dok Tilaok".	Pending with the IP Office. The 3rd year Anniversary DAU is due for filing on June 20, 2021.
BEAT THE DAY word mark (Class No. 29)	Pilmico Animal Nutrition Corporation	June 25, 2018	4-2018-010792	Application for the word mark "Beat the Day".	Pending with the IP Office. The 3rd year Anniversary DAU is due for filing on June 25, 2021.
TASTE ADVENTURE	Pilmico Animal Nutrition	June 25, 2018	4-2018-010793	Application for the word mark, "Taste Adventure".	Pending with the IP Office.

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word mark (Class No. 29)	Corporation				The 3rd year Anniversary DAU is due for filing on June 25, 2021.
ARYA word mark (Class No. 29)	Pilmico Animal Nutrition Corporation	November 14, 2018	4-2018-020473	Application for the word mark, "Arya".	Pending with the IP Office. The 3rd year Anniversary DAU is due for filing on November 14, 2021.
THE GOOD MEAT word mark (Class No. 29 and 43)	Pilmico Animal Nutrition Corporation	December 12, 2018	4-2018-022094	Application for the word mark, "The Good Meat".	Pending with the IP Office. The 3rd year Anniversary DAU is due for filing on December 12, 2021.
Mata ng Bagyo word mark (Class No. 42)	Weather Philippines Foundation, Inc.	April 15, 2013	4-2013-004262 October 31, 2013	Application for the word mark "Mata ng Bagyo".	Original Certificate of Registration was issued on October 31, 2013. The 3rd year Anniversary DAU was filed on March 18, 2016 with the IP Office. The 5th year Anniversary DAU is due for filing on October 31, 2019.
Weather Philippines and Logo (Class No. 42)	Weather Philippines Foundation, Inc.	March 18, 2013	4-2013-002959 August 13, 2015	Application for the device mark "Weather Philippines and Logo", with color claim.	Original Certificate of Registration was issued on August 13, 2015. The 3rd year Anniversary DAU was filed on March 18, 2016 with the IP Office. The 5th year Anniversary DAU is due for filing on August 13, 2021.
My Philippines. My Weather. Word mark (Class No. 42)	Weather Philippines Foundation, Inc.	March 18, 2013	4-2013-002961 August 13, 2015	Application for the word mark "My Philippines. My Weather."	Original Certificate of Registration was issued on August 13, 2015. The 3rd year Anniversary DAU was filed on March 18, 2016 with the IP Office. The 5th year Anniversary DAU is due for filing on August 13, 2021.

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Payong Panahon word mark (Class No. 42)	Weather Philippines Foundation, Inc.	April 15, 2013	4-2013-004261 October 15, 2015	Application for the word mark "Payong Panahon".	Original Certificate of Registration was issued on October 15, 2015. The 3rd year Anniversary DAU was filed on March 18, 2016 with the IP Office. The 5th year Anniversary DAU is due for filing on October 15, 2021.
WeatherPhilippines #WeatherWiser Nation word mark (Class No. 42)	Weather Philippines Foundation, Inc.	December 15, 2014	4-2014-015257 July 2, 2015	Application for the word mark "WeatherPhilippines #WeatherWiserNation".	Original Certificate of Registration was issued on July 2, 2015. The 3rd year Anniversary DAU was filed on August 25, 2017 with the IP Office. The 5th year Anniversary DAU is due for filing on July 2, 2021.
Weather Solutions and Logo (Class No. 42)	Weather Solutions, Inc.	December 12, 2018		Application for the device mark with words "Weather Solutions", with color claim.	Pending with the IP Office. The 3rd year Anniversary DAU is due for filing on December 12, 2021.
Aboitiz & Device - Black (Class Nos. 30,36,37,39,40 and 42)	Aboitiz & Co. Inc.	December 19, 2005	4-2005-012408 September 24, 2007	Application for the device mark "Aboitiz (Black)".	Original Certificate of Registration was issued on September 24, 2007. The 3rd year Anniversary DAU was filed on December 19, 2008 with the IP Office. The 5th year Anniversary DAU was filed on September 24, 2013 with the IP Office. The 10th year Anniversary DAU and renewal of registration were filed with the IP Office on September 24, 2017. Renewal DAU was filed on August 24, 2018 with

Trademarks	Applicant	Date Filed	Registration No./Date Issued	Certificate of Description	Status
					the IP Office. The 5th Year Renewal DAU is due for filing on September 24, 2023.
Aboitiz & Device - Red (Class Nos. 30,36,37,39,40 and 42)	Aboitiz & Co. Inc.	December 19, 2005	4-2005-012409 September 24, 2007	Application for the device mark "Aboitiz (Red)".	Original Certificate of Registration was issued on September 24, 2007. The 3rd year Anniversary DAU was filed on December 19, 2008 with the IP Office. The 5th year Anniversary DAU was filed on September 24, 2013 with the IP Office. The 10th year Anniversary DAU and renewal of registration were filed with the IP Office on September 24, 2017. Renewal DAU was filed on August 24, 2018 with the IP Office. The 5th year Renewal DAU is due for filing on September 24, 2023.
Passion for better ways word mark (Class Nos. 30,36,37,39,40 and 42)	Aboitiz & Co. Inc.	December 19, 2005	4-2005-012413 September 24, 2007	Application for the word mark "Passion for better ways".	Original Certificate of Registration was issued on September 24, 2007. The 3rd year Anniversary DAU was filed on December 19, 2008 with the IP Office. The 5th year Anniversary DAU was filed on September 24, 2013 with the IP Office. The 10th year Anniversary DAU and renewal of registration were filed with the IP Office on June 23, 2017.

Trademarks	Applicant	Date Filed	Registration No./Date Issued	Certificate of Description	Status
					Renewal DAU was filed on August 24, 2018 with the IP Office. The 5th year Renewal DAU is due for filing on September 24, 2023.
Metaphil Logo (Class Nos. 37, 40 and 42)	Aboitiz Construction Group, Inc.	May 21, 2010	4-2010-005424 November 26, 2010	Application for the device mark "Metaphil Logo", with color claim.	Original Certificate of Registration was issued on November 26, 2010. The 3rd year Anniversary DAU was filed on May 21, 2013 with the IP Office. The 5th year Anniversary DAU was filed on October 7, 2016 with the IP Office. The 10th year Anniversary DAU and application for renewal are due for filing on November 26, 2020.
Metaphil word mark (Class Nos. 37, 40 and 42)	Aboitiz Construction Group, Inc.	July 16, 2010	4-2010-007798 March 24, 2011	Application for the word mark "Metaphil".	Original Certificate of Registration was issued on March 24, 2011. The 3rd year Anniversary DAU was filed on May 21, 2013 with the IP Office. The 5th year Anniversary DAU was filed on March 9, 2017 with the IP Office. The 10th year Anniversary DAU and application for renewal are due for filing on March 24, 2021.
Aboitiz Construction Logo (Class No. 37)	Aboitiz Construction, Inc.	November 26, 2018	4-2018-021230	Application for the device mark "Aboitiz Construction", with color claim.	Pending with the IP Office. The 3rd year Anniversary DAU is due for filing on November 26, 2021.
Aboitiz Foundation Logo	Aboitiz Foundation, Inc.	December 5, 2018	04-2018-121744	Application for the device mark "Aboitiz Foundation, Inc." with	Pending with the IP Office.

Trademarks	Applicant	Date Filed	Registration No./Date Issued	Certificate of Description	Status
(Class Nos. 35, 41)				color claim.	The 3rd year Anniversary DAU is due for filing on December 5, 2021.
Gold Coin Feed & Device (Class Nos. 31)	Gold Coin Management Holdings Company, Ltd.	August 11, 2016	04-2015-012383	Application for the logo “Gold Coin Feed”.	Registered.

International Trademarks Application (Madrid Protocol)

Trademarks	Applicant	Date Filed	Country of Application	Status
Star Beam Soft Wheat Flour (#1171572) (Class No. 30)	Pilmico Foods Corporation	July 9, 2013	WIPO	On July 9, 2013, the International Bureau of World Intellectual Property Organization issued a Certificate of Registration. Date of Renewal is on July 9, 2023.
			Singapore	On October 20, 2014, the Intellectual Property Office of Singapore (IPOS) issued a Statement of Grant of Protection approving the trademark application effective July 9, 2013 and valid for ten years.
			Turkey	On March 10, 2015, the Turkey Patent Institute Trademarks Department issued a statement granting protection to the subject mark.
			Vietnam	The IP Office's International Bureau was notified by the Office of Vietnam of its approval of Pilmico's trademark application effective July 9, 2013 and valid for ten years.
			South Korea	On May 15, 2014, the Korean Intellectual Property Office (KIPO) issued a Statement of Grant of Protection dated approving Pilmico's trademark application effective July 9, 2013 and valid for ten years.
		December 16, 2015	China	Refused registration in a Notification of Ex Officio Refusal on September 29, 2017.
Sun Stream Hard Wheat Flour (#1173340) (Class No. 30)	Pilmico Foods Corporation	July 9, 2013	WIPO	On September 12, 2013, the International Bureau of World Intellectual Property Organization issued a Certificate of Registration. Date of Renewal is on July 9, 2023.
			Singapore	On October 20, 2014, the Intellectual Property Office of Singapore issued a Statement of Grant of Protection approving Pilmico's trademark application effective July 9, 2013 and valid for ten years.
			Turkey	On September 10, 2014, the Turkey Patent Institute Trademarks Department issued a statement granting protection to the subject mark.
			Vietnam	The IP Office's International Bureau was notified by the Office of Vietnam of its approval of Pilmico's trademark application effective July 9, 2013 and valid for ten years.
			South Korea	On May 15, 2014, the Korean Intellectual Property Office (KIPO) issued a Statement

Trademarks	Applicant	Date Filed	Country of Application	Status
				of Grant of Protection approving Pilmico's trademark application effective July 9, 2013 and valid for ten years.
		December 16, 2015	China	Refused registration in a Notification of Ex Officio Refusal issued on September 29, 2017.
Star Blaze Soft Wheat Flour (#1173338) (Class No. 30)	Pilmico Foods Corporation	July 9, 2013	WIPO	On September 12, 2013, the International Bureau of World Intellectual Property Organization issued a Certificate of Registration. Date of Renewal is on July 9, 2023.
			Singapore	On September 16, 2014, the IPOS issued a Statement of Grant of Protection to the subject mark until July 9, 2023.
			Turkey	The Turkish Patent Institute Trademarks Department in its Statement dated September 10, 2014 granted protection to the subject mark.
			Vietnam	The IP Office's International Bureau was notified by the Office of Vietnam of its approval of the trademark application effective July 9, 2013 and valid for ten years.
			South Korea	On May 15, 2014, the KIPO issued a Statement of Grant of Protection approving the trademark application effective July 9, 2013 and valid for ten years.
		December 16, 2015	China	Refused registration through a Notification of *Ex Officio* Refusal dated September 29, 2017.
Sun Rays Hard Wheat Flour (#1173337) (Class No. 30)	Pilmico Foods Corporation	July 9, 2013	Singapore	On October 20, 2014, the IPOS issued a Statement of Grant of Protection to the subject mark until July 9, 2023.
			Turkey	The Turkish Patent Institute Trademarks Department in its Statement dated September 10, 2014 granted protection to the trademark application effective July 9, 2013 and valid for ten years.
			Vietnam	The IP Office's International Bureau was notified by the Office of Vietnam of its approval for Pilmico's trademark application effective July 9, 2013 and valid for ten years.
			South Korea	On May 15, 2014, the KIPO issued a Statement of Grant of Protection approving Pilmico's trademark application effective July 9, 2013 and valid for ten years.
		December 16, 2015	China	Refused registration.

Trademarks	Applicant	Date Filed	Country of Application	Status
Luna Cake Flour (#1173339) (Class No. 30)	Pilmico Foods Corporation	July 9, 2013	WIPO	On July 9, 2013, the International Bureau of World Intellectual Property Organization issued a Certificate of Registration. Date of Renewal is on July 9, 2023.
			South Korea	On May 15, 2014, the KIPO issued a Statement of Grant of Protection approving Pilmico's trademark application effective July 9, 2013 and valid for ten years.
			Turkey	Refused registration.
			Singapore	Refused registration.
			Vietnam	Refused registration.
		December 16, 2015	China	On September 29, 2017, the Trademark Office of China issued a Statement of Grant of Protection.
Sola All Purpose Flour (#1341959) (Class No. 30)	Pilmico Foods Corporation	February 12, 2016	WIPO	On February 12, 2016, the World Intellectual Property Organization issued a Certificate of Registration. Date of Renewal is on February 12, 2026.
			Singapore	On September 22, 2017, the Intellectual Property Office of Singapore issued a Statement of Grant of Protection.
			Turkey	The Turkish Patent and Trademark Office issued a statement to the effect that it has found no grounds for provisional refusal of the registration of the mark but the protection of the mark is still subject to opposition by third parties from June 27, 2017 to August 27, 2017.
			Vietnam	Refused registration in a Notification of Provisional Refusal on April 11, 2018.
			South Korea	On December 4, 2017, the KIPO issued a Statement of Grant of Protection approving the trademark application effective February 12, 2016.
PILMICO word mark (#1392327) (Class Nos. 5, 29, 30, 31, 35, 43, and 45)	Pilmico Foods Corporation	March 16, 2017	WIPO	On March 16, 2017 the International Bureau of World Intellectual Property Organization issued a Certificate of Registration. Date of Renewal is on March 16, 2027.
			USA (Guam)	USPTO completed its ex officio examination and found no grounds for refusal, subject to opposition or observations beginning November 27, 2018. Publication date is November 27, 2018.
Aquamax (#1372599) (Class No. 31)	Pilmico Animal Nutrition Corporation	April 24, 2017	USA	On November 27, 2017, a Total Provisional Refusal of Protection was issued. Pilmico Animal Nutrition Corporation advised not

Trademarks	Applicant	Date Filed	Country of Application	Status
				to contest the refusal.
			Singapore	On May 1, 2018, the Intellectual Property Office of Singapore issued a Statement of Grant of Protection.
Civic (#1377276) (Class No. 31)	Pilmico Animal Nutrition Corporation	August 30, 2017	USA	On April 3, 2018, the US Patent and Trademark Office issued a Statement of Grant of Protection.
			Singapore	On June 6, 2018, a Statement of Grant of Protection was issued.
Elite (#1377277) (Class No. 31)	Pilmico Animal Nutrition Corporation	August 30, 2017	USA	On January 8, 2018, a Total Provisional Refusal of Protection was issued. Pilmico Animal Nutrition Corporation advised not to contest the refusal.
			Singapore	On June 21, 2018, the Intellectual Property Office of Singapore issued a Statement of Grant of Protection.
Gallimax (#1372097) (Class No. 31)	Pilmico Animal Nutrition Corporation	June 29, 2017	USA	On March 6, 2018, the US Patent and Trademark Office issued a Statement of Grant of Protection.
			Singapore	On April 17, 2018, the Intellectual Property Office of Singapore issued a Statement of Grant of Protection.
Powermix (#1372598) (Class No. 31)	Pilmico Animal Nutrition Corporation	April 24, 2017	USA	On March 3, 2018, the US Patent and Trademark Office issued a Statement of Grant of Protection
			Singapore	On January 18, 2018, a Total Provisional Refusal of Protection was issued. Pilmico Animal Nutrition Corporation advised not to contest the refusal.
Ultimax (#1404587) (Class No. 31)	Pilmico Animal Nutrition Corporation	November 20, 2017	USA	On September 25, 2018, the US Patent and Trademark Office issued a Statement of Grant of Protection.
			Singapore	On November 22, 2018, the Intellectual Property Office of Singapore issued a Statement of Grant of Protection.

AEV and its Subsidiaries have other pending trademark under the Mardrid Protocol for the following countries: Brunei, China, Indonesia, Cambodia, Laos, Singapore, Thailand, Vietnam, Ghana, and the United States of America.

<u>International Trademarks Application (Non-Madrid Protocol)</u>

Trademarks	Applicant	Date Filed	Country of Application	Status
PILMICO (#304120550) (Class Nos. 5, 29, 30, 31, 35, 43, and 44)	Pilmico Foods Corporation	April 25, 2017	Hong Kong	On November 9, 2017, the Trade Marks Registry Intellectual Property Department issued a Certificate of Registration for the trade mark PILMICO valid until April 24, 2027.
PILMICO (#493122018) (Class Nos. 5, 29, 30, 31, 35, 43,	Pilmico Foods Corporation	August 21, 2018	Myanmar	The mark was registered on August 31, 2018.

Trademarks	Applicant	Date Filed	Country of Application	Status
and 44)				
Elite (4-2016-32520) (Class Nos. 5, 31, 44)	Pilmico Foods Corporation	October 18, 2016	Vietnam	The application was denied by the NOIP of Vietnam. Pilmico decided not to file for opposition.
Gallimax (313090) (Class Nos. 5, 31, 44)	Pilmico Foods Corporation	October 18, 2016	Vietnam	The mark was registered on January 15, 2019.
Avemax (312261) (Class Nos. 5, 31, 44)	Pilmico Foods Corporation	October 18, 2016	Vietnam	The mark was registered on December 27, 2018.
GOLD COIN & Device (8212) (Class No. 21)	Gold Coin Services Singapore Pte. Ltd.	August 19, 1991	Brunei Darussalam	Registered.
GOLD COIN & Device (8210) (Class No. 1)	Gold Coin Services Singapore Pte. Ltd.	August 19, 1991	Brunei Darussalam	Registered.
GOLD COIN & Device (8211) (Class No. 5)	Gold Coin Services Singapore Pte. Ltd.	August 19, 1991	Brunei Darussalam	Registered.
GOLD COIN & Device (8214) (Class No. 31)	Gold Coin Services Singapore Pte. Ltd.	August 19, 1991	Brunei Darussalam	Registered.
GOLD COIN & Device (8213) (Class No. 29)	Gold Coin Services Singapore Pte. Ltd.	August 19, 1991	Brunei Darussalam	Registered.
Gold Coin, Chinese characters & Device (19385/03) (Class No. 31)	Gold Coin Management Holdings Limited	December 19, 2013	Cambodia	Registered.
GOLD COIN (3505731) (Class No. 31)	Gold Coin Management Holdings, Ltd.	April 14, 2004	China	Registered.
GOLD COIN FEED & Chinese characters & device (3021536) (Class No. 31)	Gold Coin Management Holdings, Ltd.	November 28, 2002	China	Registered.
Gold Coin, Chinese Characters and device (300776) (Class No. 31)	Gold Coin Management Holdings, Ltd.	October 10, 1987	China	Registered.
JIN QIAN BAO in Chinese	Gold Coin Management	November 28, 2002	China	Registered.

Trademarks	Applicant	Date Filed	Country of Application	Status
Character (3011619) (Class No.31)	Holdings, Ltd.			
JIN QIAN HUANG in Chinese Characters (8080015) (Class No. 31)	Gold Coin Management Holdings, Ltd.	April 21, 2011	China	Registered.
JIN QIAN in Chinese Character (3505730) (Class No. 31)	Gold Coin Management Holdings, Ltd.	April 14, 2004	China	Registered.
JIN QIAN LE in Chinese Character (8080016) (Class No. 31	Gold Coin Management Holdings, Ltd.	April 21, 2011	China	Registered.
Yu Li in Chinese Characters (532462) (Class No. 31)	Gold Coin Management Holdings, Ltd.	October 30, 1990	China	Registered.
(9338648) (Class No. 31)	Gold Coin (Zhangzhou) Company Limited	April 28, 2012	China	Registered
Gold Coin, Chinese characters & Device (199601055) (Class No. 31)	Gold Coin Management Holdings Limited	February 1, 1996	Hong Kong	Registered.
Gold Coin, WANG EMAS & Chinese characters device (644125) (Class No. 31)	Gold Coin Management Holdings, Ltd.	October 26, 1994	India	Registered.
AYAMAS (IDM000212187) (Class No. 29)	Gold Coin Management Holdings, Ltd.	April 6, 1999	Indonesia	Registered.
GOLD COIN & UANG MAS and Device (IDM000248677) (Class No. 31)	Gold Coin Management Holdings, Ltd.	February 1, 1990	Indonesia	Registered. Assigned to Gold Coin Services Singapore Pte Limited on October 1, 2016. Registration of assignment is pending with the Indonesian Trademark Office.
Gold Coin, Chinese characters &	Gold Coin Management Holdings Limited	January 8, 2004	Macao	Registered.

Trademarks	Applicant	Date Filed	Country of Application	Status
Device (N/012262) (Class No. 31)				
GOLD COIN & Device (M/066884) (Class No. 1)	Gold Coin Management Holdings, Ltd.	October 21, 1974	Malaya	Registered. Assigned to Gold Coin Services Singapore Pte Limited on October 1, 2016. Registration of assignment is pending with the Trademark Office.
GOLD COIN & Device (M/066886) (Class No. 21)	Gold Coin Management Holdings, Ltd.	October 21, 1974	Malaya	Registered. Assigned to Gold Coin Services Singapore Pte Limited on October 1, 2016. Registration of assignment is pending with the Trademark Office.
GOLD COIN & Device (M/066885) (Class No. 5)	Gold Coin Management Holdings, Ltd.	October 21, 1974	Malaya	Registered. Assigned to Gold Coin Services Singapore Pte Limited on October 1, 2016. Registration of assignment is pending with the Trademark Office.
GOLD COIN & Device (M/066887) (Class No. 29)	Gold Coin Management Holdings, Ltd.	October 21, 1974	Malaya	Registered. Assigned to Gold Coin Services Singapore Pte Limited on October 1, 2016. Registration of assignment is pending with the Trademark Office.
GOLD COIN & Device (M/066888) (Class No. 31)	Gold Coin Management Holdings, Ltd.	October 21, 1974	Malaya	Registered. Assigned to Gold Coin Services Singapore Pte Limited on October 1, 2016. Registration of assignment is pending with the Trademark Office.
ENCAP & Device (91005005) (Class No. 30)	Gold Coin Services Singapore Pte Limited	August 24, 1991	Malaysia	Registered.
ENCAP & Device (91005003) (Class No. 3)	Gold Coin Services Singapore Pte Limited	August 24, 1991	Malaysia	Registered.
ENCAP & Device (91005006) (Class No. 31)	Gold Coin Services Singapore Pte Limited	August 24, 1991	Malaysia	Registered.
ENCAP & Device (91005004) (Class No. 5)	Gold Coin Services Singapore Pte Limited	August 24, 1991	Malaysia	Registered.
Gold Coin, WANG EMAS & Chinese characters Device	Gold Coin Services Singapore Pte Limited	June 12, 1987	Malaysia	Registered.

Trademarks	Applicant	Date Filed	Country of Application	Status
(87002355) (Class No. 29)				
Gold Coin & Device (4/3780/2017) (Class No. 31)	Gold Coin Management Holdings Limited	April 5, 2017	Myanmar	Registered.
Gold Coin, WANG EMAS & Chinese characters Device (A52255) (Class No. 31)	Gold Coin Management Holdings Limited	November 11, 1980	Papua New Guinea	Registered
GOLD COIN & Device (S/018303) (Class No, 31)	Gold Coin Management Holdings Limited	October 21, 1974	Sabah	Registered.
GOLD COIN & Device (S/018302) (Class No. 29)	Gold Coin Services Singapore Pte Limited	October 21, 1974	Sabah	Registered. Assigned to Gold Coin Services Singapore Pte Limited on October 1, 2016. Registration of assignment is pending with the Trademark Office.
GOLD COIN & Device (S/018300) (Class No. 5)	Gold Coin Services Singapore Pte Limited	October 21, 1974	Sabah	Registered. Assigned to Gold Coin Services Singapore Pte Limited on October 1, 2016. Registration of assignment is pending with the Trademark Office.
GOLD COIN & Device (S/018301) (Class No. 21)	Gold Coin Services Singapore Pte Limited	October 21, 1974	Sabah	Registered. Assigned to Gold Coin Services Singapore Pte Limited on October 1, 2016. Registration of assignment is pending with the Trademark Office.
GOLD COIN & Device (S/018299) (Class No. 1)	Gold Coin Services Singapore Pte Limited	October 21, 1974	Sabah	Registered. Assigned to Gold Coin Services Singapore Pte Limited on October 1, 2016. Registration of assignment is pending with the Trademark Office.
GOLD COIN & Device (R/017137) (Class No. 1)	Gold Coin Services Singapore Pte Limited	August 25, 1983	Sarawak	Registered. Assigned to Gold Coin Services Singapore Pte Limited on October 1, 2016. Registration of assignment is pending with the Trademark Office.
GOLD COIN & Device (R/017136) (Class No. 21)	Gold Coin Services Singapore Pte Limited	August 25, 1983	Sarawak	Registered. Assigned to Gold Coin Services Singapore Pte Limited on October 1, 2016. Registration of assignment is pending with the Trademark Office.
GOLD COIN &	Gold Coin	August 25,	Sarawak	Registered.

Trademarks	Applicant	Date Filed	Country of Application	Status
Device (R/017135) (Class No. 31)	Services Singapore Pte Limited	1973		Assigned to Gold Coin Services Singapore Pte Limited on October 1, 2016. Registration of assignment is pending with the Trademark Office.
GOLD COIN & Device (R/013574) (Class No. 29)	Gold Coin Services Singapore Pte Limited	October 29, 1974	Sarawak	Registered. Assigned to Gold Coin Services Singapore Pte Limited on October 1, 2016. Registration of assignment is pending with the Trademark Office.
GOLD COIN BRAND WANG EMAS with Chinese Characters device (R/013576) (Class No. 5)	Gold Coin Services Singapore Pte Limited	October 29, 1974	Sarawak	Registered. Assigned to Gold Coin Services Singapore Pte Limited on October 1, 2016. Registration of assignment is pending with the Trademark Office.
ENCAP & Device (T9107668I) (Class No. 5)	Gold Coin Management Holdings Limited	August 15, 1991	Singapore	Registered.
ENCAP & Device (T9107670J) (Class No. 31)	Gold Coin Management Holdings Company, Ltd.	August 15, 1981	Singapore	Registered.
ENCAP & Device (T9107667J) (Class No. 3)	Gold Coin Management Holdings Limited	August 15, 1991	Singapore	Registered.
ENCAP & Device (T9107669G) (Class No. 30)	Gold Coin Management Holdings Limited	August 15, 1991	Singapore	Registered.
GOLD COIN & Device (T7462342A) (Class No. 1)	Gold Coin Management Holdings Limited	October 16, 1974	Singapore	Registered.
GOLD COIN & Device (T7462346D) (Class No. 31)	Gold Coin Management Holdings Limited	October 16, 1974	Singapore	Registered.
GOLD COIN & Device (T7462345F) (Class No. 29)	Gold Coin Management Holdings Company, Ltd.	October 16, 1974	Singapore	Registered.
GOLD COIN & Device (T7462344H) (Class No. 21)	Gold Coin Management Holdings Company, Ltd.	October 16, 1974	Singapore	Registered.
GOLD COIN & Device (T7462343Z) (Class No. 5)	Gold Coin Management Holdings Company, Ltd.	October 16, 1974	Singapore	Registered.
GOLD COIN BRAND ZUELLIG	Gold Coin Management	May 24, 1991	Singapore	Registered.

Trademarks	Applicant	Date Filed	Country of Application	Status
WANG EMAS with Chinese Characters & device (T9105225I) (Class No. 1)	Holdings Company, Ltd.			
GOLD COIN & Device (39635) (Class No. 31)	Gold Coin (Ci) Limited	January 5, 1979	Sri Lanka	Registered. Assigned to Gold Coin Management Holdings Company, Ltd. on June 2, 2006. Registration of the assignment is pending with the Trademark Office.
GOLD COIN SPECIALITIES & Thai Characters and Device (Kor87762) (Class No. 31)	Gold Coin Management Holdings Company, Ltd.	December 27, 1996	Thailand	Registered.
Gold Coin, WANG EMAS & Chinese characters Device (TM135370) (Class No. 42)	Gold Coin Management Holdings Company, Ltd.	January 28, 1991	Thailand	Registered.
Gold Coin Feed & Device (123293) (Class No. 31)	Gold Coin Management Holdings Limited	April 17, 2009	Vietnam	Registered.
Gold Coin Feed & Device (123294) (Class No. 31)	Gold Coin Management Holdings Limited	April 17, 2009	Vietnam	Registered.
Gold Coin, Chinese characters and Device (5263) (Class Nos. 29, 30, 31)	Gold Coin Management Holdings Company, Ltd.	January 18, 1992	Vietnam	Registered.
Gold Coin, Kim Tien & Device (66493) (Class Nos. 29, 31)	Gold Coin Management Holdings Company, Ltd.	June 22, 2004	Vietnam	Registered.
AMERICAN FEEDS COMPANY (25581) (Class Nos. 5, 31)	American Feeds Company	August 29, 2016	Vietnam	Registered.
MAXFEED (55052) (Class No. 31)	American Feeds Company	December 7, 2001	Vietnam	Registered.
ViDan (52296) (Class No. 31)	American Feeds Company	September 4, 2002	Vietnam	Registered.
AF (71663) (Class No. 31)	American Feeds Company	November 21, 2003	Vietnam	Registered.

Trademarks	Applicant	Date Filed	Country of Application	Status
AF-Plus (71664) (Class No. 31)	American Feeds Company	November 21, 2003	Vietnam	Registered.
AF Sự Lựa Chọn Thông Minh Của Nhà Nông INTELLIGENT FARMERS' CHOICE (84729) (Class No. 31)	American Feeds Company	January 25, 2005	Vietnam	Registered.

AEV and its Subsidiaries have other pending trademark applications to individual countries such as Bangladesh, Vietnam, Indonesia, Malaysia, and Thailand.

EFFECT OF EXISTING OR PROBABLE GOVERNMENT REGULATIONS ON THE BUSINESS

The Tax Reform for Acceleration and Inclusion (TRAIN Law)

The TRAIN Law was signed into law by President Rodrigo Roa Duterte on December 19, 2017 and took effect on January 1, 2018. Its declared policies are: (a) enhance the progressivity of the tax system through the rationalization of the Philippine internal revenue tax system, thereby promoting sustainable and inclusive economic growth, (b) provide, as much as possible, an equitable relief to a greater number of taxpayers and their families in order to improve levels of disposable income and increase economic activity; and (c) ensure that the government is able to provide for the needs of those under its jurisdiction and care through the provision of better infrastructure, health, education, jobs, and social protection for the people.

One of the major provisions of the TRAIN Law is the staggered increase in oil and coal excise taxes. Under the TRAIN Law, rates will be adjusted gradually between 2018 and 2020. For coal, the rates will increase from ₱10 per metric ton to ₱50, ₱100, and ₱150 per metric ton, respectively, in 2018, 2019, and 2020, covering both domestic and imported coal.

Further, the TRAIN Law repeals Section 9 of Republic Act No. (RA) 9511 or the National Grid Corporation of the Philippines Act, which removes the VAT exemptions on transmission charges and on the sale of electricity by cooperatives duly registered under the Cooperative Development Authority (CDA). The estimated impact on the cost of electricity are as follows:

Additional cost

All figures in ₱

			Current	Generation	Transmission						
	kWh consumption	Current cost per kWh		Coal	Diesel/Bunker	Distribution	UCME	Total	Estimated new total cost	Percent increase	
Grid (Meralco)	100	7.80	780.00	2.00	4.40	8.18	0.00	0.38	14.96	794.96	1.92
Grid (non-Meralco, NEA)	100	8.80	880.00	2.00	4.40	5.91	0.00	0.38	12.69	892.69	0.44
Grid (non-Meralco, CDA)	00	8.80	880.00	2.00	4.40	5.91	7.18	0.38	19.87	899.87	2.26
SPUG (NEA , coal powered)	00	11.30	1,130.00	4.00	0.00	0.00	0.00	0.38	4.38	1,134.38	0.39
SPUG (CDA, coal powered)	00	11.30	1,130.00	4.00	0.00	0.00	10.17	0.38	14.55	1,144.55	1.29
SPUG (NEA, diesel/ bunker powered, full pass-through)	00	11.30	1,130.00	0.00	7 1.00	0.00	0.00	0.00	71.00	1,201.00	6.28
SPUG (CDA, diesel/ bunker powered, full pass-through)	00	11.30	1,130.00	0.00	7 1.00	0.00	10.17	0.00	8.7	2.70	7.8
SPUG (NEA, diesel/ bunker powered, subsidized)	00	11.30	1,130.00	0.00	0.00	0.00	0.00	0.38	0.38	30.38	0.03
SPUG (CDA, diesel/ bunker powered, subsidized)	00	11.30	1,130.00	0.00	0.00	0.00	10.17	0.38	0.55	40.55	0.93

Sources: Department of Energy (DOE), Kuryente.org, and DOF staff estimates

Notes: Estimates are based on the following assumptions:

i. An additional PHP 2.50 per liter increase in the excise tax of diesel and bunker fuel.

ii. An average increase to PHP 1.00 in excise tax per metric ton of coal.

Another major change introduced by the TRAIN Law is the refund mechanism of zero-rated sales and services under the enhanced VAT refund system. Upon the successful establishment and implementation of an enhanced VAT refund system, refunds of creditable input tax shall be granted by the Bureau of Internal Revenue (BIR) within 90 days from filing of the VAT refund application with the BIR, provided that all pending VAT refund claims of the taxpayer as of December 31, 2017 shall be fully paid in cash by December 31, 2019. The zero-rated transactions covered by this refund mechanism are the following:

a. Sale of raw materials or packaging materials to a nonresident buyer for delivery to a resident local export-oriented enterprise;
b. Sale of raw materials or packaging materials to export-oriented enterprise whose export sales exceed 70% of total annual production;
c. Those considered export sales under Executive Order No. 226, otherwise known as the Omnibus Investment Code of 1987, and other special laws;
d. Services performed by subcontractors and/or contractors in processing, converting, of manufacturing goods for an enterprise whose export sales exceed 70% of total annual production; and
e. Processing, manufacturing or repacking goods for other persons doing business outside the Philippines which goods are subsequently exported, where the services are paid for in acceptable foreign currency and accounted for in accordance with the rules and regulations of Bangko Sentral ng Pilipinas.

Finally, the TRAIN Law doubled the documentary stamp tax (DST) on almost all covered instruments, except debt instruments where the increase is 50%. Only the DST on instruments pertaining to property insurance, fidelity bonds, other insurance, indemnity bonds, deeds of sale, and conveyance remain unchanged.

The Corporate Tax Reform and Fiscal Incentives Modernization is the second package of the Comprehensive Tax Reform Program of the Duterte Administration ("Package 2"). In his State of the Nation Address on July 23, 2018, the President certified Package 2 as a priority legislative measure.

The House of Representatives approved its version of Package 2, House Bill No. (HB) No. 8083 or the Tax Reform for Attracting Bett r and Higher Quality Opportunities (“Trabaho”) bill, on third and final reading on September 10, 2018. On the other hand, the Senate’s version, Senate Bill No. (SB) No. 1906, has been pending with the Committee of Ways and Means since August 6, 2018.

Package 2, which the Department of Finance (DOF) claims to be revenue-neutral, proposes to gradually lower the corporate income tax (“CIT”) rate while modernizing the fiscal incentives to make them performance-based, targeted, time-bound, and transparent for a more competitive fiscal incentives system for investments. Pursuant to HB No. 8083, from 30%, the CIT shall be 28% beginning January 1, 2021; 26% beginning January 1, 2023; 24% beginning January 1, 2025; 22% beginning January 1, 2027; and 20% beginning January 1, 2029. On the other hand, under SB No. 1906, the CIT rate shall be 25% upon the effectivity of Package 2.

Data Privacy Act of 2012

The Data Privacy Act of 2012 is a comprehensive and strict privacy legislation aimed to protect the fundamental human right of privacy by: (a) protecting the privacy of individuals while ensuring free flow of information; (b) regulating the collection, recording, organization, storage, updating or modification, retrieval, consultation, use, consolidation, blocking, erasure or destruction of personal data; and (c) ensuring that the Philippines complies with international standards set for data protection through National Privacy Commission (NPC).

Intended to protect the privacy of individuals, it mandates companies to inform the individuals about how their personal information are collected and processed. It also ensures that all personal information must be (a) collected and processed with lawful basis, which includes consent, and only for reasons that are specified, legitimate, and reasonable; (b) handled properly, ensuring its accuracy and retention only for as long as reasonably needed; and (c) discarded properly to avoid access by unauthorized third parties.

Its Implementing Rules and Regulations took effect on September 9, 2016, mandating all Philippines companies to comply with the following: (a) appointment of a Data Protection Officer; (b) conduct of a privacy impact assessment; (c) creation of a privacy knowledge management program; (d) implement a privacy and data protection policy; and (e) establish a breach reporting procedure. In addition, companies with at least 250 employees or access to the personal and identifiable information of at least 1,000 individuals are required to register their data processing systems with the National Privacy Commission.

In 2017, AEV launched its data privacy compliance program, which includes the implementation of Information Security Management System (ISMS) for the entire Aboitiz Group. Expected time of completion for this compliance program is by the fourth quarter of 2019.

The Philippine Competition Act

The Philippine Competition Act (R.A. 10667) is aimed to promote and protect fair market competition. It is intended to improve consumer protection and preserve the efficiency of market competition by establishing the Philippine Competition Commission (PCC) to implement the following: (a) prohibition against entities from entering into anti-competitive horizontal and vertical agreements that substantially prevent, restrict, or lessen competition; (b) proscription on abuse of dominant position, which refers to conduct by dominant players that substantially prevents, restricts, or lessens competition (e.g., predatory pricing, tying and bundling, or imposing barriers to entry by new player, etc); (c) regulation or prevention of anti-competitive mergers and acquisitions; and (d) imposition of fines and criminal penalties.

In 2018, the PCC issued Memorandum Circular No. 18-001, which adjusted the thresholds for the compulsory notification of mergers and acquisitions from ₱1 bn for both the Size of Person and Size of Transaction tests to ₱5 bn for the Size of Person and ₱2 bn for the Size of Transaction as defined in the Implementing Rules and Regulations. The same memorandum circular also provided that unless otherwise modified or repealed by the Commission, the thresholds set out in Rule 4, Section 3 of the Implementing Rules and Regulations, as amended, shall be automatically adjusted commencing on March 1, 2019 and on March 1st of every succeeding year, using as index the Philippine Statistics Authority's official estimate of the nominal Gross Domestic Product (GDP) growth of the previous calendar year rounded up to the nearest hundred millions. The annual nominal GDP from 2017 to 2018 grew by 10.23%.

Based on the nominal GDP growth, the PCC issued Advisory 2019-001, notifying the public of the adjustment of the thresholds:

Adjusted Thresholds to be Implemented		
Test	**Old Threshold (2018)**	**New Threshold (effective March 1, 2019)**
Size of Person Test	₱5 bn	₱5.6 bn
Size of Transaction Test	₱2 bn	₱2.2 bn

This means that the value of the assets or revenues of the Ultimate Parent Entity (UPE) of at least one of the parties must exceed ₱5.6 bn instead of ₱5 bn. The UPE is the entity that, directly or indirectly, controls a party to the transaction, and is not controlled by any other entity. In addition, the value of the assets or revenues of the acquired entity must exceed ₱2.2 bn instead of ₱2 bn. Both thresholds must be breached in order for the compulsory notification requirement to apply. The new thresholds will not apply to (a) transactions already pending review with the PCC, (b) notifiable transactions consummated before March 1, 2019, and (c) transactions already decided by the PCC.

The Aboitiz Group, in its effort to create shareholder value by growing its businesses and in the conduct of its business practices, closely monitors its compliance with the Philippine Competition Act.

General Banking Law of 2000 and the Issuances of Bangko Sentral ng Pilipinas

AEV's banking and financial services group adhere to the provisions of the General Banking Law of 2000 (Republic Act No. 8791) and the Anti-Money Laundering Act of 2001 (Republic Act No. 9160), as amended. Rules and regulations issued by the BSP in the forms of circulars, circular letters, and memoranda relevant to the business of AEV are compiled together in the (a) Manual of Regulations for Banks, and (b) the Manual of Regulations for Foreign Exchange Transactions. These manuals are updated by the BSP through issuances of supervisory and regulatory policies, which AEV's banking and financial services group regularly monitor.

Anti-Money Laundering Laws and Know Your Customer Procedures

UnionBank and its subsidiaries comply with the Anti-Money Laundering Act of 2001 (Republic Act No. 9160), as amended, its Implementing Rules and Regulations, and regulatory issuances of the BSP. The Bank adheres to the Know Your Customer (KYC) rules and customer due diligence requirements of both the law and regulations from the start of bank-client relationship until its termination.

Since June 2015, UnionBank and its subsidiaries has put in place a new AML System equipped with monitoring tools and reporting capabilities. Beginning September 2016, UnionBank has likewise implemented a real-time sanctions screening system to screen transactions that pass through the SWIFT network. Since 2017, Unionbank has also implemented monitoring processes for transactions within a certain threshold. KYC process remains to be robust through documentation of client information, determination of acceptable IDs for transactions, and senior management approval, where warranted.

Finally, on an annual basis, UnionBank, through its Compliance and Corporate Governance Office, provides annual formal AML trainings to the members of the Board of Directors, Senior Management and its Branches. Senior Management, branches and other units are also required to take the annual electronic AML refresher module in coordination with HR Group and the Compliance and Corporate Governance Office.

Electric Power Industry Reform Act of 2001 (EPIRA)

Since the enactment of the Electric Power Industry Reform Act of 2001 (EPIRA), the Philippine power industry has undergone and continues to undergo significant restructuring. Among the provisions of the EPIRA which have had or will have considerable impact on AboitizPower's businesses relate to the following:

Wholesale Electricity Spot Market (WESM)

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

The WESM provides an avenue whereby generators may sell power and at the same time suppliers and wholesale consumers can purchase electricity where no bilateral contract exists between the two. Where there are such bilateral contracts, these contracts are nevertheless declared in the market but only to determine the appropriate merit order of generators. Settlement for bilateral contracts between the contracting parties will, however, occur outside the market. Traded electricity not covered by bilateral contracts will be settled through the market on the basis of the market clearing prices for each of the trading periods.

DOE, ERC, and PEMC issued the amended Joint Resolution No. 2 on December 27, 2013 adjusting the WESM Offer Price Ceiling from ₱62,000.00 per MWh to ₱32,000.00 per MWh. In May 2014, the ERC issued an urgent resolution imposing a WESM interim secondary price cap of ₱6,245.00 per MWh in the WESM. In December 2014, the ERC adopted a permanent pre-emptive mitigation measure, where the price cap of ₱6,245.00 per MWh would be imposed in the event the average spot price in WESM would exceed ₱9,000.00 per MWh over a rolling seven (7)- day period.

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

In 2015, DOE Circular 2015-10-0015 entitled "Providing Policies for Further Enhancement of the Wholesale Electricity Spot Market (WESM) Design and Operations" enhancing WESM Design as follows:

a. Removal of Pmin constraint in the Market Dispatch Optimization Model;
b. Five minutes dispatch intervals from one hour;
c. Ex-ante pricing only;
d. Maintaining the one-hour settlement interval for settlement purposes;
e. Automated pricing corrections;
f. Mandatory integration of distribution utilities' sub-transmission network (with material effect) into the Market Network Model (MNM);
g. Changing the values and priorities of some of the Constraint Violation Coefficients (CVCs);
h. Imposition of WESM offer cap and floor for energy and reserve as determined through joint study by the DOE, ERC and PEMC;
i. Implementation of hourly Day-Ahead Projection (DAP) with sensitivities and Hour-Ahead Dispatch (HAD);
j. Implementation of nodal-based short-term demand forecasting;
k. Enhanced training of WESM participants; and
l. Any other enhancements as may be deemed necessary and issued by the DOE.

On May 17, 2017, PEMC filed an application docketed as ERC Case No. 2017-042 RC for the approval of the Price Determination Methodology for the WESM, which includes, inter alia, (a) scheduling and pricing of energy and reserves, and (b) revised settlement formula. Hearings are ongoing.

WESM in Mindanao

On May 4, 2017, the DOE issued DC 2017-05-0009 entitled "Declaring the Launch of WESM in Mindanao and Providing Transition Guidelines". This DOE Circular took effect on June 7, 2017, with the following pertinent provisions:

a. Establishment of Mindanao WESM Transition Committee, which will be one of the committees under the PEMC Board;
b. Launch of WESM in Mindanao on June 26, 2017, with the commencement of full commercial operations dependent on various conditions precedent, including installation of metering facilities, approval of the Price Determination Methodology by the ERC, and trial operations of the WESM, among others;
c. Conduct of the Trial Operation Program for the WESM;
d. Automatic termination of IMEM; and
e. Implementation of an Interim Protocol to govern the dispatch and scheduling of power generation plants, while the WESM is still not operational.

As of December 2018, trial operations were ongoing to ensure the readiness of eventual WESM participants in Mindanao. According to the DOE, the target commercial operations of the WESM in Mindanao is set on June 2019, although this would still require the promulgation of the new Price Determination Methodology currently pending in the ERC.

Independent Electricity Market Operator (IEMOP)

On February 04, 2018, DOE issued Circular DC2018-01-0002, setting the policy governing the establishment of an independent market operator (IMO) of the WESM. The policy outlines the mandates of DOE and ERC over the IMO, its guiding principles, composition, including a board composed of at least five members, its functions, and WESM's new governing and governance structure and the conditions for transition.

The IMO transition plan called for the formation of a new company called the IEMOP as an independent market operator, with PEMC remaining as WESM's governing body. Previously, PEMC oversees both the operations and governance functions of WESM. The transition also entails the reconstitution of the PEMC Board, with the DOE Secretary relinquishing his chairmanship, paving the way for a PEMC independent of government.

On September 26, 2018, IEMOP formally took over operations of the WESM from PEMC thereby signifying the government's transfer of WESM operations to the private sector. IEMOP facilitates the registration and participation of generating companies, distribution utilities, directly connected customers or bulk users, suppliers and contestable customers in the WESM. It also determines the hourly schedules of generating units that will supply electricity to the grid, as well as the corresponding spot-market prices of electricity via its Market Management System.

Retail Competition and Open Access (Open Access)

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

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

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

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

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

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

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

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

On May 12, 2016, the ERC issued Resolution No. 11, Series of 2016, which disallows distribution utilities from engaging in the supply of electricity to end-users in the Contestable Market unless it is a Supplier of Last Resort. Local RES are also mandated to wind down business within three years from the effectivity of ERC Resolution No. 11-16. Retail Supply Contracts (RSC) executed by Local RES shall remain valid until their expiration, but no new RSCs can be signed or executed. ERC Resolution No. 11-16 further provides that no RES are allowed to supply more than 30% of the total average monthly peak demand of all Contestable Customers in the CREM. Further, RES are not allowed to transact more than 50% of the total energy transactions of its supply business with its affiliate Contestable Customers.

In its Resolution No. 10, Series of 2016, the ERC approved the Revised Rules of Contestability, which establishes the conditions and eligibility requirements for end-users to be part of the Contestable Market.

On May 27, 2016, MERALCO filed a Petition for Declaratory Relief, docketed as SCA No. 4149-PSG, with a prayer for the issuance of a Temporary Restraining Order (TRO) and/or Writ of Preliminary Injunction to: (a) enjoin the DOE and the ERC from enforcing and implementing: (i) DOE Circular No. DC2015-06-0010 in connection with the full implementation of RCOA, (ii) Article 1, Sections 2 and 3 of ERC Resolution No. 5, Series of 2016, (iii) ERC Resolution No. 10, Series of 2016 on the revised rules for contestability, and (iv) ERC Resolution No. 11, Series of 2016 regarding restrictions imposed on the operations of DUs and RES in the CREM; and (b) declare the said DOE Circular and ERC Resolutions void. On July 13, 2016, a Writ of Preliminary Injunction enjoining the implementation of the issuances of the ERC was granted by Branch 157, RTC of Pasig City. The ERC and the DOE, assailing the jurisdiction of the RTC, separately filed Petitions for Certiorari and Prohibition before the Supreme Court on July 5, 2016 (G.R. No. 225141) and on September 27, 2016 (G.R. No. 226800), respectively.

On October 10, 2016, the Supreme Court, acting on the Petition filed by DOE, issued a TRO enjoining Branch 157, RTC of Pasig City from continuing with the proceedings in SCA No. 4149-PSG and from enforcing all orders, resolutions, and decisions rendered in SCA No. 4149-PSG.

In December 2016, the Philippine Chamber of Commerce and Industry, San Beda College Alabang, Inc., Ateneo de Manila University, and Riverbanks Development Corporation filed a new petition before the Supreme Court to enjoin the ERC and the DOE from implementing DOE Circular No. 2015-06-0010, ERC Resolution No. 5, Series of 2016, ERC Resolution No. 10, Series of 2016, ERC Resolution No. 11, Series of 2016, and ERC Resolution No. 28, Series of 2016.

On February 21, 2017, the Supreme Court issued a TRO, effective immediately, enjoining the DOE and the ERC from implementing DOE Circular No. DC2015-06-0010, Series of 2015, ERC Resolution No. 5, Series of 2016, ERC Resolution No. 10, Series of 2016, ERC No. 11, Series of 2016, and ERC Resolution No. 28, Series of 2016.

In a letter to MEZ dated November 7, 2017, the ERC through Commissioner Alfredo J. Non, stated that:

> *"Distribution Utilities are reminded to facilitate the switch of contestable customers as the said TRO did not operate to suspend the implementation of RCOA, which is still effective. The RCOA scheme is still effective and the rules governing the same, except for those covered by the TRO, are valid and enforceable."*

In this letter, the ERC also reminded MEZ to refrain from any action which would prevent the implementation of the contestability of 1 MW and above in the CREM and the voluntary switch of Contestable Customer to and/or from RES.

On November 29, 2017, the DOE promulgated DC2017-12-0013 entitled "Providing Policies on the Implementation of Retail Competition and Open Access (RCOA) for Contestable Customers in the Philippine Electric Power Industry." The circular provides, inter alia, that: (a) upon the effectivity of Circular, all Contestable Customers with a monthly average peak demand of 750 kW and above, for the preceding 12 months, may participate in the Contestable Market; (b) by June 26, 2018 or on an earlier date specified by the ERC, all eligible electricity end-users to become Contestable Customers with a monthly average peak demand of 500 kW to 749 kW for the preceding 12 months may voluntarily participate in the Contestable Market; and (c) by December 26, 2018 or on an earlier date specified by the ERC, electricity end-users within a contiguous area whose aggregate average peak demand is not less than 500 kW for the preceding 12-month period may aggregate their demand to be part of the Contestable Market and may voluntarily enter into RSC with the Aggregators.

On November 29, 2017, the DOE promulgated DC2017-12-0014 entitled "Providing Policies on the Implementation of Retail Competition and Open Access (RCOA) for Retail Electricity Suppliers (RES)

Philippine Electric Power Industry." The circular provides the list of entities that may become RES. The circular also stipulates that distribution utilities may provide electricity services to Contestable Customers within its franchise area as a Local RES upon authorization from the ERC. The EPIRA provides for a system of Open Access to transmission and distribution wires, whereby Transco, its concessionaire, the NGCP, and any distribution utility may not refuse the use of their wires by qualified persons, subject to the payment of transmission and distribution retail wheeling charges.

Unbundling of Rates and Removal of Subsidies

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

Reduction of Taxes and Royalties on Indigenous Energy Resources

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

Proposed Amendments to the EPIRA

Since the enactment of the EPIRA in 2001, members of Congress have proposed various amendments to the law and its implementing rules and regulations. A summary of the significant proposed amendments are as follows:

a. Classification of power projects as one of national significance and imbued with public interest;
b. Exemption from Value Added Tax (VAT) of the sale of electricity by generation companies;
c. Modification of the definition of the term “Aggregator,” which is proposed to refer to a person or entity engaged in consolidating electric power demands of end-users of electricity in the contestable market, for the purpose of purchasing, reselling, managing for optimum utilization of the aggregated demand, or simply pooling the tendering process in looking for a supply of electricity on a group basis;
d. Requirement for distribution utilities to conduct public and competitive selection processes or Swiss challenges for the supply of electricity and to fully or adequately contract their future and current energy and demand requirements;
e. Grant of access to electric cooperatives over the missionary electrification fund collected through universal charges;
f. Exclusion of the following items from the rate base charged by Transco and distribution utilities to the public: corporate income tax, value of the franchise, value of real or personal property held for possible future growth, costs of over-adequate assets and facilities, and amount of all deposits as a condition for rendition and continuation of service;
g. Regulation of generation, transmission, distribution and supply rates to allow RORB up to 12%;
h. Classification of power generation and supply sectors as public utilities, which would be required to secure legislative franchises;

i. Prohibition of cross-ownership between generation companies and distribution utilities or any of their subsidiaries, affiliates, stockholders, officials or directors, or the officials, directors, or other stockholders of such subsidiaries or affiliates, including the relatives of such stockholders, officials or directors within the fourth civil degree of consanguinity;
j. Prohibition against or restriction on distribution utilities from sourcing electric power supply requirements, under bilateral electric power supply contracts, from a single generation company or from a group of generating companies wholly-owned or controlled by the same interests;
k. Lowering of the allowable extent of ownership, operation and control of a company or related groups as determined from the installed generating capacity of the grid and/or nationally installed generating capacity;
l. Exemption or deferral of the privatization of some assets of NPC, such as the Unified Leyte (Tongonan) Geothermal Complexes, Agus and Polangui Complexes, and Angat Dam;
m. Expansion of the definition of host communities to include all barangays, municipalities, cities and provinces or regions where hydro generation facilities are located and where waterways or water systems that supply water to the dam or hydroelectric power generating facility are located;
n. Prohibition on distribution utilities, except rural electric cooperatives to recover systems losses and placing a 5% cap on recoverable system loss;
o. Imposition of a uniform franchise tax for distribution utilities equivalent to 3% of gross income in lieu of all taxes;
p. Grant of authority for NPC to generate and sell electricity from remaining assets;
q. Removal of the requirement of a joint congressional resolution before the President may establish additional power generating capacity in case of imminent shortage of supply of electricity; and
r. Creation of a consumer advocacy office under the organizational structure of the ERC.

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

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

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

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

On December 22, 2015, Matuwid na Singil sa Kuryente Consumer Alliance, Inc. (MSK) filed a petition proposing a modified RORB methodology or a modified PBR methodology, wherein the distribution utilities' capital expenditures and rate recovery thereon are approved in advance but the charges to the customers will only commence after the investments have actually been made and validated by ERC auditors. Public consultations were held in Metro Manila, Cebu, and Davao.

Through ERC Resolution No. 25 Series of 2016 dated July 12, 2016, ERC adopted the Resolution Modifying the Rules for Setting Distribution Wheeling Rates (RDWR) for Privately Owned Distribution Utilities Entering Performance Based Regulation (PBR). Based on said Resolution, the Fourth Regulatory Period shall be as follows:

a. Cotabato Light: April 1, 2017 to March 31, 2021
b. Davao Light and VECO: July 1, 2018 to June 30, 2022
c. SEZ and SFELAPCO: October 1, 2019 to September 30, 2023

On November 21, 2016, the ERC posted for comments the draft Regulatory Asset Base (RAB) Roll Forward Handbook for Privately Owned Electricity Distribution Utilities. Public consultations were conducted on January 6 and 9, 2017 in Cebu and Manila, respectively.

The reset process for the fourth regulatory period has not started for all private distribution utilities as the abovementioned ERC rules have not been published yet for its effectivity. Due to the rules change on PBR, AboitizPower Distribution Utilities have not undergone the third regulatory period.

Philippine Distribution Code and the Philippine Grid Code

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

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

On October 5, 2016, the ERC approved the 2016 Edition of the Philippine Grid Code in Resolution No. 22, Series of 2016. On February 26, 2017, ERC approved the 2017 Philippine Distribution Code in Resolution No. 02, Series of 2018. Pertinent additions and revisions include:

a. Establishment of connection and operational requirements for Embedded Generating plants, both conventional and variable renewable energy (VRE) source;

b. Classification of Embedded Generating plants according to their characteristics and installed capacity;
c. Specified procedures for new connection and modifications of existing connection to guide prospective project proponents in connecting to the distribution system;
d. Application of the PDC to entities duly authorized to operate a distribution system within the Economic Zones;
e. Removal of administrative loss as part of system loss and non-distinction of technical and non-technical loss caps;
f. Addition of members representing the Market Operator and the largest Distribution Utility to be added to the Distribution Management Committee (DMC); and
g. Harmonization of PRC with PGC 2016 Edition, the Market Rules of the WESM, and subsequent rules and guidelines issued by the ERC applicable to Distribution Systems.

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

The Renewable Energy Act of 2008 (RE Law)

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

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

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

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

Pursuant to Department Circular No. DO2009-05-008 dated May 25, 2009 (Rules and Regulations Implementing the Renewable Energy Act of 2008), the DOE, the BIR, and the Department of Finance shall, within six months from its issuance, formulate the necessary mechanism and/or guidelines to implement the entitlement to the general incentives and privileges of qualified renewable energy developers. The six-month decline was not met and to date no specific guidelines or regulations have been issued by the relevant implementing agencies. As a result, the renewable energy companies of AboitizPower, such as APRI, LHC, Hedcor Sibulan, Hedcor Tamugan, SN Aboitiz Power-Magat, and SN Aboitiz Power-Benguet filed, on August 6, 2010, a request before the BIR Law Division for a ruling on the application of zero-rated VAT on all its local purchases of goods and services needed for the development of renewable energy plant facilities, exploration and development of renewable energy sources and their conversion into power. To date, the said request is still pending with the BIR Law Division.

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

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

In line with the increase in installation target for solar energy from 50 MW to 500 MW and wind energy from 200 MW to 400 MW, the ERC issued Resolution No. 6 Series of 2015 approving the Solar FIT2 rate of ₱8.69/kWh for the second set of installation target. On October 6, 2015, the ERC issued Resolution No. 14, Series of 2015 adopting the Wind FIT2 rate of ₱7.40/kWh. On September 29, 2016, a Petition for Rule Making was filed by Alternergy Wind One Corporation, Petrowind Energy, Inc., and Trans-Asia Renewable Energy Corporation seeking to amend Resolution No. 14, Series of 2015, and praying to increase the Wind FIT2 rate of ₱7.40/kWh to ₱7.93/kWh. A public consultation was held on the Petition for Rule Making on January 6, 2017. Through a letter dated February 23, 2018, DOE informed ERC of its resolution extending the FIT for Biomass and ROR Hydro until December 31, 2019, which prompted ERC to undergo public consultations for the amendments to the ERC Resolution No. 10, Series of 2012.

On November 23, 2018, ERC issued an Order and Notice of Proposed Rule-Making soliciting comments from interested parties on the NREB's proposed new run-of-river FIT and biomass FIT of ₱5.8705/kWh and ₱6.5969/ kWh, respectively. Public consultations were scheduled in January 2019.

Acting upon the application of Transco as Fund Administrator of the FIT Allowance (FIT-All), the ERC issued its final approval for the FIT-All of ₱0.0406 per kWh, for calendar years 2014 and 2015. Subsequently, Transco filed an application for approval of the FIT-All for calendar year 2016. In an Order dated February 16, 2016, the ERC provisionally approved a FIT-All of ₱0.1240 per kWh. In a Decision dated May 9, 2017, the ERC authorized Transco to collect an additional FIT-All of ₱0.0590 per kWh, thereby bringing the FIT-All to ₱0.1830 per kWh.

On December 22, 2017, the DOE promulgated the "Rules and Guidelines Governing the Establishment of the Renewable Portfolio Standards for On-Grid Areas" or the "RPS On-Grid Rules," which: (a) requires mandated electric power industry participants to source or produce portion of their electricity requirements from eligible renewable energy resources, (b) establishes a minimum annual incremental RE percentage, (c) prescribes the eligible renewable energy facilities and the compliance mechanism, (d) monitor the compliance of mandated electric power industry participants, and (e) provide penalties for non-compliance.

On January 15, 2018, the DOE released a draft circular prescribing the guidelines to govern the establishment of the Green Energy Option Program (GEOP). Under the RE Law, the GEOP will provide end-users the option to choose renewable energy resources as their sources of energy. The DOE is still in the process of finalizing the DOE circular establishing the GEOP.

ERC Regulation on Systems Loss Cap Reduction

Under ERC Resolution No. 17, Series of 2008, the actual recoverable systems losses of distribution utilities was reduced from 9.50% to 8.50%. The new systems loss cap was implemented in January 2010. Under this regulation, actual company use of electricity shall be treated as an expense of the distribution utilities, particularly, as an operations and maintenance (O&M) expense in the PBR applications.

On December 5, 2017, the ERC issued the Rules for Setting the Distribution System Loss Cap and Establishing Performance Incentive Scheme for Distribution Efficiency. These rules adjusted the manner on which system losses shall be set by private distribution utilities and electric cooperatives. Public consultations were held on various dates in different locations in the country. Also, there are proposed Senate and House bills seeking to revisit the level of allowable system losses passed on to end-users. Information gathering is currently being done to study the proposed bills further.

In February 2018, ERC issued Resolution No. 20, Series of 2017 (ERC Resolution No. 20-2017) entitled “A Resolution Adopting the ERC Rules for Setting the Distribution System Loss Cap and Establishing Performance Incentive Scheme for Distribution Efficiency”. This set of rules provide for the new Distribution System Loss (DSL) cap that can be recovered and charged by distribution utilities to its customers, beginning in the May 2018 billing period. Private distribution utilities would charge a 6.50% DSL cap for 2018, which shall be reduced gradually on an annual basis until a DSL cap level of 5.50% is achieved by the year 2021. The aforementioned caps are exclusive of sub-transmission and substation losses.

The rules allow distribution utilities to use an alternative method in determining an individualized DSL cap that it shall apply. The individualized cap has two components: one for technical loss (determined using load flow simulations on the DU's reference distribution system) and another for non-technical loss (which represents the level of non-technical loss that minimizes the costs to consumers). In determining the reasonable level of the individualized DSL cap, costs and benefits must be analyzed from the viewpoint of the customer.

On June 4, 2018, Cotabato Light filed with ERC its individualized system loss cap application with technical loss cap at 7.48% and non-technical loss cap at 1.77%. A public hearing on the application was held on August 2, 2018.

Proposed Power Supply Agreement (PSA) Rules

On October 20, 2015, ERC issued Resolution No. 13, Series of 2015, entitled, “A Resolution Directing All Distribution Utilities (DUs) to Conduct a Competitive Selection Process (CSP) in the Procurement of their Supply to the Captive Market.” This resolution provides that a PSA shall be awarded to a winning Generation Company following a competitive selection process or by direct negotiation, after at least two failed Competitive Supply Process (CSP). ERC Resolution 13-2015 was restated in ERC Resolution No. 1, Series of 2016, entitled, “A Resolution Clarifying the Effectivity of ERC Resolution No. 13, Series of 2015.”

ERC Resolution No. 1, Series of 2016 further clarified that automatic renewal clauses or extension of PSAs will no longer be permitted. However, PSAs approved by the ERC or filed with the ERC before the effectivity of this Resolution may have one automatic renewal or extension for a period of one year from the end of their respective terms.

On February 9, 2018, the DOE issued Department Circular No. DC2018-02-0003, modifying the existing policy on CSP of power supply contracting, followed by all distribution utilities. Distribution utilities are now mandated by the DOE to undertake the creation of an independent, five-man third-party bids and awards committee (TPBAC) that will manage the CSP. The circular also allows the distribution utilities to conduct CSP through an accredited third- party auctioneer.

ERC is currently revising its “Rules Governing the Execution, Review and Evaluation of Power Supply Agreements Entered Into by Distribution Utilities for the Supply of Electricity to their Captive Market”:, under ERC Case No. 2018-002 RM. To date, the rules have undergone public consultation and is currently on the second draft. The draft Rules did not recognize the DOE’s TPBAC, and likewise allowed for the Swiss Challenge for unsolicited proposals. The Company has submitted its comments and still awaiting for the final Rules from the ERC.

Pricing and Cost Recovery Mechanism (PCRM)

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

As provided in the WESM rules, when reasonably feasible, the WESM Market Operator, in coordination with the WESM System Operator, shall establish and administer a spot market for the purchase of certain reserve categories.

The reserve categories that shall be traded in the WESM are regulating, contingency and dispatchable reserves as well as interruptible loads in lieu of reserves.

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

The Reserve PCRM covers the determination of: (a) reserve trading amounts of reserve providers; (b) reserve cost recovery charges; and (c) administered reserve prices and reserve cost recovery charges. To date, the Reserve PCRM is the subject of an application by the WESM Market Operator, which is pending the approval of the ERC.

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

DOE Circular Directing All Power Generation Companies, the Transmission Service Provider, and All Distribution Utilities to Ensure Adequate and Reliable Electric Power Supply in the Country

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

a. All generation companies shall operate in accordance with their maximum available capacity which shall be equal to the registered maximum capacity of the (aggregate) unit less: (1) forced unit outages, (2) scheduled unit outages, and (3) de-rated capacity due to technical constraints which include: (i) plant equipment related failure and ambient temperature, (ii) hydro constraints which pertain to limitation on the water elevation/ turbine discharge and megawatt output of the plant, and (iii) geothermal constraints which pertain to capacity limitation due to steam quality, steam pressure and temperature variation, well blockage and limitation on steam and brine collection and disposal system;
b. Oil-based generation companies shall maintain an adequate in-country stocks of fuel equivalent to at least 15 days of running inventory which includes shipments in transit;
c. Coal power plants shall ensure the required 30-day coal running inventory which includes shipments in transit;
d. During scheduled maintenance of the Malampaya natural gas facilities, all affected generation companies shall maintain at least 15 days of running inventory of alternative fuel and shall operate at full capacity;
e. All generation companies with natural gas-fired, geothermal and hydroelectric generating plants shall submit to the DOE a monthly report on the current status and forecast of the energy sources of its generating plants;
f. All generation companies must notify and coordinate with the system operator of any planned activity such as the shutdown of its equipment; and
g. Generation companies shall seek prior clearance from the DOE regarding any plans for deactivation or mothballing of existing generating units or facilities critical to the reliable operation of the Grid.

AMOUNT SPENT ON RESEARCH AND DEVELOPMENT ACTIVITIES

AEV and its Subsidiaries do not allocate specific amounts or fixed percentages for research and development. All research and developmental activities are done by its Subsidiaries and Affiliates on a per project basis. The allocation for such activities may vary depending on the nature of the project. The Gold Coin Group's research and development activities are supported by five research facilities located in Malaysia, Indonesia, and China, covering both livestock and aqua products.

COSTS AND EFFECTS OF COMPLIANCE WITH ENVIRONMENTAL LAWS

AEV's Subsidiaries and Affiliates are subject to extensive, evolving and increasingly stringent safety, health and environmental laws and regulations. These standard laws and regulations that govern the business operations are the Philippine Clean Air Act (RA 8749), Ecological Solid Waste Management Act (RA 9003), Clean Water Act (RA 9275), Toxic Substances and Hazardous and Nuclear Wastes Control Act (RA 6969), and Philippine Environmental Impact Statement System (Presidential Decree No. 1586), address, among other things, air emissions, wastewater discharges, the generation, handling, storage, transportation, treatment and disposal of toxic and hazardous chemicals, materials and waste, workplace conditions, and employee exposure to hazardous substances. Each Business Unit within the Group have appointed and designated Pollution Control Officer to closely monitor compliance with the requirements of these regulations.

The Group has incurred, and is expected to continuously incur, operating costs to comply with these laws and regulations. However, these costs cannot be segregated or itemized as these are embedded in, and are part and parcel of, each Business Units' overall system in compliance with both industry standards and regulatory requirements.

EMPLOYEES

On the parent company level, AEV has a total of 297 employees, as of January 31, 2019, composed of executives, managers, supervisors, and rank and file employees. There is no existing collective bargaining agreement (CBA) covering AEV employees.

The following table provides a breakdown of total employee headcount per strategic Business Unit, divided by function, as of February 28, 2019:

	Employees						
Number of Employees	**AEV**	**UnionBank and Subsidiarie**	**Pilmico and Subsidiaries**	**AboitizLand and Subsidiarie**	**PETNET**	**RCBM and Subsidiaries**	**AboitizPower and Subsidiaries**
Executives	62	220	35	18	15	7	161
Managers	69	1,335	83	38	56	144	332
Supervisors	62	1,233	218	188	180	353	802
Rank & File	105	784	463	131	849	399	2,505
TOTAL	**298**	**3,572**	**824**	**375**	**1,100**	**903**	**4,489**
Unionized Employees	N/A	784	25	N/A	N/A	662	660
Expiry of CBA	N/A	2020	May 31, 2020	N/A	N/A	N/A	N/A

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

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The following table provides a breakdown of total employee headcount per country, divided by function, as of January 31, 2019:

Business Group	Number of					Unionized Employees	Expiry of Collective Bargaining Agreement (CBA)
	Total	Executives	Managers	Supervisors	Rank & File		
China	623	5	32	41	410	N/A	N/A
Indonesia	731	11	30	66	463	178	December 31, 2019
Malaysia East	183	3	8	26	123	N/A	N/A
Malaysia West	262	43	31	18	92	41	December 31, 2019
Thailand	104	2	9	7	75	N/A	N/A
Sri Lanka	99	1	2	8	53	N/A	N/A
Brunei	65	1	2	12	36	N/A	N/A
Myanmar	1	0	1	0	0	N/A	N/A
Singapore	32	8	8	0	13	N/A	N/A
Vietnam	850	2	45	70	564	N/A	N/A

INSURANCE

Insurance is part of AEV's enterprise-wide risk management program. AEV has diversified its insurance programs in order to create an optimized portfolio where it balances risk retention and transfer strategies. Over the years, the total cost of insurable risks has remained at a consistent level despite the expansion of its businesses. This is a direct result of the organization's continuous improvement of its risk profile and exploration of non-traditional risk transfer programs. Insurable risks of AEV and it affiliates are covered by policies, some of which have been tested through claims settlement.

PROPERTIES

The office space occupied by AEV is leased from a third party.

On a consolidated basis, the property, plant and equipment of the Group were valued at ₱221.4 bn and ₱213.2 bn as of December 31, 2018 and 2017, respectively. Breakdown of these assets is as follows:

PROPERTY, PLANT AND EQUIPMENT AS OF	2018	2017
Power, Plant & Equipment	₱168,392,131	₱141,329,134
Construction in progress	39,242,736	57,029,925
Buildings, Warehouses and Improvements	28,756,480	26,193,431
Transmission & Distribution Equipment	19,495,933	17,438,847
Machinery & Equipment	10,483,739	6,723,759
Office Furniture, Fixtures and Equipment	7,826,031	6,893,434
Leasehold Improvements	3,518,928	3,614,646
Land	2,453,360	2,262,109
Transportation Equipment	2,703,481	2,293,513

Flight Equipment	718,996	713,675
Handling Equipment	255,589	255,589
Others	1,762,302	1,660,612
	285,609,706	266,408,674
Less: Accumulated Depreciation and Amortization	61,044,425	50,527,974
Less: Accumulated Impairment	**3,134,440**	**2,648,160**
TOTALS	**₱221,430,841**	**₱213,232,540**

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

Property, plant and equipment with carrying amount of ₱126.9 bn and ₱125.4 bn as of December 31, 2018 and 2017, respectively, are used to secure the Group's long-term debts.

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

Subsidiary	Description	Location/Address	Condition
Cotabato Light	Industrial land, buildings/plants, equipment	Sinsuat Avenue, Cotabato City	In use for operations
Davao Light	Industrial land, buildings/plants, equipment	P. Reyes Street, Davao City: Bajada, Davao City	In use for operations
VECO	Industrial land, buildings/plants, equipment	Jakosalem Street, Cebu City and J. Panis Street, Cebu City	In use for operations
Pilmico	Industrial land, buildings/plants, equipment	Kiwalan Cove, Dalipuga, Iligan City	In use for operations
Hedcor	Hydropower plants	Kivas, Banengneng, Benguet; Beckel, La Trinidad, Benguet; Bineng, La Trinidad, Benguet; Sal-angan, Ampucao, Itogon,	In use for operations
Hedcor Sibulan	Hydropower plant	Santa Cruz, Sibulan, Davao del Sur	In use for operations
Hedcor Tudaya	Hydropower plant	Santa Cruz, Sibulan, Davao del Sur	In use for operations
Hedcor Sabangan	Hydropower plant	Namatec, Sabangan, Mountain Province	In use for operations
CPPC	Bunker-C thermal power plant	Cebu City, Cebu	In use for operations
EAUC	Buncker-C thermal power plant	Lapu-Lapu City, Cebu	In use for operations
APRI	Geothermal power plants	Tiwi, Albay; Caluan, Laguna; Sto. Tomas, Batangas	In use for operations
TMI	Barge-mounted diesel power plants	Nasipit, Agusan del Norte and Barangay San Roque, Maco, Compostela Valley	In use for operations
PANC	Industrial land, buildings/plants, eqpt. &	Barangay Sto. Domingo ll, Capas,	In use for operations
TMO	Barge-mounted diesel power plants	Navotas Fishport, Manila	In use for operations
GMCP	Coal-fired thermal power plant	Mariveles, Bataan	In use for operations

TVI	Land	Bato, Toledo, Cebu	For plant site
LEZ	Industrial land, buildings/plants, equipment	Lipa City and Malvar, Batangas	In use for operations
BEZ	Buildings/plants, equipment and machineries	Balamban, Cebu	In use for operations
TSI	Coal-fired thermal power plants	Davao City and Davao del Sur	In use for operations
AboitizLand	Raw land and improvements	Metro Cebu, Balamban, Cordova, Mactan, Liloan, Samar, Misamis Oriental,	Existing or undergoing development; for
Lima Land	Raw land and improvements	Lipa and Malvar, Batangas	Existing or undergoing development; for
PETNET	Raw land and improvements	Better Living Subdivision,	In use for operations
PETNET	Raw land and improvements	J. Catolico Avenue cor Matco Road Lagao General Santos	In use for operations
RCBM	Cement manufacturing plants	Barangay Minuyan, Norzagaray, Bulacan; Bo. Bigte, Norzagaray, Bulacan; Bo. Mapulo, Taysan, Batangas; Baranagay Dulumbayan, Teresa, Rizal	In use for operations
RCBM	Cement grinding stations	Bo. Dungo-an, Danao, Cebu	In use for operations
RCII	Cement grinding plant	Baranagay Kiwalan, Iligan City, Iligan	In use for operations

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Locations of Principal Properties and Equipment of Gold Coin Group are as follows:

Subsidiary	Description	Location/Address	Condition
GCKM	Livestock mill (broiler, swine and fish feeds)	Kunming, YunnanProvince, China	In use for operations
GCZZ	Livestock mill (swine, broiler, pigeon feeds and SN	Zhangzhou, Fujian Province, China	In use for operations
GCZH	Livestock mill (poultry, swine, floating fish feeds and	Zhuhai, Guangdong Province, China	In use for operations
GCDG	Livestock mill (poultry, swine, floating fish and	Dongguan, Guangdong Province, China	In use for operations
GCFM-BW	Livestock mill (poultry broiler	West Malaysia	In use for operations
GCFM-PK	Livestock mill (poultry broiler	West Malaysia	In use for operations
GCSSB	Aqua mill (shrimp feed)	Selangor, Malaysia	In use for operations
GCS	Production mill (poultry broiler and layer feed; conducts commodities	Sarawak, East Malaysia	In use for operations
BFF	Production mill (fish meal)	Sarawak, East Malaysia	In use for operations
GCFS	Livestock mill (poultry broiler	Sabah, East Malaysia	In use for operations

GCIBKS	Livestock mill (poultry layer and broiler feed)	Bekasi, Indonesia	In use for operations
GCIMDN	Livestock mill (poultry layer and broiler feed)	Medan, Indonesia	In use for operations
GCISBY	Livestock mill (poultry layer and broiler feed)	Surabaya, Indonesia	In use for operations
GCSILPG	Aqua mill (shrimp feeds)	Lampung, Indonesia	In use for operations
GCSIBKS	Aqua mill (shrimp feeds)	Bekasi, Indonesia	In use for operations
Ayam Unggul	Breeder farm (hatchery)	Bekasi, Indonesia	In use for operations
AFC	Livestock mill (swine feed and some poultry feed; has fish	Hai Duong, North Vietnam	In use for operations
GCFHN	Livestock mill (swine feed and some poultry feed; has fish	Ha Nam, Nort Vietnam	In use for operations
GCFD	Livestock mill (swine feed)	Dong Nai, South Vietnam	In use for operations
GCFL	Livestock mill (poultry feed)	Colombo, Sri Lanka	In use for operations
GCST	Aqua mill (shrimp feed)	Songkhla, Thailand	In use for operations

MATERIAL CONTRACTS

The following summary should not be considered to be a full statement of the terms and provisions of such contract. Accordingly, the following summary is subject to the full text of the contract.

AEV PHP 8 Billion Fixed Rate Bonds Due 2020 and 2023

On November 21, 2013, AEV issued fixed-rate bonds (the "2013 Bonds") in two series: (a) Series A 2013 Bonds, with a term of seven (7) years from issue date, and (b) Series B Bonds, with a term of ten (10) years from issue date. The Series A 2013 Bonds has a fixed interest rate of 4.4125% per annum and an optional redemption on the fifth (5^{th}) year and one (1) quarter from issue date, and on the sixth (6^{th}) year from issue date. On the other hand, the Series B 2013 Bonds has a fixed interest rate of 4.6188% per annum and an optional redemption on the seventh (7^{th}) year form issue date, the eigth (8^{th}) year from issue date, and ninth (9^{th}) year from issue date. First Metro Investment Corporation ("First Metro") acted as the Issue Manager and Lead Underwriter while Metropolitan Bank and Trust Company – Trust Banking Group was appointed as Trustee.

The 2013 Bonds constitute direct, unconditional, unsecured and unsubordinated Peso denominated obligations of the Company and shall rank pari passu and ratably without any preference or priority amongst themselves and at least pari passu in priority of payment with all other present and future unsecured and unsubordinated obligations of the Issuer, other than (i) obligations preferred by the law, (ii) any obligation incurred by the Company pursuant to Section 5.02 (a) of the Trust Agreement for the 2013 Bonds or as may be allowed therein, and (iii) other Indebtedness or obligations disclosed by the Issuer to the Trustee as of the relevant issue date.

Transfers of the Bonds shall be coursed through the Philippine Depository & Trust Corporation ("PDTC") as Registrar. Transfer and/or settlement of the Bonds shall be performed in accordance with the PDTC rules and procedures to be set by the Issuer and Registrar.

The Company is subject to the following negative covenants, among others:

a. Encumbrances - The Company shall not permit any Indebtedness to be secured by or to benefit from any Lien, in favor of any creditor or class of creditors on, or in respect of, any present or future assets or revenues of the Issuer or the right of the Issuer to receive income; Provided, however that this shall not prohibit the following:

   i. any mortgage, charge, pledge, Lien, or other encumbrance or security interests over any asset to secure: (i) payment of the purchase price or cost of leasehold rights of such asset; or (ii) the payment of the cost and expenses for the development of such asset pursuant to any development made or being made by the Issuer in the ordinary course of business; or (iii) the payment of any indebtedness in respect of borrowed money (including extensions and renewals thereof and replacements therefor) incurred for the purpose of financing the purchase, lease or development of such asset;
   ii. Liens or charges for current taxes, assessments, or other governmental charges which are not delinquent or remain payable, without any penalty, or the validity of which is contested in good faith by appropriate proceedings, and adequate reserves have been provided for payment thereof;
   iii. deposits or pledges to secure statutory obligations, surety, or appeal bonds, bonds for release of attachments, stays of execution of injunction, or performance bonds for bids, tenders, contracts (other than for the repayment of borrowed money) or leases in the normal course of business;
   iv. Liens, pledges, charges, and other encumbrances on the properties and assets of the Issuer: (i) imposed by Law, such as carriers' Liens, warehousemen's Liens, mechanics' Liens, unpaid vendors' Liens, and other similar Liens arising in the ordinary course of business; (ii) arising out of pledges or deposits under workmen's compensation Laws, unemployment insurance, old age pensions, or other social security or retirement benefits or similar legislation, or retirement benefit plans of the Issuer; or (iii) arising out of the set-off provision on other agreements of the Issuer relating to Indebtedness;
   v. a mortgage, pledge, or other security interests in favor of banks, insurance companies, other financial institutions, and Philippine government agencies, departments, authorities, corporations of other juridical entities which secure a preferential financing obtained by the Issuer under a governmental program and the aggregate principal amount of such preferential financing does not exceed Thirty Five percent (35%) of the Issuer's total assets;
   vi. any mortgage, charge, pledge, Lien, or other encumbrance or security interests over its cash deposits, short-term cash investments, and marketable investment securities in favor of banks and other financial institutions, which secure (i) any borrowed money in connection with a Treasury Transaction in the ordinary course of business of Issuer, provided that the aggregate amount of security does not at any time exceed United States Dollars: Ten Million (US$10,000,000.00) or its equivalent; and/or (ii) standby letters of credit to be used to guarantee additional equity infusions by the Issuer in its Subsidiaries or Affiliates and/or used in the ordinary course of business of Issuer, its Subsidiaries and/or Affiliates;
   vii. other Liens: (i) created solely by operation of law; and (ii) on such other assets as may be disclosed in writing by the Issuer to the Trustee on or before the Issue Date; and
   viii. any mortgage, charge, pledge, Lien, or other encumbrance or security interests constituted over the investment of the Issuer in any of its affiliate or any Person, whether or not majority owned or Controlled, and whether such investment is in the form of shares, deposits or advances, to guarantee or secure the obligations of the said affiliates;

b. Declaration and Payment of Cash Dividends/Issuance of Share. The Company shall not declare or pay any dividends to its stockholders (other than dividends payable solely in shares of its capital stock and cash dividends due on its then-outstanding preferred shares) or retain, retire, purchase or otherwise acquire any class of its capital stock, or make any other capital or other asset distribution to its stockholders, unless all payments due under the 2013 Bonds are current and updated;

c. Maintenance of Financial Ratios. The Company shall not permit its Net Debt to Consolidated Equity Ratio to exceed 3:1 calculated based on the Company's year-end audited financial statements.

AEV PHP 24 Billion Fixed Rate Bonds Due 2021, 2022, and 2027

On August 5, 2015, AEV issued fixed-rate bonds (the "2015 Bonds") in three series: (a) Series A 2015 Bonds, with a term of five (5) years and three (3) months; (b) Series B 2015 Bonds, with a term of seven (7) years; and (c) Series C 2015 Bonds, with a term of twleve (12) years from issue date. The Series A 2015 Bonds has a fixed interest rate of 4.4722% per annum. The Series B 2015 Bonds has a fixed interest rate of 5.0056% and an optional redemption on the fifth (5^{th}) year and one (1) quarter from issue date, and on the sixth (6^{th}) year from issue date. The Series C 2015 Bonds has a fixed interest rate of 6.0169% and an optional redemption on the seventh (7^{th}), eighth (8^{th}), ninth (9^{th}), and tenth (10^{th}) year from issue date. BPI Capital Corporation ("BPI Capital") acted as the Issue Manager. BPI Capital and First Metro Investment Corporation acted as Joint Lead Underwriters while BPI Asset Management and Trust Corporation was appointed as Trustee.

The 2015 Bonds constitute direct, unconditional, unsecured and unsubordinated Peso denominated obligations of the Company and shall rank pari passu and ratably without any preference or priority amongst themselves and at least pari passu in priority of payment with all other present and future unsecured and unsubordinated obligations of the Issuer, other than (i) obligations preferred by the law, (ii) any obligation incurred by the Company pursuant to Section 5.02 (a) of the Trust Agreement for the 2015 Bonds or as may be allowed therein, and (iii) other Indebtedness or obligations disclosed by the Issuer to the Trustee as of the relevant issue date.

Transfers of the Bonds shall be coursed through the Philippine Depository & Trust Corporation ("PDTC") as Registrar. Transfer and/or settlement of the Bonds shall be performed in accordance with the PDTC rules and procedures to be set by the Issuer and Registrar.

The Company is subject to the following negative covenants, among others:

a. Encumbrances - The Company shall not permit any Indebtedness to be secured by or to benefit from any Lien, in favor of any creditor or class of creditors on, or in respect of, any present or future assets or revenues of the Issuer or the right of the Issuer to receive income; Provided, however that this shall not prohibit the following:

    i. any Lien over any asset to secure: (i) payment of the purchase price or cost of leasehold rights of such asset; or (ii) the payment of the cost and expenses for the development of such asset pursuant to any development made or being made by the Issuer in the ordinary course of business; or (iii) the payment of any indebtedness in respect of borrowed money (including extensions and renewals thereof and replacements therefor) incurred for the purpose of financing the purchase, lease or development of such asset;

ii. Liens or charges for current taxes, assessments, or other governmental charges which are not delinquent or remain payable, without any penalty, or the validity of which is contested in good faith by appropriate proceedings, and adequate reserves have been provided for payment thereof;
iii. any Lien to secure, in the normal course of the business of the Issuer or its affiliates: (x) statutory or regulatory obligations; or (y) performance of bids, tenders, contracts (other than for the repayment of borrowed money) or leases;
iv. any Lien to secure, in relation to a pending judicial, administrative, or arbitral proceeding, the Issuer or its affiliates' (x) surety or appeal bonds; or (y) bonds for release of attachment, stay of execution or injunction;
v. any Lien constituted for the purpose of guaranteeing an affiliate's obligation in connection with any contract or agreement that has been assigned to such affiliate by the Issuer;
vi. any Lien constituted for the purpose of guaranteeing an obligation in connection with any contract or agreement of sale of any asset by the Issuer, provided that the Lien is removed or discharged within twelve (12) months of the date of the sale of the asset;
vii. any Lien created over (i) deposits made by the Issuer with the proceeds of any loan facility made to it by any bank or financial institution denominated in a currency other than Philippine Pesos ("foreign currency"); or (ii) financial instruments denominated in foreign currency owned by the Issuer, in each case solely for the purposes of raising an equivalent amount of Peso denominated indebtedness
viii. any Lien on the properties and assets of the Issuer: (i) imposed by Law, such as carriers' Liens, warehousemen's Liens, mechanics' Liens, unpaid vendors' Liens, and other similar Liens arising in the ordinary course of business; (ii) arising out of pledges or deposits under workmen's compensation Laws, unemployment insurance, old age pensions, or other social security or retirement benefits or similar legislation, or retirement benefit plans of the Issuer; or (iii) arising out of the set-off provision on other agreements of the Issuer relating to Indebtedness;
ix. any Lien in favor of banks, insurance companies, other financial institutions, and Philippine government agencies, departments, authorities, corporations of other juridical entities which secure a preferential financing obtained by the Issuer under a governmental program and the aggregate principal amount of such preferential financing does not exceed Thirty Five percent (35%) of the Issuer's total assets;
x. any Lien over its cash deposits, short-term cash investments, and marketable investment securities in favor of banks and other financial institutions, which secure (i) any borrowed money in connection with a Treasury Transaction in the ordinary course of business of Issuer, provided that the aggregate amount of security does not at any time exceed United States Dollars: Ten Million (US$10,000,000.00) or its equivalent; and/or (ii) standby letters of credit to be used to guarantee additional equity infusions by the Issuer in its Subsidiaries or Affiliates and/or used in the ordinary course of business of Issuer, its Subsidiaries and/or Affiliates;
xi. other Liens: (i) created solely by operation of law; and (ii) on such other assets, whether constituted before or after the Issue Date, as may be disclosed in writing by the Issuer to the Trustee on or before the execution of the Trust Agreement; and
xii. any Lien constituted over the investment of the Issuer in any of its affiliate, and whether such investment is in the form of shares, deposits or advances to guarantee or secure the obligations of the said affiliates;

b. Declaration and Payment of Cash Dividends/Issuance of Share. The Company shall not declare or pay any dividends to its stockholders (other than dividends payable solely in shares of its capital stock and cash dividends due on its then-outstanding preferred shares) or retain, retire, purchase or otherwise acquire any class of its capital stock, or make any other capital or other asset distribution to its stockholders, unless all payments due under the 2015 Bonds are current and updated;

c. Maintenance of Financial Ratios. The Company shall not permit its Net Debt to Consolidated Equity Ratio to exceed 3:1 calculated based on the Company's year-end audited financial statements.

CERTAIN LEGAL PROCEEDINGS

AEV and its Subsidiaries are currently involved in various legal proceedings in the ordinary conduct of their businesses. The Company believes that the results of these actions will not have a material effect on the Company's financial position and results of operations.

The material pending legal proceedings involving the Company and its Subsidiaries are as follows:

G.R. No. 210245 entitled "Bayan Muna Representative Neri Javier Colmenares, et al. vs. Energy Regulatory Commission, et al.", Supreme Court; December 19, 2013
G.R. No. 210255 entitled "National Association of Electricity Consumers for Reforms, et al. vs. Manila Electric Company, et al.", Supreme Court; December 20, 2013
G.R. No. 210502 entitled "Manila Electric Company, et al. v Philippine Electricity Market Corporation, et al.", Supreme Court; January 8, 2014

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

These cases raised, among others: (a) the legality of Section 6, 29 and 45 of the EPIRA; (b) the failure of ERC to protect consumers from high prices of electricity; and (c) the alleged market collusion by the generation companies.

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

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

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

On February 7, 2019, petitioners in case no. G.R. No. 210245 filed their Motion for Directions, Status Updates and Immediate Resolution. As of February 28, 2019, these cases before the Supreme Court are still pending resolution and the Supreme Court has not lifted the TRO.

SC GR No. 224341 entitled Philippine Electricity Market Corporation vs Therma Mobile, Inc., Supreme Court [CA G.R. SP No. 140177 entitled "PEMC v. Therma Mobile Inc.", Court of Appeals, Manila]
[SP Proc. No. 12790 entitled "Therma Mobile Inc. v. PEMC", Regional Trial Court Branch 157-Pasig City]
[PEMC ECO-2014-0009 entitled "Therma Mobile, Inc. (TMO Power Plants Units 1-4) Possible Non-Compliance with Must-Offer-Rule, Investigation Summary Report, dated August 4, 2014"]

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

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

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

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

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

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

On February 16, 2015, TMO filed an Urgent Petition for the Issuance of Interim Measures of Protection for the Issuance of a Writ of Preliminary Injunction with prayer for Temporary Order of Protection before the Pasig City RTC. In its Order dated February 24, 2015, the RTC granted TMO a 20-day temporary order of protection and directed PEMC to (a) refrain from demanding or collecting the amount of ₱234.9 mn as financial penalty; (b) refrain from charging interest on the financial penalty and having the same accrue; and (c) refrain from transmitting PEMCECO’s investigation report to the ERC. TMO posted a bond in the amount of ₱234.9 mn to answer for any damage that PEMC may suffer as a result of the Order. On April 1, 2015, the RTC rendered a Decision in favor of TMO. PEMC filed a Petition for Review with Prayer for Temporary Restraining Order and/or Writ of Preliminary Injunction before the Court of Appeals (CA) which sought to reverse and set aside the Decision of the RTC.

On December 14, 2015, the CA rendered a Decision denying PEMC’s Petition for Review and affirming the April 1, 2015 Decision of RTC in favor of TMO.

On June 6, 2016, PEMC filed a Petition for Review on Certiorari with the Supreme Court to assail the December 14, 2015 CA Decision. On November 14, 2016, TMO filed its Comment to PEMC’s Petition for Review. In its Motion for Leave to File Reply to Comment dated December 9, 2016, PEMC prayed with the Supreme Court that it be granted leave to file its Reply. On June 1, 2017, TMO received the

Supreme Court Notice dated March 29, 2017 with an attached Resolution. In the Resolution, the Supreme Court noted TMO's Comment and PEMC's Reply.

As of February 28, 2019, PEMC's Petition is still pending before the Supreme Court.

Consolidated Regulated Price Case against the Energy Regulatory Commission, Petition for Review on Certiorari, Court of Appeals, Manila;
ERC Case No. 2014-021 MC entitled "In the Matter of the Prices in the WESM for the Supply Months of November and December 2013 and the Exercise by the Commission of its Regulatory Powers to Intervene and Direct the Imposition of Regulated Prices therein without Prejudice to the On-going Investigation on the Allegation of Anti- Competitive Behavior and Possible Abuse of Market Power Committed by Some WESM Participants"
March 28, 2014

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

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

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

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

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

On November 7, 2017, the Court of Appeals granted the Petitions. The ERC's March 3, 2014 Order, among other orders, were declared null and void, and the Luzon WESM market prices in November and December 2013 were declared valid and therefore reinstated.

Thereafter, ERC and Meralco filed their respective motions for reconsideration. Several entities also filed motions to intervene in the case. APRI, TLI and TMO filed their oppositions to the motions for reconsideration and motions to intervene. The Court of Appeals denied the motions to intervene filed by several entities, which thereafter filed their motions for reconsideration.

As of February 28, 2019, the motions for reconsideration relating to the Court of Appeals November 7, 2017 Decision and relating to the Court of Appeals' denial of the motions to intervene are still pending resolution with the Court of Appeals.

MARKET FOR ISSUER'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

MARKET INFORMATION

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

The high and low stock prices of AEV's common shares for each quarter for the past two years and first quarter of 2019 were as follows:

	2019		2018		2017	
	High	Low	High	Low	High	Low
First Quarter	N/A	N/A	79.00	67.50	75.30	70.55
Second Quarter	N/A	N/A	69.85	53.95	77.65	72.75
Third Quarter	N/A	N/A	61.55	44.10	75.95	72.50
Fourth Quarter	N/A	N/A	56.90	44.85	75.75	67.50

The closing price of AEV common shares, as of March 26, 2019 is ₱58.75 per share.

HOLDERS

As of January 31, 2019, AEV has 8,909 stockholders of record, including PCD Nominee Corporation (Filipino) and PCD Nominee Corporation (Foreign). Common shares outstanding as of same date were 5,632,792,557 shares.

The top 20 stockholders of AEV as of January 31, 2019 are as follows:

	STOCKHOLDER	NATIONALITY	COMMON SHARES	% OF TOTAL COMMON SHARES ISSUED
1	Aboitiz & Company, Inc.	Filipino	2,735,600,915	48.57%
2	PCD Nominee Corporation (Filipino)	Filipino	801,851,868	14.24%
3	PCD Nominee Corporation (Non-	Non-Filipino	514,689,488	9.14%
4	Ramon Aboitiz Foundation, Inc.	Filipino	424,538,863	7.54%
5	Sanfil Management Corporation	Filipino	120,790,211	2.14%
6	Chanton Management & Development Corporation	Filipino	62,118,484	1.10%
7	Windemere Management & Development Corporation	Filipino	49,666,352	0.88%
8	Donya 1 Management & Development Corporation	Filipino	41,054,511	0.73%
9	Morefund Management & Development Corporation	Filipino	37,918,115	0.67%
10	Bauhinia Management Inc.	Filipino	34,683,799	0.62%
11	Anso Management Corporation	Filipino	30,369,707	0.54%
12	MYA Management & Development Corporation	Filipino	22,494,414	0.40%
13	Luis Miguel O. Aboitiz	Filipino	20,092,133	0.36%

14	Guada Valley Holdings Corporation	Filipino	17,688,445	0.31%
15	Parraz Development Corporation	Filipino	14,483,067	0.26%
16	Annabelle O. Aboitiz	Filipino	13,975,834	0.25%
17	Ma. Cristina Aboitiz; Jaime Jose	Filipino	13,605,767	0.24%
18	Mary Anne Aboitiz Arculli	Filipino	10,767,556	0.19%
19	Arrayanes Corporation	Filipino	10,650,070	0.19%
20	UnionBank TISG For IMA#PH3Q201	Filipino	8,709,900	0.15%
	SUB-TOTAL		**4,985,749,499**	**88.51%**
	Other Stockholders		**647,043,058**	**11.49%**
	TOTAL SHARES		**5,632,792,557**	**100.00%**
	NET ISSUED AND OUTSTANDING SHARES		**5,632,792,557**	**100.00%**

DIVIDENDS

The cash dividends declared by AEV to common stockholders from fiscal year 2015 to the first quarter of 2019 are shown in the table below:

Year	Cash Dividend Per Share	Declaration Date	Total Declared	Record Date	Payment Date
2019 (regular)	₱1.32	03/07/2019	₱7.44 bn	03/21/2019	04/05/2019
2018 (regular)	₱1.28	03/08/2018	₱7.21 bn	03/22/2018	04/12/2018
2017 (regular)	₱1.33	03/07/2017	₱7.49 bn	03/21/2017	04/10/2017
2016 (regular)	₱1.06	03/08/2016	₱5.89 bn	03/22/2016	04/19/2016
2015 (regular)	₱1.11	03/10/2015	₱6.15 bn	03/24/2015	04/20/2015

In a special meeting held on January 11, 2007, the AEV Board of Directors approved the policy of distributing at least 1/3 of its previous year’s earnings as cash dividends to its stockholders for subsequent years.

RECENT SALES OF UNREGISTERED OR EXEMPT SECURITIES, INCLUDING RECENT ISSUANCE OF SECURITIES CONSTITUTING AN EXEMPT TRANSACTION

AEV does not have any recent sales of unregistered or exempt securities including recent issuances of securities constituting an exempt transaction.

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

The following discussion and analysis of Aboitiz Equity Ventures Inc.'s (AEV, Parent Company, or the Company) consolidated financial condition and results of operations should be read in conjunction with the consolidated financial statements and accompanying schedules and disclosures set forth elsewhere in this report. The discussion and analysis of the Company's results of operations is presented in two comparative sections: for the year ended 31 December 2018 compared with the year ended 31 December 2017, and the year ended 31 December 2017 compared with the year ended 31 December 2016.

Prospective investors should read this discussion and analysis of the Company's consolidated financial condition and results of operations in conjunction with the consolida ted financial statements and the notes thereto set forth elsewhere in this report. Prospective investors should read this discussion and analysis of the Company's consolidated financial condition and results of operations in conjunction with the consolidated financial statements and the notes thereto set forth elsewhere in this report.

YEAR ENDED 31 DECEMBER 2018 VERSUS YEAR ENDED 31 DECEMBER 2017

TOP FIVE KEY PERFORMANCE INDICATORS

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

1. EQUITY IN NET EARNINGS OF INVESTEES

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

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

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

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

3. CASH FLOW GENERATED

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

4. **CURRENT RATIO**

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

5. **DEBT-TO-EQUITY RATIO**

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

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

	JAN-DEC 2018	JAN-DEC 2017
EQUITY IN NET EARNINGS OF INVESTEES	**7,727,663**	9,053,733
EBITDA	**60,653,429**	56,977,228
CASH FLOW GENERATED:		
Net cash flows from operating activities	**30,417,349**	32,237,312
Net cash flows used in investing activities	**(30,762,255)**	(11,304,774)
Net cash flows used in financing activities	**(13,223,356)**	(19,458,941)
Net Increase (Decrease) in Cash & Cash Equivalents	**(5,568,262)**	1,473,597
Cash & Cash Equivalents, Beginning	**64,870,214**	63,857,528
Cash & Cash Equivalents, End	**59,033,029**	64,870,214
	DEC 31, 2018	**DEC 31, 2017**
CURRENT RATIO	**1.76**	1.61
DEBT-TO-EQUITY RATIO	**1.55**	1.56

As can be gleaned from the resulting KPI values, 2018 is another solid year for the Group in terms of operating performance and financial stability. Profitability had been sustained and financial position remained strong and liquid.

With the fresh contributions from the newly operating plants of Pagbilao Energy Corporation (PEC) and Hedcor Bukidnon, Inc. (Hedcor Bukidnon) and the newly acquired feeds business of Gold Coin Management Holdings Limited (GCMH), consolidated EBITDA increased by 6.5%. Meanwhile, associates and joint ventures (JV) continued to generate substantial earnings and enhance the consolidated bottomline despite the 15% decline in their income contribution to the Group.

Consolidated EBITDA translated into substantial cash inflows coming from subsidiaries' operations and from dividend payments of associates and JVs. The internally-generated funds were then used to partially finance capital expenditures, settle maturing financial obligations and pay cash dividends.

With equity growing more than debt during the year, debt-to-equity ratio moved down to 1.55x (versus end-2017's 1.56x). Simultaneously, current ratio improved to 1.76x (versus end-2017's 1.61x) as the growth in current assets outpaced the growth of current liabilities.

REVIEW OF JAN-DEC 2018 OPERATIONS VERSUS JAN-DEC 2017

RESULTS OF OPERATIONS

For the year ended December 31, 2018, AEV and its subsidiaries posted a consolidated net income of ₱22.23 billion, a 3% year-on-year (YoY) increase. This translated to an earnings per share of ₱3.95 for the year in review. In terms of income contribution, Power Group still accounted for the bulk at 73%, followed by the Banking and Financial Services, Food, Real Estate and Infrastructure Groups at 16%, 7%, 3% and 1%, respectively.

In 2018, the Group generated non-recurring losses of ₱891 million (versus ₱2.30 billion losses in 2017), comprising net unrealized forex losses and asset impairment costs. Stripping out these one-off items, the Group's core net income for the year amounted to ₱23.12 billion, 3% lower than last year. AEV recorded a 6.5% increase in consolidated EBITDA for 2018, from ₱56.98 billion to ₱60.66 billion.

BUSINESS SEGMENTS

The individual performance of the major business segments for the year in review is discussed as follows:

Power

Aboitiz Power Corporation (AP) ended the year with an income contribution of ₱16.69 billion, a 6% increase from last year's ₱15.70 billion. Netting out unrealized forex losses and impairment costs recognized during the year, AP's contribution to the Group's core net income increased by 2% from ₱17.95 billion to ₱18.31 billion.

With the fresh income contributions of PEC and Hedcor Bukidnon, Power Generation and Retail Supply Group's bottomline contribution to AEV increased by 12% from ₱13.71 billion to ₱15.35 billion for the year. Adjusted for non-recurring items, Generation and Retail Supply Group's core net income contribution remained flat at ₱16.1 billion.

Capacity sold for the year was flat YoY, from 3,167 megawatts (MW) in 2017 to 3,152 MW in 2018.

Power Distribution Group's earnings contribution to AEV decreased by 5% YoY from ₱3.29 billion to ₱3.12 billion in 2018. Stripping out impairment costs, its recurring earnings contribution grew 6% YoY from ₱3.18 billion to ₱3.36 billion in 2018. This increase was mainly attributable to electricity sales which increased by 5% to 5,540 gigawatthours (GWh), as compared to last year. This was a result of increased consumption across all customer segments.

Banking & Financial Services

Income contribution from this industry group decreased by 13%, from ₱4.12 billion to ₱3.58 billion for the year.

On a stand-alone basis, Union Bank of the Philippines (UBP) and its subsidiaries recorded a net income of ₱7.32 billion for 2018, down 13% compared to the ₱8.40 billion earned in 2017. The decrease was primarily due to lower income contribution from CitySavings Bank resulting from lower loan releases to teachers.

Food

Income contribution from Food subsidiaries (Philippine-based Pilmico Foods Corporation and its subsidiaries, and foreign-based Pilmico International Pte. Ltd. and its subsidiaries which include the GCMH Group) decreased by 8% to ₱1.56 billion from ₱1.70 billion in 2017. On a recurring basis, Feeds Philippines and Farms showed a decrease in income contributions while Pilmico International reported an increase. Feeds Philippines' 38% YoY decline in net income was due to increased raw materials costs which negatively affected profit margins. Farms' net income decreased 15% YoY due to lower biological asset revaluation gains. These decreases were partly offset by the growth in Pilmico International's net earnings, primarily due to the fresh income contribution of GCMH - an expansion in one of Pilmico's core feed milling businesses - which mitigated the effects of higher input costs to Pilmico International's animal and aqua feeds businesses.

Real Estate

Income contribution of Aboitiz Land, Inc. (AboitizLand) amounted to ₱645 million, down 13% from ₱744 million last year. This decrease was due to the absence of fair valuation gains on investment properties during 2018.

Infrastructure

Republic Cement and Building Materials, Inc.'s (Republic) income contribution to AEV in 2018 decreased by 68% from ₱671 million in 2017 to ₱213 million in 2018. 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.

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

For the year ended December 31, 2018, consolidated net income allocable to the equity holders of AEV registered a 3% YoY increase, reaching ₱22.23 billion from ₱21.61 billion posted in the previous year.

Operating profit for 2018 amounted to ₱39.16 billion, a 7% increase YoY, as the ₱36.52 billion increase in revenues surpassed the ₱33.94 billion rise in costs and expenses. This increase was mainly attributed to the performance of the Power Group.

Power subsidiaries reported a 7% YoY increase in operating profit from ₱34.17 billion to ₱36.50 billion mainly due to the fresh earnings before interest and taxes (EBIT) contribution from PEC and Hedcor Bukidnon.

Share in net earnings of associates and JVs declined by 15% YoY (₱7.73 billion vs ₱9.05 billion in 2017) due to the decrease in income contributions from the following: i.) SN Aboitiz Power-Magat (SNAP-Magat) and SN Aboitiz Power-Benguet (SNAP-Benguet) resulting from lower hydrology in 2018 as compared to the higher-than-usual hydrology levels in 2017; ii.) UBP largely attributable to the lower 2018 net earnings of one of its subsidiaries, CitySaving Bank; and iii.) Republic owing to significantly higher fuel and power costs in 2018.

The growth in operating profit and other income more than offset the decrease in equity earnings and higher interest expense, and as a result, pulled up the Group's overall profitability. Net interest expense increased by ₱1.42 billion or 12% YoY resulting from higher average debt level in 2018. Other income increased to ₱1.41 billion from ₱26 million other expense in 2017. This improvement was mainly due to Power Group's collection of settlements with suppliers in 2018 (vs nil in 2017) and higher impairment costs in 2017, partly offset by higher foreign exchange losses in 2018.

Net income attributable to non-controlling interests (NCI) increased to ₱9.01 billion from ₱7.67 billion in 2017, substantially due to the increase in consolidated net income of AP, and recognition of the NIAT share of GCMH's minority shareholders.

AEV's consolidated comprehensive income attributable to equity holders increased by 3% from ₱22.56 billion in 2017 to ₱23.24 billion in 2018. The 3% increase in consolidated net income accounted for majority of this increase.

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

Assets

Compared to year-end 2017 level, consolidated assets increased 13% to ₱554.59 billion as of December 31, 2018, due to the following:

a. Trade and other receivables, inclusive of noncurrent portion, increased by 50% (₱37.24 billion vs ₱24.77 billion as of December 31, 2017) mainly due to the first-time consolidation of GCMH's ₱3.93 billion accounts receivable, and higher level of Power Group's receivables substantially owing to the take-up of PSALM deferred adjustments in the books of Davao Light & Power Co., Inc. (DLP) and Visayan Electric Co., Inc. (VECO). The recorded receivables represent PSALM deferred adjustments (Generation Rate Adjustment Mechanism and Incremental Currency Exchange Rate Adjustment) that are to be recovered from customers or to be collected from PSALM.

b. Inventories and Land and Improvements increased by 51% (₱24.44 billion vs ₱16.14 billion as of December 31, 2017). The P9.32 billion rise in Inventories was mainly due to the following: i.) first-time consolidation of GCMH's ₱5.74 billion inventory; ii.) higher raw materials and real property inventories of the Food Group and Real Estate Group, respectively; and iii.) higher coal inventory of the Power Group. This increase was partly offset by the P1.35 billion decline in Land and Improvement resulting from the reclassification of lots to be developed from Land and Improvements to Real Estate Inventory.

c. Gross of depreciation expense, the resulting ₱19.66 billion combined growth in Property Plant and Equipment (PPE), Property Held for Sale and Investment Properties (IP) was mainly due to the following: 1.) ₱4.86 billion on-going construction of AP's power plants; 2.) ₱8.94 billion various capex of Power, Food and Real Estate groups; 3.) ₱4.78 billion first-time consolidation of GCMH PPE; and 4.) ₱1.0 billion upward translation adjustment by power subsidiaries using US dollar as functional currency and fair valuation gains on investment properties. Property Held for Sale (₱676 million vs nil in 2017) refers to transmission assets that will be transferred and sold to the NGCP in the next 12 months, and have been reclassified from PPE.

d. Investments in and Advances to Associates and JVs increased by 17% (₱106.96 billion vs ₱91.61 billion as of December 31, 2017) mainly due to the ₱5.38 billion additional acquisition of UBP shares, AP's ₱2.50 billion capital infusion into GN Power Dinginin Ltd. Co. (GNPD),

₱3.33 billion reversal of share of mark-to-market (MTM) losses on AFS investments of an associate, ₱924 million share of retained earnings adjustment of an associate resulting from the adoption of PFRS 9, ₱464 million share of associates' cumulative translation adjustments, and recording of ₱7.73 billion share in net earnings of associates and JVs. This increase was partially reduced by the ₱5.14 billion cash dividends received from associates and JVs during the period.

e. Intangible Asset - service concession right increased by 24% (₱3.79 billion vs ₱3.06 billion as of December 31, 2017) mainly due to capitalized repairs done during the year.

f. Other Current Assets (OCA) rose by 44% (₱17.99 billion vs ₱12.44 billion as of December 31, 2017) mainly due to Therma South, Inc.'s ₱2.65 billion increase in restricted cash representing the cash reserve to be maintained in compliance with the covenants of its project debt. Therma Visayas, Inc.'s ₱1.72 billion advances receivable from NGCP related to the construction of a transmission line also contributed to the increase of this account in 2018.

g. Debt Investments at Amortized Cost, formerly classified as Held-to-Maturity Investments, increased to ₱454 million from ₱189 million as of December 31, 2017. This was mainly due to additional acquisitions made of this type of financial product during the year.

h. Deferred Income Tax Assets increased by 52% (₱2.32 billion vs ₱1.53 billion as of December 31, 2017) mainly due to the corresponding deferred tax benefits recognized on the unrealized forex losses and asset impairment provision recorded by the Power Group during the year.

i. Goodwill increased by 36% (₱56.26 billion vs ₱41.31 billion as of December 31, 2017) due to the new ₱15.52 billion goodwill generated on the acquisition of GCMH during the year, partly offset by the de-consolidation of the ₱524 million goodwill resulting from the disposal of PETNET.

The above increases were tempered by the following decreases:

a. Cash & Cash Equivalents decreased by 9% (₱59.03 billion vs ₱64.87 billion as of December 31, 2017) as the funds used in investment acquisitions and repayment of maturing obligations exceeded the funds generated from operations and long-term loan availment.

b. Derivative Assets, net of Derivative Liabilities (current and non-current) decreased by 55% (₱131 million vs ₱294 million as of December 31, 2017) mainly due to MTM losses recognized on existing swap and forward contracts of the Power Group.

c. Investments in Financial Assets at Fair Value to Profit or Loss (FVTPL) and at FV to Other Comprehensive Income (FVOCI), formerly classified as Available-for-sale (AFS) Investments, decreased by 25% (₱579 million vs ₱773 million as of December 31, 2017) mainly due to disposals made during the period.

Liabilities

Consolidated short-term bank loans increased by 14% (₱26.98 billion vs ₱23.70 billion as of December 31, 2017) mainly due to the first-time consolidation of GCMH's ₱2.35 billion bank loans, ₱7.31 billion availment of the Power and Real Estate Groups, partly offset by ₱6.26 billion repayment made by Food Group. Long-term debt likewise increased by 8% (₱258.54 billion vs ₱238.54 billion as of December 31, 2017) substantially due to the following: a.) AEV International's availment of ₱11.79 billion loan, b.) AP's retail bond issuance of ₱10.2 billion, c.) GMCP's availment of ₱9.04 billion loan, d.) ₱6.20 billion loan availment by other power companies, e.) first-time consolidation of GCMH's ₱2.37 billion loan, and f.) ₱4.54 billion non-cash upward movement due to amortization of deferred financing costs and forex differential. This was partly offset by the prepayment of ₱15.10 billion Therma Power, Inc. (TPI) loan, ₱6.70 billion settlement of maturing loans and ₱2.33 billion decrease in finance lease obligation due to amortizations paid.

Trade and other payables, inclusive of noncurrent portion, increased by 51%, from ₱25.42 billion to ₱38.42 billion, mainly due to the first-time consolidation of GCMH's ₱9.13 billion trade payables and the take-up of the PSALM deferred adjustments at DLP and VECO. The recorded payables represent PSALM deferred adjustments (Generation Rate Adjustment Mechanism and Incremental Currency Exchange Rate Adjustment) that are to be remitted to PSALM or refunded to customers.

Income tax payable decreased by 24%, from ₱703 million to ₱535 million, mainly due to lower income tax liability of the Power Group for the year.

Asset retirement obligation (ARO) increased by 24% from P2.96 billion to P3.68 billion due to the upward revaluation adjustment recognized during the year on this future obligation.

Pension liability, net of pension asset, increased by 47%, from ₱223 million to ₱328 million, mainly due to the decline in the fair value of the investment in traded equity securities owned by the retirement fund of the Company. This was attributable to the drop in market prices of these securities at the end of 2018.

Deferred Income Tax Liabilities (DTL) increased by 48% (₱2.39 billion vs ₱1.62 billion as of December 31, 2017) mainly due to the first-time consolidation of GMCH's ₱600 million DTL.

Equity

Equity attributable to equity holders of the parent increased by 13% from year-end 2017 level of ₱154.70 billion to ₱174.71 billion mainly due to the ₱22.23 billion net income recorded during the year, ₱3.33 billion reversal of share of MTM losses on AFS investments of UBP, ₱903 million increase in cumulative translation adjustment, and ₱497 million retained earnings adjustment related to first-time adoption of PFRS 9 & 15. These increases were partly offset by the ₱7.21 billion cash dividends paid.

<u>MATERIAL CHANGES IN LIQUIDITY AND CASH RESERVES OF REGISTRANT</u>

For the year ended December 31, 2018, the Group continued to support its liquidity mainly from cash generated from operations, additional loans availed and dividends received from associates.

Compared to the cash inflow in 2017, consolidated cash generated from operating activities in 2018 increased by ₱6.18 billion to ₱38.42 billion mainly due to the growth in earnings before interest, depreciation and amortization (EBIDA), partly offset by higher working capital requirements.

The year ended with ₱30.76 billion net cash used in investing activities versus ₱11.30 billion last year. This was mainly due to the acquisition of GCMH and higher cash disbursed on additional investments in associates.

Net cash used in financing activities was ₱13.22 billion versus ₱19.46 billion in 2017. The decrease was largely attributed to the higher net bank borrowings in 2018 (₱18.82 billion versus ₱7.85 billion in 2017), partly offset by higher interest payments and dividends paid to minority shareholders during the year.

For the year in review, net cash outflows surpassed cash inflows, resulting in a 9% decrease in cash and cash equivalents from ₱64.87 billion as of year-end 2017 to ₱59.03 billion as of December 31, 2018.

FINANCIAL RATIOS

Financial ratios remained healthy. Current ratio improved from year-end 2017's 1.61x to 1.76x at the end of 2018 as the growth in current assets outpaced the increase in current liabilities. Debt-to-equity ratio likewise improved from year-end 2017's 1.56:1.to 1.55:1 at the end of 2018.

YEAR ENDED 31 DECEMBER 2017 VERSUS YEAR ENDED 31 DECEMBER 2016

TOP FIVE KEY PERFORMANCE INDICATORS

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

1. EQUITY IN NET EARNINGS OF INVESTEES

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

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

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

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

3. CASH FLOW GENERATED

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

4. CURRENT RATIO

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

5. DEBT-TO-EQUITY RATIO

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

KEY PERFORMANCE INDICATORS (KPI)

(Amounts in thousands except financial ratio data)

	JAN-DEC 2017	JAN-DEC 2016
EQUITY IN NET EARNINGS OF INVESTEES	**9,053,733**	9,651,787
EBITDA	**56,977,228**	48,127,754
CASH FLOW GENERATED:		
Net cash flows from operating activities	**32,237,312**	32,013,422
Net cash flows used in investing activities	**(11,304,774)**	(84,668,374)
Net cash flows used in financing activities	**(19,458,941)**	52,848,445
Net Increase (Decrease) in Cash & Cash Equivalents	**1,473,597**	193,493
Cash & Cash Equivalents, Beginning	**63,857,528**	63,581,884
Cash & Cash Equivalents, End	**64,870,214**	63,857,528
	DEC 31, 2018	**DEC 31, 2017**
CURRENT RATIO	**1.61**	2.51
DEBT-TO-EQUITY RATIO	**1.56**	1.68

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

Management teams of the different business units continued to effectively handle their respective operations and financial requirements. As a result, profitability was sustained and the Group's financial position remained strong and liquid.

Associates continued to generate substantial earnings and enhance the Group's consolidated bottomline despite the 6% decline in their income contribution to the Group during the period in review. Consolidated EBITDA, which increased by 18% during 2017, translated into additional cash inflows coming from subsidiaries' operations and from dividend payments of associates. These internally-generated funds were then used to partially finance capital expenditures, settle maturing financial obligations, and pay cash dividends.

With substantial long-term debt prepayments and growth in equity during 2017, debt-to-equity ratio moved down to 1.56x (versus end-2016's 1.68x). Meanwhile, the end-2017 current ratio stood at 1.61x (versus end-2016's 2.51x) as current liabilities grew more than current assets.

REVIEW OF JAN-DEC 2017 OPERATIONS VERSUS JAN-DEC 2016

RESULTS OF OPERATIONS

For the year ended December 31, 2017, AEV and its subsidiaries posted a consolidated net income of ₱21.61 billion, a 4% year-on-year (YoY) decrease. This translates to an earnings per share of ₱3.84 for the year in review. In terms of income contribution, Power Group still accounted for the bulk at 69%, followed by the Banking and Financial Services, Food, Real Estate and Infrastructure Groups at 18%, 7%, 3% and 3%, respectively.

The Group generated a non-recurring net loss of ₱2.30 billion during 2017 (versus a ₱347 million loss in 2016) mainly from the Power Group's asset impairment and debt prepayment costs, partially reduced by a one-off recognition of lower interest expense from an acquired loan. Stripping out these one-off items, the Group’s core net income for the year amounted to ₱23.91 billion, 5% higher than last year. AEV recorded an 18% increase during 2017 in consolidated earnings before interest, tax, depreciation and amortization (EBITDA), from ₱48.13 billion to ₱56.98 billion.

BUSINESS SEGMENTS

The following discussion describes the performance of the major business segments for 2017.

Power

Aboitiz Power Corporation's (AP) income contribution for 2017 was ₱15.70 billion, a 2% increase from 2016's ₱15.38 billion. Netting out impairment costs on its Aseagas Corporation (Aseagas) investment, pretermination costs on the refinancing made by its subsidiary, GNPower Mariveles Coal Plant Ltd. Co. (GMCP), and a one-off recognition of lower interest expense from an acquired loan, AP's contribution to core net income grew by 13% from ₱15.85 billion in 2016 to ₱17.95 billion in 2017.

Power Generation Group's bottomline contribution to AEV grew 9% during 2017 from ₱12.05 billion to ₱13.12 billion. Adjusted for non-recurring items, Generation Group's core net income contribution increased by 19% YoY to ₱15.51 billion. This improvement was substantially attributed to the strong performance of the Power Generation Group's hydro units and the full-period income contributed by GMCP, which was acquired in December 2016.

The Power Generation Group's capacity sold during 2017 increased by 41% year-on-year (YoY), from 2,223 megawatts (MW) to 3,124 MW, mainly driven by the additional capacity of GMCP, higher generation of its hydro units, and an increase in capacities contracted.

Power Distribution Group's earnings contribution to AEV increased by 16% during 2017 from ₱2.82 billion to ₱3.29 billion. Attributable electricity sales of 5,288 GWh increased by 4% during 2017. Gross margin per kilowatthour (kWh) for 2017 increased to ₱1.73 from ₱1.59 in 2016. The improved margins resulted from adequate power supply, better supply mix, and recoveries on purchased power costs.

Banking & Financial Services

Income contribution from this industry group declined by 16%, from ₱4.91 billion in 2016 to ₱4.12 billion in 2017.

On a stand-alone basis, Union Bank of the Philippines (UBP) and its subsidiaries recorded a net income of ₱8.4 billion for 2017, 17% lower compared to the ₱10.1 billion earned in 2016. The decline was primarily due to a ₱3.8 billion one-off trading gain booked in the third quarter of 2016.

UBP’s net income excluding securities trading gains, however, grew by 31% to ₱8.2 billion in 2017 from ₱6.2 billion in 2016.

PETNET Inc. contributed ₱20 million during 2017 from a loss of ₱2 million in 2016.

Food

Income contribution from Pilmico Foods Corporation (PILMICO) and its subsidiaries decreased by 2% during 2017 to ₱1.7 billion from ₱1.73 billion the previous year. For 2017, Feeds Philippines and Flour both reported decreases in income contribution while Farms and Feeds Vietnam both showed increases. The decline in net earnings of Feeds Philippines and Flour was largely due to higher raw material and operating costs. On the other hand, Feeds Vietnam reported an increase in bottomline during 2017 due to growth of commercial and export product lines and some foreign exchange gains. For Farms, the recovery during 2017 in live hog selling prices resulted in improved profits.

Real Estate

Income contribution of Aboitiz Land, Inc. (AboitizLand) during 2017 amounted to ₱744 million, up 295% from ₱188 million in 2016. This growth was mainly attributed to higher industrial lot sales, improved construction progress by the residential business unit, and healthy occupancy levels from the commercial business unit. AboitizLand also recognized fair valuation gains on investment properties in 2017.

Infrastructure

Republic Cement and Building Materials, Inc. (Republic) posted an income contribution of ₱671 million in 2017, down 57% from 2016's ₱1.55 billion. Cement demand grew modestly in 2017, offset by lower prices and increased fuel and power costs.

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

For the year ended December 31, 2017, AEV and its subsidiaries posted a consolidated net income of ₱21.61 billion, a 4% YoY decrease.

Operating profit for 2017 totalled ₱36.58 billion, a 26% increase YoY, as the ₱34.01 billion in increase in revenues surpassed the ₱26.35 billion rise in costs and expenses. The increase in revenue was mainly attributed to the performance of the Power Group.

Power subsidiaries reported a 30% YoY increase in operating profit during 2017, from ₱26.31 billion to ₱34.17 billion, mainly due to the full-year earnings before interest and taxes (EBIT) contribution from GMCP.

Share in net earnings of associates for 2017 declined by 6% YoY (₱9.05 billion vs ₱9.65 billion in 2016) largely due to the decrease in UBP's income from the sale of securities and to RCBM’s income decline for 2017 resulting from lower selling prices and higher production costs. This is partly offset by growth in the net income of SN AboitizPower-Magat (SNAP-Magat) and SN AboitizPower-Benguet (SNAP-Benguet) for 2017 due to higher volume sold and ancillary revenue resulting from better hydrology.

The growth in net interest expense and other charges during 2017, coupled with the decrease in equity earnings, more than offset the increase in operating profit, and as a result, pulled down the Group's overall profitability. Net interest expense in 2017 increased by ₱3.61 billion YoY as debt level increased following the consolidation of GMCP debt in December 2016, and the full year impact of interest expense incurred on additional debts availed of after December 2016.

Other charges of ₱26 million were incurred in 2017 versus ₱2.05 billion other income in 2016. This was mainly due to Power Group's impairment of its investment in Aseagas and refinancing costs during 2017, versus 2016's unrealized forex gains and Therma South, Inc.'s (TSI) collection of settlements with suppliers.

Net income attributable to non-controlling interests increased to ₱7.67 billion in 2017 from ₱6.18 billion in 2016, substantially due to the full-period recognition of the net income after tax (NIAT) share of GMCP's minority shareholders.

AEV's consolidated comprehensive income attributable to equity holders increased by 2% from ₱22.07 billion in 2016 to ₱22.56 billion in 2017. The 4% decrease in consolidated net income was offset by the combined surge in AEV's share of an associate's unrealized mark-to-market (MTM) gains on its available-for-sale (AFS) investments and cumulative translation adjustments.

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

Assets

Compared to year-end 2016 level, consolidated assets increased 5% to ₱491.93 billion as of December 31, 2017, due to the following:

a. Trade and other receivables, inclusive of noncurrent portion, increased by 13% (₱24.77 billion end-2017 vs ₱22.01 billion as of December 31, 2016) mainly due to higher level of receivables of the Power and Food Groups.

b. Inventories increased by 22% (₱12.45 billion as of end-2017 vs ₱10.22 billion as of December 31, 2016) mainly due to increase in raw materials inventory of the Food Group and coal inventory of the Power Group.

c. Gross of depreciation expense, the combined growth in Property Plant and Equipment (PPE), Investment Properties (IP), and Land and Improvements (LI) as of December 31, 2017 was mainly due to the following: (i) ₱12.70 billion for on-going construction of AP's power plants; (ii) ₱6.07 billion in various capital expenditures of Power, Food and Real Estate Groups, (iii) ₱2.99 billion first-time consolidation of San Carlos Sun Power, Inc. (Sacasun) assets; and (iv) ₱862 million gain recognized on the re-appraisal of certain investment properties. This was partly reduced by the ₱2.66 billion impairment of Aseagas' biomass plant during 2017.

d. Investments in and Advances to Associates as of December 31, 2017 increased by 5% (₱91.61 billion vs ₱86.95 billion as of December 31, 2016) mainly due to AP's ₱1.25 billion capital infusion into GN Power Dinginin Ltd. Co. (GNPD) and ₱244 million capital infusion into RP Energy, the ₱275 million acquisition of Balibago Waterworks System, Inc. (BWSI) shares by Aboitiz Infracapital, Inc. (AIC), the recording of ₱9.05 billion share in net earnings of associates, and the ₱703 million share of a banking associate's MTM gains on its AFS investments during the year. This increase was partially offset by the ₱6.16 billion cash dividends received from associates during 2017.

e. Other current assets increased by 30% as of December 31, 2017 (₱12.44 billion vs ₱9.58 billion as of December 31, 2016) mainly due to the rise in prepaid insurance and prepaid taxes of the Power Group.

f. Available-for-sale (AFS) Investments increased by 37% (₱773 million as of December 31, 2017 vs ₱564 million as of December 31, 2016) mainly due to additional acquisitions made during the year.

g. Held-to-maturity (HTM) Investments increased to ₱189 million as of December 31, 2017 from nil as of December 31, 2016. This was mainly due to new acquisitions made of this type of financial product during the year.

h. Derivative Assets (current and non-current) increased by 17% (P342 million as of December 31, 2017 vs P292 million as of December 31, 2016) mainly due to MTM gains recognized on existing forward contracts of the Power Group.

The above increases during 2017 were offset by the 19% decrease in Deferred Income Tax Assets (DTA) (₱1.52 billion as of December 31, 2017 vs ₱1.89 billion as of December 31, 2016), mainly due to the reversal of DTA set up in previous periods on the unrealized forex losses on loan restatement related to the prepayment of GMCP's loan.

Liabilities

Consolidated short-term bank loans increased by 187% as of end-2017 (₱23.70 billion vs ₱8.26 billion as of December 31, 2016) mainly due to availments made by Food Group, Power Group, PETNET, and AboitizLand to fund working capital requirements. On the other hand, long-term debt decreased by 4% (₱238.84 billion as of December 31, 2017 vs ₱249.46 billion as of December 31, 2016) substantially due to the prepayment of ₱15.93 billion in Therma Power, Inc. and ₱2.43 billion in Aseagas loans, and the ₱6.72 billion settlement of maturing loans and finance lease amortization. This was partly offset by the following: (a) AP's ₱3.0 billion bond issuance; (b) GMCP's ₱3.17 billion loan; (c) the combined ₱8.29 billion additional loan availment of Therma Visayas, Inc., Hedcor Bukidnon, and Pagbilao Electric Corporation (PEC) to finance on-going plant constructions; and (d) the ₱1.38 billion non-cash movement from foreign exchange differential and deferred financing costs.

Trade and other payables, inclusive of noncurrent portion, increased by 12%, from ₱22.67 billion as of end-2016 to ₱25.42 billion as of end-2017, mainly due to higher level of payables to suppliers and contractors resulting from the on-going plant construction by the Power Group.

Customers deposits decreased by 11%, from ₱7.04 billion as of end-2016 to ₱6.27 billion as of end-2017 as special deposits were refunded by distribution utilities to its customers during 2017.

Asset retirement obligation (ARO) increased by 62% from P1.82 billion as of end-2016 to P2.96 billion as of end-2017 due to incremental provisions recorded during 2017.

Derivative liabilities (current and non-current) decreased by 87% as of end-2017 (₱48 million vs ₱361 million as of December 31, 2016) mainly due to the derecognition of the derivative liability related to GMCP's loan, which was prepaid during 2017.

Equity

Equity attributable to equity holders of the parent increased by 10% from the year-end 2016 level of ₱140.28 billion to ₱154.70 billion as of end-2017 mainly due to the ₱21.61 billion net income recorded during 2017 and AEV's ₱709 million share in UBP's unrealized MTM gains recognized on its AFS investments, reduced by ₱7.49 billion cash dividends paid.

MATERIAL CHANGES IN LIQUIDITY AND CASH RESERVES OF REGISTRANT

For the year ended December 31, 2017, the Group continued to support its liquidity mainly from cash generated from operations, additional short-term loan availments, and dividends received from associates.

Compared to 2016, consolidated cash generated from operating activities in 2017 increased by ₱224 million to ₱32.24 billion, mainly due to the growth in earnings before interest, depreciation and amortization (EBIDA) recorded by subsidiaries during the year.

AEV ended 2017 with ₱11.30 billion net cash used in investing activities versus ₱84.67 billion in 2016. This was mainly due to lower amounts spent for ongoing plant construction and investments in associates.

Net cash used in financing activities in 2017 was ₱19.46 billion versus ₱52.85 billion generated in 2016. This was largely attributed to long-term loan repayments made during 2017 versus higher loan availments and the sale of treasury shares during 2016.

For 2017, net cash inflows surpassed cash outflows, resulting in a 2% increase in cash and cash equivalents from ₱63.86 billion as of year-end 2016 to ₱64.87 billion as of December 30, 2017.

FINANCIAL RATIOS

Backed by strong operating cash inflows, liquidity was adequately preserved. Current ratio stood at 1.61x as of end-2017 from 2.51x at the start of the year, since current liabilities grew more than current assets. Debt-to-Equity ratio stood at 1.56:1 as of end-2017 (versus year-end 2016's 1.68:1). This was mainly due to the growth in total equity coupled with substantial prepayment of long-term debt during 2017.

MANAGEMENT

BOARD OF DIRECTORS AND EXECUTIVE OFFICERS

The overall management and supervision of the Company is undertaken by its Board. The Company's executive officers and management team cooperate with the Board by preparing appropriate information and documents concerning the Company's business operations, financial condition and results of operations for its review. The Company currently has nine directors, three of whom are Independent Directors.

The table below sets forth the members of the Company's Board and its executive officers, with their corresponding positions and offices held for the past five (5) years, from 2014 to 2019, as of the date of this Preliminary Prospectus.

ENRIQUE M. ABOITIZ Chairman – Board of Directors Chairman – Board Risk and Reputation Management Committee Member – Board Corporate Governance Committee - Board Audit Committee - Executive Committee	Mr. Enrique M. Aboitiz, 65 years old, Filipino, was appointed Chairman of the Board of Directors on December 11, 2018. He has served as a director of AEV since May 9, 1994, and has been Chairman of the Board Risk and Reputation Management Committee since February 11, 2009, member of the Board Audit and Board Corporate Governance Committees since December 11, 2018, and of the Executive Committee since May 21, 2018. He is also the Vice Chairman of the Board of Directors of Aboitiz Power Corporation (AboitizPower), a publicly listed company, since December 11, 2018, and Vice-Chairman of Aboitiz & Company, Inc. (ACO). Mr. Aboitiz graduated with a Bachelor of Science degree in Business Administration, Major in Economics, from Gonzaga University, Spokane, Washington, U.S.A. He is not connected with any government agency or instrumentality.
MIKEL A. ABOITIZ Vice Chairman – Board of Directors Member – Board Corporate Governance Committee - Board Audit Committee - Board Risk and Reputation Management Committee - Executive Committtee	Mr. Mikel A. Aboitiz, 64 years old, Filipino, was appointed Vice Chairman of the Board of Directors on December 11, 2018. He has served as a director of AEV since May 15, 2017 and was formerly Senior Vice President of AEV from 2004 to 2015. He is currently a member of AEV's Board Audit Committee and Board Corporate Governance Committee, positions which he held since May 2017. He is also a member of the Executive Committee since May 21, 2018 and of the Board Risk and Reputation Management Committee since December 11, 2018. He has been director of AboitizPower since February 13, 1998, and was appointed as its Chairman of the Board of Directors on September 1, 2018. He was formerly Vice Chairman of the Board of City Savings Bank, Inc. (CitySavings) from 2015 to 2016 and President and CEO from 2001 to 2014. He is currently a Chairman of ACO and a trustee and Vice Chairman of Ramon Aboitiz Foundation, Inc. (RAFI). He holds a degree in Bachelor of Science, Major in Business Administration, from Gonzaga University, Spokane, Washington, U.S.A. He is not connected with any government agency or instrumentality.

ERRAMON I. ABOITIZ Director President & Chief Executive Officer Chairman – Executive Committee Member – Board Risk and Reputation Management Committee	Mr. Erramon I. Aboitiz, 62 years old, Filipino, has served as President & Chief Executive Officer of AEV since January 5, 2009. He has been a director of AEV since May 9, 1994 and a member of the Board Risk and Reputation Management Committee since May 18, 2015, and Chairman of the Executive Committee since May 21, 2018. Mr. Aboitiz was the Executive Vice President and Chief Operating Officer of AEV from 1994 to December 2008. Mr. Aboitiz is the President and Chief Executive Officer of AboitizPower, a publicly-listed company. Mr. Aboitiz is also President and Chief Executive Officer of ACO; Chairman of the Board of Directors of the following companies: Aboitiz Infracapital, Inc. (Aboitiz InfraCapital), Aboitiz Land, Inc. (AboitizLand), San Fernando Electric Light & Power Co., Inc., the SN Aboitiz Power Group, Pilmico Foods Corporation, Therma Power, Inc., CRH Aboitiz Holdings, Inc. (CRH Aboitiz), and Aboitiz Renewables, Inc. He is Vice Chairman of Republic Cement & Building Materials, Inc. (RCBM), and of Union Bank of the Philippines (UnionBank), a publicly-listed company. He is also Chairman of UnionBank's Executive Committee and Nomination Committee. Lastly, he is Chairman of the Board of Trustees of Aboitiz Foundation, Inc. (AFI), and is a director of the Philippine Disaster Recovery Foundation. Mr. Aboitiz was awarded the Management Association of the Philippines Management Man of the Year and Ernst & Young's Entrepreneur of the Year both in 2011. Mr. Aboitiz earned a Bachelor of Science degree in Business Administration, Major in Accounting and Finance, from Gonzaga University, Spokane, Washington, U.S.A. He was also conferred an Honorary Doctorate Degree in Management by the Asian Institute of Management. He is not connected with any government agency or instrumentality.
SABIN M. ABOITIZ Director Executive Vice President and Chief Operating Officer Member – Board Risk and Reputation Management Committee	Mr. Sabin M. Aboitiz, 54 years old, Filipino, was elected Director of AEV in May 21, 2018 and has been the Company's Executive Vice President and Chief Operating Officer since December 18, 2015. He was First Vice President of AEV from May 2014 to May 2015 and Senior Vice President from May to December 2015. Mr. Aboitiz is the Chairman of Weather Philippines Foundation, Inc. (WeatherPhilippines) and Filagri, Inc., and Vice Chairman of AboitizLand. He concurrently serves as Chairman and President of AEV Aviation, Inc.; Director and President & CEO of Pilmico Animal Nutrition Corporation, Pilmico Foods Corporation, and AIC; Director and President of AEV CRH Holdings, Inc.; Director of UnionBank, a publicly listed company, ACO, RCBM, CRH Aboitiz, Apo Agua Infrastructura, Inc., PETNET, Inc., Aboitiz Construction International, Inc., Aboitiz Construction, Inc., Metaphil, Inc., Neptune Hydro, Inc., Republic Cement Services, Inc., and Gold Coin Management Holdings, Ltd.; Alternate Director of AboitizPower International Pte. Ltd. and AEV International Pte. Ltd.; and Trustee of AFI. He holds a degree in Business Administration - Finance from

	Gonzaga University, Spokane, U.S.A. He is not connected with any government agency or instrumentality.
ANA MARIA A. DELGADO Director	Ana Maria A. Delgado, 38, Filipino, was elected Director of AEV on December 11, 2018. She also holds the position of Senior Vice President, Center Head of Consumer Finance and Chief Customer Experience Officer of UnionBank, and is Treasurer of WeatherPhilippines from 2016 to present. Ms. Delgado started her career with UnionBank as a Product Manager under the Retail Banking Center, and has previously held the positions of SME Banking Business Head and Cards Business Head. Prior to joining UnionBank, she was an Assistant Vice President for Product Management at Citibank, N.A. from 2006 to 2008. Ms. Delgado graduated with a Bachelor of Arts degree in Art History/Painting from Boston College and obtained her Master's Degree in Business Administration from New York University Stern School of Business in 2010. She is not a director of any other publicly-listed company. She is not connected with any government agency or instrumentality.
EDWIN R. BAUTISTA Director Member – Executive Committee	Edwin R. Bautista, 58 years old, Filipino, was elected Director of AEV on September 1, 2018 and appointed as member of the Executive Committee on the same date. He is also currently a Director and the President and CEO of UnionBank, a publicly-listed company, the Chairman of the Board of Directors of CitySavings, and a Director in Union Properties, Inc., First Union Plans, Inc., and First Union Direct Corp. Prior to joining AEV as director, Mr. Bautista also served UnionBank in various capacities: as Chief Operating Officer from January 1, 2016 to December 31, 2017, Senior Executive Vice President from 2011 to 2015, Executive Vice President from 2001 to 2011, and Senior Vice President from 1997 to 2001. Mr. Bautista earned his Bachelor of Science in Mechanical Engineering degree from the De La Salle University. He also completed the Advance Management Program at the Harvard Business School. He is not connected with any government agency or instrumentality.
RAPHAEL P. M. LOTILLA Lead Independent Director Chairman – Board Corporate Governance Committee Member – Board Audit Committee – Board Risk and Reputation Management Committee – Board Related Party Transactions Committee	Mr. Raphael P.M. Lotilla, 60 years old, Filipino, has served as an Independent Director of AEV since May 21, 2012 and was elected as Lead Independent Director of AEV on May 15, 2017. He has been a member of the Board Audit Committee, and the Board Corporate Governance Committee since May 21, 2012, the Board Risk and Reputation Management Committee since May 18, 2015, and the Board Related Party Transactions Committee since May 15, 2017. Mr. Lotilla is also an Independent Director of Trans Asia Petroleum Corporation, a publicly listed company, Petron Foundation, Inc., and First Metro Investment, Inc. He is also the Chairman of the Board of Trustees of the Center for the

	Advancement of Trade Integration and Facilitation, and The Asia-Pacific Pathways to Progress Foundation, Inc. Mr. Lotilla previously served the Philippine government in various capacities - Secretary of Energy; President and Chief Executive Officer (CEO) of Power Sector Assets and Liabilities Management Corporation; Deputy Director- General of the National Economic and Development Authority; Ex-Officio Chairman of the Philippines National Oil Company; Vice Chairman of the Boards of the National Power Corporation and the National Transmission Corporation, among others. Mr. Lotilla earned his degrees in Bachelor of Science in Psychology and Bachelor of Arts in History from the University of the Philippines. He obtained his Bachelor of Laws degree from the same university where he became a Professor of Law. He holds a Master of Laws degree from the University of Michigan Law School, U.S.A. He currently serves as a member of the Board of Trustees of the Philippine Institute for Development Studies.
JOSE C. VITUG (ret.) Independent Director Chairman – Board Audit Committee Member – Board Corporate Governance Committee – Board Risk and Reputation Management Committee – Board Related Party Transactions Committee	Justice Jose C. Vitug (ret.), 84 years old, Filipino, has served as an Independent Director of AEV since May 16, 2005. He is Chairman of the Board Audit Committee of AEV since May 18, 2009, member of the Board Corporate Governance Committee since February 11, 2009, the Board Risk and Reputation Management Committee since May 18, 2015, and the Board Related Party Transactions Committee since May 15, 2017. Ret. Justice Vitug is also an Independent Director of ABS-CBN Holdings Corporation, a publicly listed company. He is currently a Board Trustee and Law Dean of the Angeles University Foundation, the Chairman of the Board of Trustees of Angeles University Foundation Medical Center, a Graduate Professor of the College of Law of San Beda College, a Professorial Lecturer of the Philippine Judicial Academy, and a member of the Philippine National Group of Judges of the Permanent Court of Arbitration at the Hague, Netherlands since August 18 2017 for a term of seven (7) years. Ret. Justice Vitug was formerly an Associate Justice of the Supreme Court, Chairman of the House of Representatives Electoral Tribunal, and Senior Member of the Senate Electoral Tribunal. He was also the Chairman of the Philippines Stock Exchange, Inc. He graduated cum laude from the Manuel L. Quezon University with a Bachelor's Degree in Law. He holds a Master of Laws degree from the same university and a Master's Degree in National Security Administration from the National Defense College of the Philippines. He was a Fellow of the Commonwealth Judicial Institute of Canada. He also holds an Honorary Doctorate Degree of Law from the Angeles University Foundation. He is not connected, either as an officer or as an employee, to a government agency or instrumentality.
MANUEL R. SALAK III Independent Director	Mr. Manuel R. Salak III, 59 years old, Filipino, was elected as an Independent Director of AEV on May 21, 2018. On the same

Chairman – Board Related Party Transactions Committee Member – Board Corporate Governance Committee - Board Audit Committee - Board Risk and Reputation Management Committee	date, he was appointed as Chairman of the Board Related Party Transactions Committee, and member of the Board Corporate Governance Committee, Board Audit Committee and Board Risk and Reputation Management Committee. Mr. Salak is currently the Senior Strategic Advisor of ING Bank N.V. Philippines, the Founder and Managing Principal of Alpha Primus Advisors, an independent director at Maxicare Philippines, and a member of the Board of Trustees of the Asian Institute of Management. Mr. Salak previously served as the Managing Director, Head of Clients Coverage and Corporate Finance – Asia of ING Bank N.V. from 2008 to 2017, Managing Director and Country Head Philippines of ING Bank N.V. from 1999 to July 2008, and Managing Director and Head of Corporate & Investment Banking of ING Barings Philippines from 1999 to 2000. Mr. Salak earned his Bachelor of Science Degree in Economics (Honorable Mention) from the Ateneo de Manila University and completed his Master's degree in Business Management from the Asian Institute of Management (AAA Awardee). He also completed several executive and management courses, including the Senior Executive Management Course and ING Business Manager Program from the ING Business School, Hamskerk, Netherlands, the Institut Européen d'Administration des Affaires (INSEAD) Leadership Development Workshop in Singapore, and the Advanced Management Program from Harvard Business School in Boston U.S.A. He is not connected with any government agency or instrumentality.
MANUEL R. LOZANO Senior Vice President/ Chief Financial Officer/ Corporate Information Officer Ex-Officio Member – Board Risk and Reputation Management Committee Executive Committee	Mr. Manuel R. Lozano, 48 years old, Filipino, has been Senior Vice President/Chief Financial Officer/Chief Information Officer of AEV since May 18, 2015. He is also an Ex-Officio Member of the Board Risk and Reputation Management Committee since May 18, 2015, and of the Executive Committee since May 21, 2018. Mr. Lozano is currently Senior Vice President - Finance of ACO, and Treasurer of Aboitiz Construction, Inc. (ACI); Trustee and Treasurer of Aboitiz Foundation; Chief Financial Officer and Treasurer of Apo Agua; Chairman of the Board and Chief Executive Officer of Lima Water Corporation; Director, Treasurer/Chief Financial Officer of Aboitiz InfraCapital; Director and Vice President of AEV Aviation; Director and Treasurer of AEV CRH, CFO/Treasurer of Archipelago Insurance; Director of PANC, Pilmico, RCBM, UnionBank; and Alternate Director of AEV International, Pilmico International Pte. Ltd. (Pilmico International) and AboitizPower International. Mr. Lozano was First Vice President and Chief Financial Officer/Corporate Information Officer of AboitizPower from 2014 to 2015; and was First Vice President - Chief Financial Officer of AboitizPower Generation from 2008 to 2013. Before joining the Aboitiz Group, he was the Chief Financial Officer and a director of Paxys, Inc., a publicly listed company focused on the business process outsourcing industry and other IT-related sectors within the Asia Pacific region. He was also a

	director of Corporate Finance & Investment at NGL Pacific Ltd., a Regional Operating Headquarter related to the Usaha Tegas group of Malaysia. He also held various positions in financial institutions including Jardine Fleming & CLSA. He earned his Bachelor of Science in Business Administration degree from the University of the Philippines - Diliman and his Master's Degree in Business Administration from The Wharton School of the University of Pennsylvania, U.S.A. He is not connected with any government agency or instrumentality.
GABRIEL T. MAÑALAC Senior Vice President and Group Treasurer	Mr. Gabriel T. Mañalac, 62 years old, Filipino, currently serves as Senior Vice President and Group Treasurer of AEV since January 5, 2009. He joined AEV as Vice President for Treasury Services in 1998 and was promoted to First Vice President for Treasury Services in 2004. He is also Senior Vice President and Group Treasurer of AboitizPower, a publicly listed company, since May 17, 2010. He is also Vice President and Treasurer of Davao Light, and Treasurer of Cotabato Light. Mr. Mañalac graduated cum laude with a Bachelor of Science in Finance degree and a Bachelor of Arts in Economics degree from De La Salle University. He obtained his Master's Degree in Business Administration in Banking and Finance from the Asian Institute of Management and was awarded the Institute's Scholarship for Merit. He is not connected with any government agency or instrumentality. He is not a director of any publicly listed company.
SUSAN V. VALDEZ[3] Senior Vice President and Chief Human Resources Officer Ex-Officio Member – Board Corporate Governance Committee	Ms. Susan Valdez, 58 years old, Filipino, is the Chief Human Resources Officer of AEV effective January 1, 2019. She held various executive positions at AEV for the past 7 years; namely, Senior Vice President and Chief Corporate Services Officer, Chief Reputation and Risk Management Officer and Chief Reputation Officer. She is currently an Ex-Officio member of AEV Board Corporate Governance Committee and AP Board Risk & Reputation Committee. She is currently President and Board of Trustee of Aboitiz Foundation and WeatherPhilippines Foundation. Before joining AEV in September, 2011, she held various executive positions for 15 years in Aboitiz Transport Systems Corporation (ATSC) (now 2GO Group, Inc., a publicly listed company), as Chief Finance Officer, Chief Information Officer and Chief Operating Officer of its freight and supply chain business units. Ms. Valdez is a Certified Public Accountant, and graduated cum laude from St. Theresa's College with a degree of Bachelor of Science in Commerce, Major in Accounting. She earned her

[3] *Effective January 1, 2019, Ms. Susan V. Valdez replaced Mr. Xavier Jose Aboitiz as the Company's Chief Human Resources Officer.*

	Master's degree in Business Management from the University of the Philippines, and completed a program on Management Development at Harvard Business School. She is not connected with any government agency or instrumentality. She is not a director of any publicly listed company.
ROBERT McGREGOR Executive Director - Chief Investments Officer	Mr. Robert McGregor, 59 years old, British, is Executive Director – Chief Investments Officer of AEV since October 3, 2018. He is concurrently Executive Director – Chief Investments Officer of AboitizPower, a publicly listed company, since June 1, 2018. He joined AEV as Senior Vice President - Chief Strategy Officer in May 2014 before his appointment as Executive Director – Chief Investments Officer in 2018. Mr. McGregor brings with him a wealth of experience in management, investment banking and private equity investing with almost 39 years of experience in energy markets. He has extensive experience in corporate strategy, marketing and business planning in oil, gas and electricity industries in the United Kingdom. He moved to Hong Kong in 1997 and enjoyed an 11-year career in regional investment banking, before moving to Singapore to take up partnership in Actis, an emerging-market private equity company. In 2012, he returned to Hong Kong with Hongkong and Shanghai Banking Corporation Limited as an investment banker. Mr. McGregor completed his Honours Degree in Applied Chemistry from The University of Strathclyde, United Kingdom and obtained his Master's Degree in Business Administration from the same university. He is not connected with any government agency or instrumentality. He is not a director of any publicly listed company.
LUIS MIGUEL O. ABOITIZ Senior Vice President	Mr. Luis Miguel O. Aboitiz, 54 years old, Filipino, is appointed Senior Vice President of AEV, a position which he held since May 18, 2015. He joined AEV in 1995 as Vice President and was appointed First Vice President from 2004 to May 2015. Since January 2016, he has served as Executive Vice President and Chief Operating Officer - Corporate Business Group of AboitizPower, a publicly listed company. He also served as AboitizPower's Senior Vice President - Power Marketing and Trading from 2009 to 2015. Mr. Aboitiz is concurrently a director of AboitizPower. He is also a Director and First Vice President of ACO, and Trustee of Aboitiz Foundation. He also serves as Director and President of MORE; and Director of Abovant Holdings, Inc. (Abovant), ARI, TPI, Pilmico, Pilmico Animal Nutrition Corporation (PANC), Therma South, Inc. (TSI), Therma Luzon, Inc. (TLI), Aboitiz InfraCapital, San Carlos Sun Power Inc. (Sacasun), Cebu Energy Development Corporation (Cebu Energy), Southern Philippines Power Corporation (SPPC), Western Mindanao Power Corporation (WMPC), and Unionbank, a publicly-listed company. He is also Chairman of UnionBank's Technology Steering Committee, member of the Audit Committee and Operations Risk Management Committee, and alternate member of the Executive Committee. He holds directorship and management positions in GNPower Mariveles

	Coal Plant Ltd. Co. (GMCP) and its holding companies. Mr. Aboitiz is also a member of the Board of Trustees of the Philippine Independent Power Producers Association, Inc. (PIPPA). Mr. Aboitiz graduated from Santa Clara University, California, U.S.A. with a degree of Bachelor of Science in Computer Science and Engineering, and earned his Master's degree in Business Administration from the University of California in Berkeley, U.S.A. He is not connected with any government agency or instrumentality.
JOJO S. GUINGAO Senior Vice President and Chief Digital Officer	Mr. Jojo S. Guingao, 53 years old, Filipino, was appointed Senior Vice President and Chief Digital Officer of AEV on October 1, 2018. He joined AEV as First Vice President for Digital Management on July 18, 2016. Mr. Guingao has experience in software development, IT consulting and strategy, enterprise implementation, project management and professional services. He has over 20 years of experience working for software companies in the Silicon Valley building global technology services organization. Before joining AEV, Mr. Guingao was Vice President of Customer Success at Navagis Inc., a Google Cloud Partner in San Francisco CA. He also held senior management positions in various global software companies including Critigen LLC, Environmental Systems Research Institute and Autodesk Inc. Mr. Guingao graduated from Mapua Institute of Technology with a Bachelor's Degree in Electronics and Communications Engineering. He completed his Master's Degree in Business Administration from the California State University-East Bay. He is not connected with any government agency or instrumentality. He is also not a director of any publicly listed company.
DAVID JUDE L. STA. ANA Senior Vice President and Chief External Affairs Officer	Mr. David Jude L. Sta. Ana, 51 years old, Filipino, was appointed Senior Vice President and Chief External Affairs Officer last October 1, 2018. Prior to his appointment, he was the First Vice President for Government Relations since September 1, 2016. Mr. Sta. Ana brings to the Group his experience in broadcast, digital and print media, with focus on major news coverage, crisis management, planning and operations. Prior to joining AEV, he was the Head for News Operations of TV5 Network, Inc. where he handled the day to day operations of the Philippines' third largest television network, including news gathering and content generation for its television, radio and digital platforms. Mr. Sta. Ana also served as news director handling the control, operational and administrative responsibilities for news gathering for two of the country's major broadcast organizations, namely ABS-CBN Broadcasting Corporation and GMA Network, Inc., a publicly listed company. Mr. Sta Ana earned his Bachelor's Degree in Journalism from the University of the Philippines - Diliman. He also completed the Newsroom Operation and Newsroom Management Training

	conducted by the U.S. Radio and Television News Directors Association in Los Angeles, California, U.S.A. He is not connected with any government agency or instrumentality. He is also not a director of any publicly listed company.
CHRISTOPHER P. BESHOURI Executive Director – Chief Strategy Officer	Mr. Christopher P. Beshouri, 55, American, was appointed Executive Director – Chief Strategy Officer last October 3, 2018. He brings to the Group his experience in corporate strategy, business planning, strategic partnership and investments, and performance management. He has almost three decades of experience in banking, energy, telecommunications, retail, and business process outsourcing across multiple jurisdictions in Asia. Before joining AEV, Mr. Beshouri headed the VICSAL Development Corporation from 2013 to 2018. He was Independent Director of GT Capital Holdings, Inc. from 2013 to 2017. He also held various top management positions at McKinsey and Company as President and Chief Executive Officer for Philippines from 2005 to 2013, Chief of Staff for Asia from 2004 to 2005, and Associate Principal from 1997 to 2004. He also served in the United States Treasury as a Senior Financial Economist and Director from 1989 to 1997, focusing on financial markets and banking regulations, and he also taught financial markets and banking at Georgetown University. Mr. Beshouri earned his Bachelor of Arts degree (Dual Major in Economics and Public Policy) from the Michigan State University and his Master's degree in Public Affairs from Princeton University. He is not connected with any government agency or instrumentality. He is not a director of any publicly listed company.
RICARDO F. LACSON[4] Data Privacy Officer	Mr. Ricardo F. Lacson, Jr., 56 years old, Filipino, was appointed as the Data Privacy Officer of AEV effective February 1, 2019. Prior to his appointment, he was Vice President for Strategy of AEV since June 2014. Prior to joining AEV, he was the Vice President for Administration and Customer Services at the Visayan Electric Company, Inc., from August 2009 to May 2014. Before joining the Aboitiz Group, Mr. Lacson held several senior management positions including Director at ZMG Ward Howell, Country Manager of SAP SuccessFactors, President of Motorola Communications Philippines, Inc., Vice President of Software Ventures International, Corp. and General Manager of Systematics Technology Services, Inc. (now Metrobank Technology, Inc.). He began his career in the field of IT, handling large corporate accounts as well as being the airlines specialist for IBM Philippines, Inc. He taught at the Ateneo de Manila University from 1984-1994.

[4] *Effective February 1, 2019, Mr. Ricardo F. Lacson replaced Mr. Horacio C. Elicano as the Company's Data Privacy Officer.*

	Mr. Lacson earned his Bachelor of Science Degree in Management Engineering from the Ateneo de Manila University, graduating Magna Cum Laude and receiving the Departmental Award. He also completed the Advance Bank Management Program of the Asian Institute of Management and the Leading Innovative Change Program of the University of California, Berkeley. She is not connected with any government agency or instrumentality. He is not a director of any publicly listed company.
ANNACEL A. NATIVIDAD Chief Risk Officer	Ms. Annacel A. Natividad, 49 years old, has been First Vice President and Chief Risk Officer of AEV since July 1, 2016. She was Vice President – Risk Management of AEV since July 2013. She is currently handling the following functions: Risk Management, Insurance Management, Information Security, Enterprise Compliance and Physical Assets Security. Ms. Natividad first joined the Aboitiz Group as Vice President – Chief Finance Officer and Risk Management Head of ATS Consolidated (ATSC), Inc. (now 2GO Group, Inc., a publicly listed company). She was also the Chief Finance Officer of various companies such as Scanasia Overseas, Inc., Kerry-ATS Logistics, Inc., Hapag-Lloyd Philippines, Inc., Aboitiz Project TS Corporation and Sea Merchants, Inc. Ms. Natividad holds a Bachelor of Science in Commerce degree from the University of Santo Tomas and earned her Master's degree in Business Administration from De La Salle University. Ms. Natividad also completed the Management Acceleration Program from INSEAD. Ms. Natividad is a Certified Public Accountant and Certified Governance, Risk and Compliance Professional. She is not connected with any government agency or instrumentality. She is not a director of any publicly listed company.
MARIA LOURDES Y. TANATE Group Internal Audit Head	Ms. Maria Lourdes Y. Tanate, 53 years old, Filipino, has been Vice President and Group Internal Audit Head since January 2016. She joined AEV in November 2011. Prior to joining AEV, Ms. Tanate was Chief Audit Executive of ATS Consolidated (ATSC), Inc. (formerly Aboitiz Transport System (ATSC) Corporation) (now 2GO Group, Inc., a publicly listed company). She also served as Assistant Vice President for Finance and Senior Manager of ATS. She has extensive experience in internal audit, financial and investment analysis and corporate finance, with focus on budgeting, financial planning and control. She graduated cum laude with a degree of Bachelor of Arts in Economics from the University of the Philippines (Diliman) and subsequently obtained her Masters in Business Administration from the same school. She earned her Masters in Engineering and Technology Management from the University of Queensland, Australia. She is not connected with any government agency or instrumentality. She is also not a director of any publicly listed company.

MANUEL ALBERTO R. COLAYCO Chief Legal Officer/Corporate Secretary/Chief Compliance Officer Ex-Officio Member - Board Corporate Governance Committee	Mr. Manuel Alberto R. Colayco, 49 years old, Filipino, was appointed as AEV's Corporate Secretary and Chief Compliance Officer on March 1, 2018. He is concurrently the First Vice President and Chief Legal Officer of AEV since July 11, 2016. He is concurrently Corporate Secretary of AboitizPower since March 1, 2018. Mr. Colayco has practiced in the areas of corporate law, mergers and acquisitions, joint ventures, securities regulation, corporate and financial restructuring, and litigation. Prior to joining the Aboitiz Group, Mr. Colayco acted as an independent legal consultant providing professional advice, representation, and transactional assistance to private companies and individuals. His previous work experience includes: General Counsel for AGP International Holdings Ltd. and Atlantic, Gulf & Pacific Company of Manila, Inc. from August 2013 to December 2014; Executive Director and Assistant General Counsel of J.P. Morgan Chase Bank N.A. from July 2010 to August 2013; and Vice President and Legal Counsel of DKR Oasis (Hong Kong) LLC, a private investment management firm, from August 2007 until March 2010. He was an Associate at Skadden, Arps, Slate, Meagher & Flom, LLP from 2000 to 2007, and at Romulo Mabanta Buenaventura Sayoc & De Los Angeles from 1996 to 2000. Mr. Colayco earned his undergraduate and Juris Doctor degrees from the Ateneo de Manila University. He also has a Master of Laws degree from the New York University School of Law, U.S.A. He is not connected with any government agency or instrumentality. He is also not a director of any publicly listed company.
MAILENE M. DE LA TORRE Assistant Corporate Secretary	Ms. Mailene M. de la Torre, 36 years old, Filipino, was appointed Assistant Corporate Secretary last November 24, 2016 and Assistant Vice President - Governance and Compliance of AEV effective January 1, 2018. She was previously Senior Associate General Counsel for Governance and Compliance of AEV since November 2016, and was Associate General Counsel for Legal and Corporate Services from May 2010 to October 2014. Ms. de la Torre is also the Corporate Secretary of various Subsidiaries of the Aboitiz Group. She is concurrently Assistant Corporate Secretary of AboitizPower since her appointment last November 24, 2016. Ms. de la Torre has practice in the areas of corporate structuring, acquisitions, joint ventures, compliance and corporate governance, corporate law, securities law, and litigation. Prior to joining the Aboitiz Group, she was an Associate at Esguerra & Blanco Law Office from 2007 to 2010. She graduated cum laude with a Bachelor of Arts Degree in Political Science from the University of the Philippines Diliman and earned her Bachelor of Laws degree from the same university. She is a graduate member of the Institute of Corporate Directors, after completing the Professional Director's Program. She is a member of good standing in the Integrated Bar of the Philippines. She is not connected with any government agency or instrumentality. She is not a director of a publicly-listed company.

JOANNE L. RANADA Assistant Corporate Secretary	Ms. Joanne L. Ranada, 40 years old, Filipino, was appointed as Assistant Corporate Secretary of AEV on October 3, 2018. She is concurrently Senior Associate General Counsel for the Governance and Compliance Team and Assistant Corporate Secretary of AboitizPower, a publicly-listed company. Ms. Ranada also serves as Corporate Secretary of the SN Aboitiz Power Group and Assistant Corporate Secretary of ARI, Hedcor Bukidnon, Hedcor Sabangan, Hedcor Sibulan, Hedcor Tudaya, Hedcor, MORE, TSI, and TVI. Ms. Ranada has over a decade of practice in the areas of regulatory compliance, corporate law, foreign investments, capital markets, securities, and corporate governance. Prior to joining the Aboitiz Group, she was the Legal Manager - Corporate Secretarial and Corporate Maintenance Services at Quisumbing Torres law firm from November 2015 to August 2018, and as Senior Corporate Lawyer at GWI Business Solutions, Inc. from November 2014 to October 2015. She also worked for the Securities and Exchange Commission (SEC) from January 2006 to October 2014. While with the SEC, Ms. Ranada was a representative to the International Finance Corporation Accreditation Workshop conducted by the International Finance Corporation, the Asia Regional Funds Passport conducted by the Australian Department of Foreign Affairs, and the Credit Information Systems Training conducted by the Credit Information Corp. and the US Federal Trade Commission. Ms. Ranada earned her Bachelor's Degree in International Studies from the College of the Holy Spirit and her Bachelor of Laws degree from Philippine Law School. She has also completed the Trust Operations and Investment Management course conducted by the Trust Institute Foundation of the Philippines, and the Corporate Governance Training conducted by the New York Institute of Finance. She is not connected with any government agency or instrumentality. She is also not a director of any publicly listed company.

PERIOD IN WHICH THE DIRECTORS SHOULD SERVE

The directors shall serve for a period of one year.

TERM OF OFFICE OF A DIRECTOR

Pursuant to the Company's Amended By-Laws, the directors are elected at each annual stockholders' meeting by stockholders entitled to vote. Each director holds office until the next annual election for a term of one year and until his successor is duly qualified and elected, unless he resigns, dies or is removed prior to such election.

Any vacancy in the Board other than by removal or expiration of term may be filled by a majority vote of the remaining members thereof at a meeting called for that purpose, if they still constitute a quorum. The director so chosen shall serve for the unexpired term of his/her predecessor in office.

SIGNIFICANT EMPLOYEES

AEV considers the contribution of every employee important to the fulfillment of its goals.

FAMILY RELATIONSHIPS

Messrs. Erramon, Enrique, and Sabin Aboitiz are brothers. Mr. Mikel A. Aboitiz is the uncle of Ms. Ana Maria A. Delgado. Other than these, no other officers or directors are related within the fourth degree of consanguinity.

INVOLVEMENT IN CERTAIN LEGAL PROCEEDINGS AS OF FEBRUARY 28, 2019

To the knowledge and/or information of AEV, none of its nominees for election as directors, its current members of the Board or its executive officers is presently involved in any legal proceeding or bankruptcy petition or has been convicted by final judgment, or being subject to any order, judgment or decree, or has violated the securities or commodities law in any court or government agency in the Philippines or elsewhere for the past five years until February 28, 2019, which would put to question his/her ability and integrity to serve AEV and its stockholders.

CORPORATE GOVERNANCE

Guided by the Organization for Economic Co-operation and Development's (OECD) Five Principles of Corporate Governance during 2018, the Company continued its efforts to strengthen the roles and responsibilities of its Board. It adopted new protocols and improved existing systems and policies to protect the rights of its shareholders, safeguarded shareholders' equitable treatment, continuously recognized the value and participatory role of all stakeholders, and practiced the appropriate level of transparency and improved corporate disclosures. It continues its efforts to create long-term value for all stakeholders, and to drive change for a better world by advancing business and communities.

SHAREHOLDER RIGHTS AND EQUITABLE TREATMENT

All shareholders, regardless of the amount of their shareholdings, are given the right to participate in the decision-making, pursuant to the Company's one share, one vote policy.

Moreover, to ensure that directors, officers, and even majority shareholders do not take advantage of their positions, all shareholders within the Aboitiz Group are apprised of all related party transactions, with amounts disclosed. All related party transactions in the Aboitiz Group are reported in AEV's Consolidated AFS every year.

All shareholders receive notices of all shareholders' meetings, and all agenda items to be discussed and decided upon during the said meetings are set out in the notices and no new agenda items are taken up during the conduct of the meeting. The rationale of agenda items which are submitted to the shareholders for their approval are included in the notices to shareholders' meetings.

STAKEHOLDER ENGAGEMENT

The Aboitiz Group is committed to the principles of sustainability to balance the interests of People, Planet, and Profit. By following this rule, AEV has obtained and maintained a good health, safety, and environmental track record. The Group launched its Sustainability Policy in 2013, in the belief that all stakeholders must be treated with fairness and that corporate social responsibility is an integral part of doing business. In support of this policy, the Group launched its BetterWorld campaign in 2014 to encourage all stakeholders to adopt this policy for sustainability.

AEV has a Revised Manual of Corporate Governance (Revised Manual) and a Code of Ethics and Business Conduct (Code) to guide the attainment of its corporate goals and the implementation of its strategies. In 2016, the Board of Directors, upon the endorsement of the Board Corporate Governance Committee, approved the revised Code which now includes a more defined anti-corruption and bribery policy, sustainability policy, and digital media policy, among others. In 2017, the Board of Directors, approved the Revised Manual which specifies the composition and duties of the newly-created and restructured board committees, the qualifications of the Corporate Secretary, an information security management policy, a sustainability policy, a risk management policy, a communication process and training process, a reportorial or disclosure system of the Company's corporate policies, a shareholders' benefit statement, and a monitoring and assessment system. The Revised Manual is generally aligned to the principles and recommendations laid down by the SEC under the Corporate Governance Code for Publicly-Listed Companies (CG Code) to further strengthen the Company's corporate governance practices. The Compliance Officer, together with the Human Resources Department, regularly monitors and evaluates compliance by the Board of Directors, management and employees to the Revised Manual, the Code, other company policies, and existing laws and regulations. The Compliance Officer also ensures the implementation of AEV's policy against conflicts of interests and the misuse of confidential and proprietary information throughout the organization.

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

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

Any amendments to the Revised Manual are promptly submitted to the SEC for confirmation and approval.

DISCLOSURE AND TRANSPARENCY

Pursuant to its commitment to transparency and accountability, AEV’s website, www.aboitiz.com has its own dedicated corporate governance webpage which serves as a resource center and library for its stakeholders. The Company also submitted an Integrated Annual Corporate Governance Report (IACGR) to the SEC and to the PSE EDGE website. Copy of the IACGR is also available for download at the Company’s website.

BOARD RESPONSIBILITY

The Board's primary objectives are to improve shareholder returns, to develop responsible long-term investments, and to achieve disciplined and sustainable growth. To this end, board attendance and active participation during board and committee meetings are encouraged from the directors. Attendance during board meetings are closely monitored and reported by the Compliance Officer to the SEC and PSE, as well as in the Company's IACGR.

In 2018, the Board of Directors held 12 meetings. Below is a summary of the attendance of the Directors.

BOARD MEETINGS ABOITIZ EQUITY VENTURES, INC.		Regular and Special Meetings in 2017												Total No. of Meetings Attended by Each Member	Percentage of Attendance
		REG	SP	REG	REG	ASM	ORG	SP	REG	SP	REG	REG	SP		
		30-Jan	8-Mar	22-Mar	21-May	21-May	21-May	5-July	26-Jul	1-Sept	3-Oct	23-Nov	11-Dec		
1	Jon Ramon Aboitiz	P	P	A	P	P	P	P	P	P	P	P	-	10	91%
2	Erramon I. Aboitiz	P	P	P	P	P	P	P	P	P	P	P	P	12	100%
3	Enrique M. Aboitiz	P	A	P	A	A	A	A	P	P	P	P	P	7	58%
4	Mikel A. Aboitiz	P	A	A	P	P	P	A	P	P	P	P	A	8	67%
5	Justo A. Ortiz	P	P	P	-	-	-	-	-	-	-	-	-	3	100%
6	Antonio R. Moraza	P	P	P	P	P	P	P	P	-	-	-	-	8	100%
7	Jose C. Vitug	P	P	P	P	P	P	P	P	P	P	P	P	12	100%
8	Raphael Perpetuo M. Lotilla	P	P	P	P	P	P	P	P	P	P	P	P	12	100%
9	Stephen T. CuUnjieng	P	P	P	-	-	-	-	-	-	-	-	-	3	100%
10.	Manuel R. Salak III	-	-	-	P	P	P	P	P	P	P	A	P	8	89%
11	Sabin M. Aboitiz	-	-	-	P	P	P	P	P	P	P	P	P	9	100%
12.	Edwin R. Bautista	-	-	-	-	-	-	-	-	P	P	P	P	4	100%
13.	Ana Maria A. Delgado*	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Total No. of Members Present in Each Meeting	**9**	**6**	**7**	**8**	**8**	**8**	**7**	**9**	**9**	**9**	**8**	**8**		
	Percentage of No. of Members Present in Each Meeting	**100%**	**67%**	**78%**	**89%**	**89%**	**89%**	**78%**	**100%**	**100%**	**100%**	**89%**	**89%**		

Legend: P - Present, A - Absent
* Ms. Ana Maria A. Delgado was appointed as member of the Board of Directors on December 11, 2018.

Corporate governance is further fostered by the Board's active role in reviewing and approving corporate goals and strategies set by management, as well as in monitoring and evaluating management performance in meeting such goals. The different Board Committees - Audit, Corporate Governance, Risk and Reputation Management, Related Party Transactions, and Executive Committee - report regularly to the Board and are crucial in maintaining Board oversight in key management areas.

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

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

   Chairman: Raphael P.M. Lotilla
   Members: Mikel A. Aboitiz, Jose C. Vitug, Enrique M. Aboitiz, Manuel R. Salak, III; Ex-officio Members: Manuel Alberto R. Colayco and Susan V. Valdez

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

   Chairman: Jose C. Vitug
   Members: Enrique M. Aboitiz, Mikel A. Aboitiz, Raphael P.M. Lotilla, and Manuel R. Salak III

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

   Chairman: Enrique M. Aboitiz
   Members: Mikel A. Aboitiz, Erramon I. Aboitiz, Sabin M. Aboitiz, Manuel R. Salak III, Jose C. Vitug and Raphael P.M. Lotilla
   Ex- Officio Members: David Jude L. Sta. Ana, Manuel R. Lozano and Annacel A. Natividad

d. The Board Related Party Transaction Committee represents the Board in discharging its responsibility relating to transactions entered into between or among the Company or any of its subsidiaries, affiliated, directors and officers.

   Chairman: Manuel R. Salak III
   Members: Justice Jose C. Vitug (ret.) and Raphael Perpetuo M. Lotilla

e. The Board Executive Committee assists the Board in overseeing the Company's day-to-day operations of the Company. The Committee ensures agility in the management of the Company and in strategic decision-making, as well as compliance with the Company's governance policies, during the intervening period between Board meetings.

   Chairman: Erramon I Aboitiz
   Members: Mikel A. Aboitiz, Enrique M. Aboitiz, Sabin M. Aboitiz, and Edwin R. Bautista

2018 CORPORATE GOVERNANCE INITIATIVES

Going beyond mere compliance and box-ticking, the Company regularly updates its corporate governance policies to ensure that they are relevant to the needs of the organization and, at the same time, at par with global best practices. Below are the highlights of the Company's Corporate Governance initiatives in 2018:

a. Amendment of AEV's By-Laws
b. Amendment of AEV Manual on Corporate Governance
c. Establishment of a Board Executive Committee
d. 2018 Group-wide Corporate Governance Seminar
e. Cascade of the Company's Related Party Transactions (RPT) Policy
f. Cascade of the Code of Ethics and Business Conduct e-learning modules
g. Implementation of the Group-wide Whistleblowing Policy

For 2018, there were no recorded deviations from, or violations of the Revised Manual on Corporate Governance (the "Revised Manual"), the Code of Ethics and Business Conduct (the "Code of Ethics"), or any other company governance and compliance policies and protocols.

For a full discussion on the Company's initiatives, a copy of the Integrated Annual Report will be available at www.aboitiz.com.

CORPORATE GOVERNANCE AWARDS

As a testament to its commitment to adopt best practices, AEV has been consistently recognized in local and international surveys, assessments, and scorecards as among the Philippines' best-managed companies and cited for its commitment to good corporate governance practices.

In 2018, AEV was recognized as one of the top 10, in a list of 247 Philippine publicly-listed companies, as ranked by the Institute of Corporate Directors back in July 2018 using a set of comparable standards, which articulates recommendations on policies and practices based on good governance principles of the OECD. In November 2018, the Company was recognized as one of the Top 50 Publicly Listed Companies in the ASEAN Corporate Governance Awards. The event was organized by the ASEAN Capital Markets Forum and the Institute of Corporate Directors as the appointed domestic ranking body held at the Kuala Lumpur Convention Centre, Kuala Lumpur, Malaysia.

In 2018, AEV has been recognized with the following awards:

Awards	Awards Received
Institute of Corporate Directors ASEAN Corporate Governance Scorecard 2017	Top 10 Performing Philippine Publicly-listed companies in the 2017 ASEAN Corporate Governance Scorecard (ACGS)
In-House Community – Counsels of the Year Awards 2018	In-House Legal Team of the Year – Energy & Natural Resources (Asia Winner)
FinanceAsia Asia's Best Companies 2018	Top-performing Publicly Listed Company in the Philippines
IABC 16th Philippine Quill Awards	A Better Future with Cleanergy – Professional Merit Award

EXECUTIVE COMPENSATION

Information as to the aggregate compensation paid or accrued to AEV's Chief Executive Officer and four most highly compensated executive officers, as well as other directors and officers during the last two completed fiscal years and the ensuing fiscal year are as follows:

Name of Officer and Principal Position	Year	Salary	Bonus	Other Compensation
CHIEF EXECUTIVE OFFICER AND FOUR MOST HIGHLY COMPENSATED OFFICERS 1. **ERRAMON I. ABOITIZ** President and Chief Executive Officer 2. **XAVIER JOSE ABOITIZ** Senior Vice President and Chief Human Resources Officer** 3. **ROBERT MCGREGOR** Executive Director - Chief Investments Officer 4. **LUIS MIGUEL O. ABOITIZ** Senior Vice President 5. **SUSAN V. VALDEZ** Senior Vice President and Human Resources Officer				
All above named officers as a group	**Actual 2018**	**₱151,310,578.00**	**₱15,910,000.00**	**₱14,200,726.00**
	Actual 2017	₱136,623,646.00	₱13,336,441.00	₱12,340,509.00
	Projected 2019	**₱166,441,636.00**	**₱17,501,000.00**	**₱15,620,799.00**
All other directors and officers as a group unnamed	**Actual 2018**	**₱132,493,978.00**	**₱16,090,252.00**	**₱46,311,988.00**
	Actual 2017	₱127,927,219.00	₱16,520,604.00	₱51,474,185.00
	Projected 2019	**₱145,743,376.00**	**₱17,699,277.00**	**₱50,943,187.00**

*** Effective January 1, 2019, Mr. Xavier Jose Aboitiz retired as the Company's Chief Human Resources Officer. He was replaced by Ms. Susan V. Valdez who was previously the Chief Corporate Services Officer of the Company*

The Amended By-Laws of the Company as approved by the Securities and Exchange Commission on May 23, 2018 defined corporate officers as follows: the Chairman of the Board; the Vice Chairman; the Chief Executive Officer; Chief Operating Officer; the Treasurer, the Corporate Secretary; the Assistant Corporate Secretary; and such other officers as may be appointed by the Board of Directors. For the year 2018, the Company's Summary of Executive Compensation covers the compensation of officers as reported under Item 5 (a)(1) of this Information Statement.

Except for the regular company retirement plan, which by its very nature will be received by the officers concerned only upon retirement from the Company, the above-mentioned officers do not receive any other compensation in the form of warrants, options, and/or profit-sharing.

There is no compensatory plan or arrangement between the Company and any executive in case of resignation or any other termination of employment or from a change-in-control of the Company.

COMPENSATION OF DIRECTORS

Standard Arrangements

Following the May 18, 2015 stockholders' meeting, the directors receive a monthly allowance of ₱120,000.00 while the Chairman of the Board receives a monthly allowance of ₱180,000.00.

In addition, each director/member and the Chairmen of the Board and the Board Committees receive a per diem for every Board or Board Committee meeting attended as follows:

Type of Meeting	Directors	Chairman of the Board
Board Meeting	₱100,000.00	₱150,000.00

Type of Meeting	Committee Members	Chairman of the Committee
Board Committee Meeting	₱80,000.00	₱100,000.00

During its February 18, 2019 meeting, the Board Corporate Governance Committee, which performs the function of the Nomination and Compensation Committee, proposed to increase the directors' monthly allowance from ₱180,000.00 to ₱200,000.00 for the Chairman of the Board, and from ₱120,000.00 to ₱150,000.00 for other directors. The committee also proposed to increase the per diem for every meeting attended as follows:

Type of Meeting	Directors	Chairman of the Board
Board Meeting	₱150,000.00	₱200,000.00

Type of Meeting	Committee Members	Chairman of the Committee
Board Committee Meeting	₱100,000.00	₱130,000.00

During its March 7, 2019 meeting, the Board of Directors approved the proposed increase in the monthly allowance and per diem, and resolved to endorse the same for the stockholders' approval.

A resolution approving the proposed increase in monthly allowance and per diem will be presented to the stockholders for approval at the 2019 Annual Stockholders Meeting.

Other Arrangements

Other than payment of the directors' per diem and monthly allowance as stated, there are no standard arrangements pursuant to which directors of the Company are compensated or are to be compensated, directly or indirectly, for any services provided as a director.

Employment Contracts and Termination of Employment and Change-in-Control Arrangements

There is no compensatory plan or arrangement between AEV and any executive officer that results or will result from the resignation or any other termination of employment or from a change in the management control of AEV.

Warrants and Options Outstanding

To date, AEV has not granted any stock option to its directors or officers.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

SECURITY OWNERSHIP OF CERTAIN RECORD AND BENEFICIAL OWNERS (MORE THAN 5% OF THE VOTING SHARES) AS OF JANUARY 31, 2019

Title of Class of Shares	Name, Address of Record Owner, and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held and Nature of Ownership (Record and/or Beneficial)	Percentage of Ownership
Common	1. **Aboitiz & Company, Inc. (ACO)**[5] Aboitiz Corporate Center, Gov. Manuel A. Cuenco Avenue, Kasambagan, Cebu City	ACO[6]	Filipino	2,735,600,915 (Record and Beneficial)	48.57%
Common	2. **PCD Nominee Corporation**[7] **(Filipino)** 37th Floor, Tower 1, The Enterprise Center, 6766 Ayala Avenue cor. Paseo de Roxas, Makati City, 1226 Metro Manila	PCD participants acting for themselves or for their customers.[8]	Filipino	801,851,868 (Record)	14.24%
Common	3. **PCD Nominee Corporation**[9] **(Foreign)** 37th Floor, Tower 1, The Enterprise Center, 6766 Ayala Avenue cor. Paseo de Roxas, Makati City, 1226 Metro Manila	PCD participants acting for themselves or for their customers.[10]	Non-Filipino	514,689,488 (Record)	9.14%

[5] ACO, the major shareholder of Aboitiz Equity Ventures Inc., is a corporation wholly-owned by the Aboitiz family. No single stockholder, natural or juridical, owns 5% or more of the shareholdings of ACO.

[6] Mr. Erramon I. Aboitiz, ACO President and Chief Executive Officer, will vote for the shares of ACO in AEV in accordance with the directive of the Board of Directors of ACO.

[7] PCD Nominee Corporation (Filipino and Foreign) is not related to AEV. The beneficial owners of the shares held through a PCD participant are the beneficial owners thereof to the extent of the number of shares registered under the respective accounts with the PCD participant.

[8] Each beneficial owner of shares through a PCD participant is the beneficial owner of such number of shares he owns in his account with the PCD participant. AEV has no record relating to the power to decide how the shares held by PCD Nominee Corporation (Foreign and Filipino) are to be voted. Of the 801,851,868 shares held by PCD Nominee Corporation (Filipino), at least 390,191,708 shares or 6.93% of the voting stock of AEV are for the account of Papa Securities Corporation (PapaSec). AEV is not related to PapaSec.

[9] PCD Nominee Corporation (Filipino and Foreign) is not related to AEV. The beneficial owners of the shares held through a PCD participant are the beneficial owners thereof to the extent of the number of shares registered under the respective accounts with the PCD participant.

[10] Each beneficial owner of shares through a PCD participant is the beneficial owner of such number of shares he owns in his account with the PCD participant. AEV has no record relating to the power to decide how the shares held by PCD Nominee Corporation (Foreign and Filipino) are to be voted. Of the 801,851,868 shares held by PCD Nominee Corporation (Filipino), at least 390,191,708 shares or 6.93% of the voting stock of AEV are for the account of Papa Securities Corporation (PapaSec). AEV is not related to PapaSec.

Common	4. **Ramon Aboitiz Foundation, Inc. (RAFI)**[7][11] 35 Lopez Jaena St., Cebu City (Stockholder)	RAFI	Filipino	424,538,863 (Record and Beneficial)	7.54%

SECURITY OWNERSHIP OF MANAGEMENT AS OF FEBRUARY 28, 2019 (RECORD AND BENEFICIAL)

Name of Owner and Position	Title of Class of Shares	No. of Shares and Nature of Ownership (Direct and/or Indirect)		Citizenship	% of Ownership
Enrique M. Aboitiz Chairman of the Board	Common	6,000	Direct	Filipino	0.00%
		0	Indirect		0.00%
Mikel A. Aboitiz Vice Chairman of the Board	Common	10	Direct	Filipino	0.00%
		94,384,012	Indirect		1.68%
Erramon I. Aboitiz Director/President and Chief Executive Officer	Common	1,001,000	Direct	Filipino	0.02%
		74,614,132	Indirect		1.32%
Sabin M. Aboitiz Director/Executive Vice President and Chief Operating Officer	Common	14,415,650	Direct	Filipino	0.26%
		7,676,397	Indirect		0.14%
Ana Maria A. Delgado Director	Common	500	Direct	Filipino	0.00%
		26,112,880	Indirect		0.46%
Edwin R. Bautista Director	Common	1,000	Direct	Filipino	0.00%
		0	Indirect		0.00%
Raphael P. M. Lotilla Lead Independent Director	Common	100	Direct	Filipino	0.00%
		0	Indirect		0.00%
Jose C. Vitug Independent Director	Common	100	Direct	Filipino	0.00%
		72,020	Indirect		0.00%
Manuel R. Salak III Independent Director	Common	100	Direct	Filipino	0.00%
		0	Indirect		0.00%
Manuel R. Lozano Senior Vice President/Chief Financial Officer/ Corporate Information Officer	Common	171,028	Direct	Filipino	0.00%
		82,691	Indirect		0.00%
Gabriel T. Mañalac Senior Vice President and Group	Common	142,665	Direct	Filipino	0.00%
		0	Indirect		0.00%
Susan V. Valdez[8] Senior Vice President and Chief Human Resources Officer	Common	769,926	Direct	Filipino	0.01%
		0	Indirect		0.00%
Robert McGregor Executive Director – Chief Investments Officer	Common	211,141	Direct	British	0.00%
		0	Indirect		0.00%
Luis Miguel O. Aboitiz Senior Vice President	Common	26,377,390	Direct	Filipino	0.46%
		9,627,336	Indirect		0.17%

[11] Ms. Ana Maria A. Delgado and/or Mr. Mikel A. Aboitiz, will vote for the shares of RAFI in AEV in accordance with the directive of the RAFI Board of Trustees.

Jojo S. Guingao Senior Vice President and Chief Digital Officer	Common	23,103	Direct	Filipino	0.00%
		0	Indirect		0.00%
David Jude L. Sta. Ana Senior Vice President and Chief External Affairs Officer	Common	10,637	Direct	Filipino	0.00%
		0	Indirect		0.00%
Christopher P. Beshouri Executive Director – Chief Strategy Officer	Common	27,000	Direct	American	0.00%
		0	Indirect		0.00%
Annacel A. Natividad Chief Risk Officer	Common	20,022	Direct	Filipino	0.00%
		67,635	Indirect		0.00%
Ricardo F. Lacson, Jr. Data Privacy Officer	Common	0	Direct	Filipino	0.00%
		116,319	Indirect		0.00%
Maria Lourdes Y. Tanate Group Internal Audit Head	Common	0	Direct	Filipino	0.00%
		12,312	Indirect		0.00%
Manuel Alberto R. Colayco Chief Legal Officer/Corporate	Common	45,087	Direct	Filipino	0.00%
		0	Indirect		0.00%
Mailene M. de la Torre Assistant Corporate Secretary	Common	0	Direct	Filipino	0.00%
		0	Indirect		0.00%
Joanne L. Ranada Assistant Corporate Secretary	Common	0	Direct	Filipino	0.00%
		0	Indirect		0.00%
TOTAL		**256,256,678**			**4.55%**

VOTING TRUST HOLDERS OF 5% OR MORE OF COMMON EQUITY

No person holds, under a voting trust or similar agreement, more than five percent (5%) of AEV's common equity.

CHANGES IN CONTROL

There are no arrangements that may result in a change in control of AEV during the period covered by this report.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

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

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

ACO and certain associates are leasing office spaces from Cebu Praedia Development Corporation (CPDC), a Subsidiary of AEV. Rental rates are comparable with prevailing market prices. These transactions are covered with lease contracts for a period of one year.

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

A wholly-owned construction and steel fabrication Subsidiary of ACO renders its services to the Group for the construction of new power plants and residential units.

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

AEV extends temporary cash advances to certain subsidiaries for working capital requirements. These advances bear interest at prevailing market rates.

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

The above related party transactions are discussed extensively in Note 34 of Company's 2018 consolidated financial statements.

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

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

DESCRIPTION OF DEBT

As of the date of this Preliminary Prospectus, AEV has outstanding long term indebtedness:

AEV PHP 8 Billion Fixed Rate Bonds Due 2020 and 2023

On November 21, 2013, AEV issued fixed-rate bonds (the "2013 Bonds") in two series: (a) Series A 2013 Bonds, with a term of seven (7) years from issue date, and (b) Series B Bonds, with a term of ten (10) years from issue date. The Series A 2013 Bonds has a fixed interest rate of 4.4125% per annum and an optional redemption on the fifth (5^{th}) year and one (1) quarter from issue date, and on the sixth (6^{th}) year from issue date. On the other hand, the Series B 2013 Bonds has a fixed interest rate of 4.6188% per annum and an optional redemption on the seventh (7^{th}) year form issue date, the eigth (8^{th}) year from issue date, and ninth (9^{th}) year from issue date. First Metro Investment Corporation ("First Metro") acted as the Issue Manager and Lead Underwriter while Metropolitan Bank and Trust Company – Trust Banking Group was appointed as Trustee.

The 2013 Bonds constitute direct, unconditional, unsecured and unsubordinated Peso denominated obligations of the Company and shall rank pari passu and ratably without any preference or priority amongst themselves and at least pari passu in priority of payment with all other present and future unsecured and unsubordinated obligations of the Issuer, other than (i) obligations preferred by the law, (ii) any obligation incurred by the Company pursuant to Section 5.02 (a) of the Trust Agreement for the 2013 Bonds or as may be allowed therein, and (iii) other Indebtedness or obligations disclosed by the Issuer to the Trustee as of the relevant issue date.

Transfers of the Bonds shall be coursed through the Philippine Depository & Trust Corporation ("PDTC") as Registrar. Transfer and/or settlement of the Bonds shall be performed in accordance with the PDTC rules and procedures to be set by the Issuer and Registrar.

The Company is subject to the following negative covenants, among others:

a. Encumbrances - The Company shall not permit any Indebtedness to be secured by or to benefit from any Lien, in favor of any creditor or class of creditors on, or in respect of, any present or future assets or revenues of the Issuer or the right of the Issuer to receive income; Provided, however that this shall not prohibit the following:

   i. any mortgage, charge, pledge, Lien, or other encumbrance or security interests over any asset to secure: (i) payment of the purchase price or cost of leasehold rights of such asset; or (ii) the payment of the cost and expenses for the development of such asset pursuant to any development made or being made by the Issuer in the ordinary course of business; or (iii) the payment of any indebtedness in respect of borrowed money (including extensions and renewals thereof and replacements therefor) incurred for the purpose of financing the purchase, lease or development of such asset;
   ii. Liens or charges for current taxes, assessments, or other governmental charges which are not delinquent or remain payable, without any penalty, or the validity of which is contested in good faith by appropriate proceedings, and adequate reserves have been provided for payment thereof;
   iii. deposits or pledges to secure statutory obligations, surety, or appeal bonds, bonds for release of attachments, stays of execution of injunction, or performance bonds for bids, tenders, contracts (other than for the repayment of borrowed money) or leases in the normal course of business;

iv. Liens, pledges, charges, and other encumbrances on the properties and assets of the Issuer: (i) imposed by Law, such as carriers' Liens, warehousemen's Liens, mechanics' Liens, unpaid vendors' Liens, and other similar Liens arising in the ordinary course of business; (ii) arising out of pledges or deposits under workmen's compensation Laws, unemployment insurance, old age pensions, or other social security or retirement benefits or similar legislation, or retirement benefit plans of the Issuer; or (iii) arising out of the set-off provision on other agreements of the Issuer relating to Indebtedness;
v. a mortgage, pledge, or other security interests in favor of banks, insurance companies, other financial institutions, and Philippine government agencies, departments, authorities, corporations of other juridical entities which secure a preferential financing obtained by the Issuer under a governmental program and the aggregate principal amount of such preferential financing does not exceed Thirty Five percent (35%) of the Issuer's total assets;
vi. any mortgage, charge, pledge, Lien, or other encumbrance or security interests over its cash deposits, short-term cash investments, and marketable investment securities in favor of banks and other financial institutions, which secure (i) any borrowed money in connection with a Treasury Transaction in the ordinary course of business of Issuer, provided that the aggregate amount of security does not at any time exceed United States Dollars: Ten Million (US$10,000,000.00) or its equivalent; and/or (ii) standby letters of credit to be used to guarantee additional equity infusions by the Issuer in its Subsidiaries or Affiliates and/or used in the ordinary course of business of Issuer, its Subsidiaries and/or Affiliates;
vii. other Liens: (i) created solely by operation of law; and (ii) on such other assets as may be disclosed in writing by the Issuer to the Trustee on or before the Issue Date; and
viii. any mortgage, charge, pledge, Lien, or other encumbrance or security interests constituted over the investment of the Issuer in any of its affiliate or any Person, whether or not majority owned or Controlled, and whether such investment is in the form of shares, deposits or advances, to guarantee or secure the obligations of the said affiliates;

b. Declaration and Payment of Cash Dividends/Issuance of Share. The Company shall not declare or pay any dividends to its stockholders (other than dividends payable solely in shares of its capital stock and cash dividends due on its then-outstanding preferred shares) or retain, retire, purchase or otherwise acquire any class of its capital stock, or make any other capital or other asset distribution to its stockholders, unless all payments due under the 2013 Bonds are current and updated;

c. Maintenance of Financial Ratios. The Company shall not permit its Net Debt to Consolidated Equity Ratio to exceed 3:1 calculated based on the Company's year-end audited financial statements.

AEV PHP 24 Billion Fixed Rate Bonds Due 2020, 2022, and 2027

On August 5, 2015, AEV issued fixed-rate bonds (the "2015 Bonds") in three series: (a) Series A 2015 Bonds, with a term of five (5) years and three (3) months; (b) Series B 2015 Bonds, with a term of seven (7) years; and (c) Series C 2015 Bonds, with a term of twleve (12) years from issue date. The Series A 2015 Bonds has a fixed interest rate of 4.4722% per annum. The Series B 2015 Bonds has a fixed interest rate of 5.0056% and an optional redemption on the fifth (5^{th}) year and one (1) quarter from issue date, and on the sixth (6^{th}) year from issue date. The Series C 2015 Bonds has a fixed interest rate of 6.0169% and an optional redemption on the seventh (7^{th}), eighth (8^{th}), ninth (9^{th}), and tenth (10^{th}) year from issue date. BPI Capital Corporation ("BPI Capital") acted as the Issue

Manager. BPI Capital and First Metro Investment Corporation acted as Joint Lead Underwriters while BPI Asset Management and Trust Corporation was appointed as Trustee.

The 2015 Bonds constitute direct, unconditional, unsecured and unsubordinated Peso denominated obligations of the Company and shall rank pari passu and ratably without any preference or priority amongst themselves and at least pari passu in priority of payment with all other present and future unsecured and unsubordinated obligations of the Issuer, other than (i) obligations preferred by the law, (ii) any obligation incurred by the Company pursuant to Section 5.02 (a) of the Trust Agreement for the 2015 Bonds or as may be allowed therein, and (iii) other Indebtedness or obligations disclosed by the Issuer to the Trustee as of the relevant issue date.

Transfers of the Bonds shall be coursed through the Philippine Depository & Trust Corporation ("PDTC") as Registrar. Transfer and/or settlement of the Bonds shall be performed in accordance with the PDTC rules and procedures to be set by the Issuer and Registrar.

The Company is subject to the following negative covenants, among others:

a. Encumbrances - The Company shall not permit any Indebtedness to be secured by or to benefit from any Lien, in favor of any creditor or class of creditors on, or in respect of, any present or future assets or revenues of the Issuer or the right of the Issuer to receive income; Provided, however that this shall not prohibit the following:

    i. any Lien over any asset to secure: (i) payment of the purchase price or cost of leasehold rights of such asset; or (ii) the payment of the cost and expenses for the development of such asset pursuant to any development made or being made by the Issuer in the ordinary course of business; or (iii) the payment of any indebtedness in respect of borrowed money (including extensions and renewals thereof and replacements therefor) incurred for the purpose of financing the purchase, lease or development of such asset;
    ii. Liens or charges for current taxes, assessments, or other governmental charges which are not delinquent or remain payable, without any penalty, or the validity of which is contested in good faith by appropriate proceedings, and adequate reserves have been provided for payment thereof;
    iii. any Lien to secure, in the normal course of the business of the Issuer or its affiliates: (x) statutory or regulatory obligations; or (y) performance of bids, tenders, contracts (other than for the repayment of borrowed money) or leases;
    iv. any Lien to secure, in relation to a pending judicial, administrative, or arbitral proceeding, the Issuer or its affiliates' (x) surety or appeal bonds; or (y) bonds for release of attachment, stay of execution or injunction;
    v. any Lien constituted for the purpose of guaranteeing an affiliate's obligation in connection with any contract or agreement that has been assigned to such affiliate by the Issuer;
    vi. any Lien constituted for the purpose of guaranteeing an obligation in connection with any contract or agreement of sale of any asset by the Issuer, provided that the Lien is removed or discharged within twelve (12) months of the date of the sale of the asset;
    vii. any Lien created over (i) deposits made by the Issuer with the proceeds of any loan facility made to it by any bank or financial institution denominated in a currency other than Philippine Pesos ("foreign currency"); or (ii) financial instruments denominated in foreign currency owned by the Issuer, in each case solely for the purposes of raising an equivalent amount of Peso denominated indebtedness

viii. any Lien on the properties and assets of the Issuer: (i) imposed by Law, such as carriers' Liens, warehousemen's Liens, mechanics' Liens, unpaid vendors' Liens, and other similar Liens arising in the ordinary course of business; (ii) arising out of pledges or deposits under workmen's compensation Laws, unemployment insurance, old age pensions, or other social security or retirement benefits or similar legislation, or retirement benefit plans of the Issuer; or (iii) arising out of the set-off provision on other agreements of the Issuer relating to Indebtedness;

ix. any Lien in favor of banks, insurance companies, other financial institutions, and Philippine government agencies, departments, authorities, corporations of other juridical entities which secure a preferential financing obtained by the Issuer under a governmental program and the aggregate principal amount of such preferential financing does not exceed Thirty Five percent (35%) of the Issuer's total assets;

x. any Lien over its cash deposits, short-term cash investments, and marketable investment securities in favor of banks and other financial institutions, which secure (i) any borrowed money in connection with a Treasury Transaction in the ordinary course of business of Issuer, provided that the aggregate amount of security does not at any time exceed United States Dollars: Ten Million (US$10,000,000.00) or its equivalent; and/or (ii) standby letters of credit to be used to guarantee additional equity infusions by the Issuer in its Subsidiaries or Affiliates and/or used in the ordinary course of business of Issuer, its Subsidiaries and/or Affiliates;

xi. other Liens: (i) created solely by operation of law; and (ii) on such other assets, whether constituted before or after the Issue Date, as may be disclosed in writing by the Issuer to the Trustee on or before the execution of the Trust Agreement; and

xii. any Lien constituted over the investment of the Issuer in any of its affiliate, and whether such investment is in the form of shares, deposits or advances to guarantee or secure the obligations of the said affiliates;

b. Declaration and Payment of Cash Dividends/Issuance of Share. The Company shall not declare or pay any dividends to its stockholders (other than dividends payable solely in shares of its capital stock and cash dividends due on its then-outstanding preferred shares) or retain, retire, purchase or otherwise acquire any class of its capital stock, or make any other capital or other asset distribution to its stockholders, unless all payments due under the 2015 Bonds are current and updated;

c. Maintenance of Financial Ratios. The Company shall not permit its Net Debt to Consolidated Equity Ratio to exceed 3:1 calculated based on the Company's year-end audited financial statements.

INDEPENDENT AUDITORS AND COUNSEL

LEGAL MATTERS

All legal opinions/matters inconnection with the issuance of the First Tranche Bonds will be passed upon by the Legal Management Services of the Company, and Sycip Salazar Hernandez & Gatmaitan ("SycipLaw"), for the Joint Underwriters. SycipLaw has no direct interest in the Company.

SycipLaw may from time to time be engaged to advise in the transactions of the Company and perform legal services on the basis that SycipLaw provides such services to its other clients.

INDEPENDENT AUDITORS

The consolidated financial statements of the Company as at December 31, 2017 and 2016 and for each of the three years in the period ended December 31, 2017 have been audited by SyCip Gorres Velayo & Co., a member firm of Ernst & Young, independent auditors, in accordance with Philippine Standards on Auditing as set forth in their report thereon appearing elsewhere in this Prospectus.

The partner-in-charge is Maria Veronica Andresa R. Pore.

EXTERNAL AUDIT FEES AND SERVICES

The following table sets out the aggregate fees paid by the Registrant for professional fees rendered by SGV:

Fee Type	Year ended December 31, 2018	Year ended December 31, 2017
Audit Fees		
Audit Fees	₱511,952.00	₱495,040.00
Audit-Related Fees	P9,000.00	143,667.00
Total	**₱520,952.00**	**₱638,707.00**
Non-Audit Fees		
Tax Fees	-	-
Consultancy Fees	**0**	**₱1,537,418.69**
Total		
Total Audit and Non-Audit Fees	**₱520,952.00**	**₱2,176,125.69**

Aside from audit services, the Company also engaged SGV in 2018 to provide financial advisory services for ongoing business development projects.

As a policy, the Board Audit Committee makes recommendations to the Board of Directors concerning the choice of external auditor and pre-approves audit plans, scope and frequency before the audit is conducted.

Audit services of external auditors for the years 2018 and 2017 were pre-approved by the Board Audit Committee. The Committee had also reviewed the extent and nature of these services to ensure that the independence of the external auditors is preserved.

CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

The Company has engaged the services of SGV during the two most recent fiscal years. There are no disagreements with SGV on accounting and financial disclosure.

BOARD AUDIT COMMITTEE

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; (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.

The Committee has established a constructive and collaborative relationship with the Company's senior leadership to assist, but not to pre-empt any responsibility in making final audit-related decisions.

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.

TAXATION

The statements herein regarding taxation are based on the laws in force as of the date of this Preliminary Prospectus and are subject to any changes in law occurring after such date, which changes could be made on a retroactive basis. The following summary does not purport to be a comprehensive description of all of the tax considerations that may be relevant to a decision to purchase, own or dispose of the First Tranche Bonds and does not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities or commodities) may be subject to special rules. Prospective purchasers of the First Tranche Bonds are advised to consult their own tax advisers concerning the overall tax consequences of their ownership of the First Tranche Bonds.

As used in this section, the term "non-resident alien" means an individual whose residence is not within the Philippines and who is not a citizen of the Philippines. A non-resident alien who is actually within the Philippines for an aggregate period of more than 180 days during any calendar year is considered a "non- resident alien doing business in the Philippines"; however, a non-resident alien who is actually within the Philippines for an aggregate period of 180 days or less during any calendar year may be considered a "non- resident alien not engaged in trade or business within the Philippines". A "non-resident foreign corporation" is a foreign corporation not engaged in trade or business within the Philippines.

TAXATION OF INTEREST

The Tax Code provides that interest-bearing obligations of Philippine residents are Philippine sourced income subject to Philippine income tax. Interest income derived by Philippine citizens and alien resident individuals from the First Tranche Bonds is thus subject to income tax, which is withheld at source, at the rate of 20% based on the gross amount of interest. Generally, interest on the First Tranche Bonds received by non-resident aliens engaged in trade or business in the Philippines is subject to a 20% final withholding tax while that received by non-resident aliens not engaged in trade or business is subject to a final withholding tax rate of 25%. Interest income received by domestic corporations and resident foreign corporations from the First Tranche Bonds is subject to a final withholding tax rate of 20%. Interest income received by non-resident foreign corporations from the First Tranche Bonds is subject to a 30% final withholding tax.

The foregoing rates are subject to further reduction by any applicable tax treaties in force between the Philippines and the country of residence of the non-resident owner. Most tax treaties to which the Philippines is a party generally provide for a reduced tax rate of 15% in cases where the interest which arises in the Philippines is paid to a resident of the other contracting state. However, most tax treaties also provide that reduced withholding tax rates shall not apply if the recipient of the interest who is a resident of the other contracting state, carries on business in the Philippines through a permanent establishment and the holding of the relevant interest-bearing instrument is effectively connected with such permanent establishment.

Tax-Exempt Status or Entitlement to Preferential Tax Rate

Bondholders who are exempt from or are not subject to final withholding tax on interest income or entitled to be taxed at a preferential rate may claim such exemption or avail of such preferential rate by submitting the necessary documents. Said Bondholder shall submit the following requirements:

1. Proof of Tax Exemption or Entitlement to Preferential Tax Rates

i. For (a) tax-exempt corporations under Section 30 of the Tax Code (except non-stock, non-profit educational institutions under Section 30(H) of the Tax Code); (b) cooperatives duly registered with the Cooperative Development Authority; and (c) BIR-approved pension fund and retirement plan – certified true copy of valid, current and subsisting tax exemption certificate, ruling or opinion issued by the BIR. For this purpose, a tax exemption certificate or ruling shall be deemed "valid, current and subsisting" if it has not been more than 3 years since the date of issuance thereof;

ii. For Tax-Exempt Personal Equity Retirement Account established pursuant to PERA Act of 2008 – certified true copy of the Bondholder's current, valid and subsisting Certificate of Accreditation as PERA Administrator;

iii. For all other tax-exempt entities (including, but not limited to, (a) non-stock, non-profit educational institutions; (b) government-owned or -controlled corporations; and (c) foreign governments, financing institutions owned, controlled or enjoying refinancing from foreign governments, and international or regional financial institutions established by foreign governments) – certified true copy of tax exemption certificate, ruling or opinion issued by the BIR expressly stating that their income is exempt from income tax and, consequently, withholding tax. For qualified non-stock, non-profit educational institutions, however, Tax Exemption Rulings or Certificates of Exemption issued prior to June 30, 2012 are required to apply for new Tax Exemption Rulings; and

iv. For entities claiming tax treaty relief – (i) certificate of tax residence issued for the current year (whether using the form prescribed in their country of residence, or using Part I (D) of the Certificate of Tax Residence for Tax Treaty Relief ("CORTT") Form prescribed under Revenue Memorandum Order No. 8-2017), and (ii) duly accomplished CORTT Form (particularly Part I (A), (B) and (C), and Part II (A), (B), (C) and (D)).

In addition, for subsequent interests due, the Bondholder shall submit an updated Part II (A), (B), (C) and (D) of the CORTT Form to the Issuer through the Registrar no later than the first day of the month when such subsequent interest payment/s shall fall due and, if applicable, including any clarification, supplement or amendment thereto.

Only the originals should be submitted to the Underwriter.

2. A duly notarized declaration (in the prescribed form) warranting that the Bondholder's tax-exemption certificate or ruling has not been revoked or cancelled and that there are no material changes in character, purpose or method of operation of the Bondholder which are inconsistent with the basis of its income tax exemption, or the warranting the Bondholder's entitlement to preferential treaty rates, and undertaking to immediately notify the Issuer and the Registrar and Paying Agent of any suspension or revocation of its tax exemption or treaty privileges and agreeing to indemnify and hold the Issuer and Registrar and Paying Agent free and harmless against any claims, actions, suits, and liabilities arising from the non-withholding or reduced withholding of the required tax; and

3. Such other documentary requirements as may be reasonably required by the Issuer or the Registrar or Paying Agent, or as may be required under applicable regulations of the relevant taxing or other authorities.

Failure to submit any of the documents provided under (1), (2) and (3) above, as may be applicable, will result in the application of the normal income tax rate provided under the Tax Code.

The foregoing notwithstanding, the Issuer, the Registrar and the Paying Agent shall have the exclusive discretion to decide whether the documents submitted are sufficient for purposes of applying the exemption or the reduced rate being claimed by the Bondholder on the interest payments to such Bondholder; provided further that, all sums payable by the Issuer to tax-exempt entities shall be paid in full without deductions for taxes, duties, assessments, or government charges, subject to the submission by the Bondholder claiming the benefit of any exemption of the required documents and of additional reasonable evidence of such tax-exempt status to the Registrar.

The foregoing requirements shall be submitted, (i) in respect of an initial issuance of First Tranche Bonds, to the underwriters or selling agents who shall then forward the same with the Application to Purchase to the Registrar; or (ii) in respect of a transfer from a Bondholder to a purchaser, to the Registrar within three days from settlement date.

VALUE-ADDED TAX

Gross receipts arising from the sale of the First Tranche Bonds in the Philippines by dealers in securities shall be subject to a 12% value-added tax. The term "gross receipt" means gross selling price less acquisition cost of the First Tranche Bonds sold.

GROSS RECEIPTS TAX

Bank and non-bank financial intermediaries performing quasi-banking functions are subject to gross receipts tax on gross receipts derived from sources within the Philippines in accordance with the following schedule:

On interest, commissions and discounts from lending activities as well as income from financial leasing, on the basis of remaining maturities of instruments from which such receipts are derived:

Maturity period is five years or less: 5%
Maturity period is more than five years: 1%

Non-bank financial intermediaries not performing quasi-banking functions doing business in the Philippines are likewise subject to gross receipts tax at the rate of 5%. However, gross receipts of such entities derived from sources within the Philippines from interests, commissions and discounts from lending activities are taxed in accordance with the following schedule based on the remaining maturities of the instruments from which such receipts are derived:

Maturity period is five years or less: 5%
Maturity period is more than five years: 1%

In case the maturity period of the instruments held by banks, non-bank financial intermediaries performing quasi-banking functions and non-bank financial intermediaries not performing quasi-banking functions is shortened through pre-termination, then the maturity period shall be reckoned to end as of the date of pretermination for purposes of classifying the transaction and the correct rate shall be applied accordingly.

Net trading gains realized within the taxable year on the sale or disposition of the First Tranche Bonds by banks and nonbank financial intermediaries performing quasi-banking functions shall be taxed at 7%.

DOCUMENTARY STAMP TAX

A documentary stamp tax is imposed upon the issuance of debt instruments issued by Philippine companies, such as the First Tranche Bonds, at the rate of P1.50 for each P200, or fractional part thereof, of the issue price of such debt instruments; provided that, for debt instruments with terms of less than one year, the documentary stamp tax to be collected shall be of a proportional amount in accordance with the ratio of its term in number of days to 365 days.

The documentary stamp tax is collectible wherever the document is made, signed, issued, accepted, or transferred, when the obligation or right arises from Philippine sources, or the property is situated in the Philippines. Any applicable documentary stamp taxes on the original issue shall be paid by the Issuer for its own account.

TAXATION ON SALE OR OTHER DISPOSITION OF THE FIRST TRANCHE BONDS

Income Tax

Any gain realized from the sale, exchange or retirement of First Tranche Bonds will, as a rule, form part of the gross income of the sellers, for purposes of computing the relevant taxable income subject to the regular rates of 35%, 25%, or 30%, as the case may be. If the First Tranche Bonds are sold by a seller, who is an individual and who is not a dealer in securities, who has held the First Tranche Bonds for a period of more than 12 months prior to the sale, only 50% of any capital gain will be recognized and included in the sellers‘ gross taxable income.

However, under the Tax Code, any gain realized from the sale, exchange or retirement of bonds with an original maturity date of more than five years (as measured from the date of issuance of such bonds) shall not be subject to income tax. As the First Tranche Bonds have maturities of [5.25] and [10] years, any gains realized by a holder on the trading of the First Tranche Bonds shall be exempt from income tax. However, any gains realized by a holder through redemption of the First Tranche Bonds prior to the lapse of 5 years may be subject to income tax. This is in view of the BIR's ruling that one of the conditions for the exemption is that the maturity period must be more than 5 years.

Moreover, any gain arising from such sale, regardless of the original maturity date of the bonds, may be exempt from income tax pursuant to various income tax treaties to which the Philippines is a party, and subject to procedures prescribed by the BIR for the availment of tax treaty benefits.

Estate and Donor‘s Tax

The transfer by a deceased person, whether a Philippine resident or a non-Philippine resident, to his heirs of the First Tranche Bonds shall be subject to an estate tax which is levied on the net estate of the deceased at 6%. For transfers through donation, the Bondholder shall be subject to donor‘s tax of 6% computed on the basis of the total gifts in excess of ₱250,000.00 exempt gift made during the calendar year.

The estate or donor‘s taxes payable in the Philippines may be credited with the amount of any estate or donor's taxes imposed by the authority of a foreign country, subject to limitations on the amount to be credited, and the tax status of the donor.

The estate tax and the donor‘s tax, in respect of the First Tranche Bonds, shall not be collected (a) if the deceased, at the time of death, or the donor, at the time of the donation, was a citizen and resident of a foreign country which, at the time of his death or donation, did not impose a transfer tax of any character in respect of intangible personal property of citizens of the Philippines not residing in that foreign country; or (b) if the laws of the foreign country of which the deceased or donor was a citizen and resident, at the time of his death or donation, allows a similar exemption from transfer or death taxes of every character or description in respect of intangible personal property owned by citizens of the Philippines not residing in the foreign country.

In case the First Tranche Bonds are transferred for less than an adequate and full consideration in money or money's worth, the amount by which the fair market value of the First Tranche Bonds exceeded the value of the consideration may be deemed a gift and may be subject to donor‘s taxes unless it can be proven that the transfer is made in the ordinary course of business as defined in the Tax Code.

Documentary Stamp Tax

No documentary stamp tax is imposed on the subsequent sale or disposition of the First Tranche Bonds, trading the First Tranche Bonds in a secondary market or through an exchange, provided that such sale or disposition does not constitute a renewal or extension of maturity of the First Tranche Bonds or carried with it a renewal or issuance of new instruments in the name of the transferee to replace the old ones. However, if the transfer constitutes a renewal or extension of the maturity of the First Tranche Bonds, documentary stamp tax is payable anew.

FINANCIAL AND OTHER INFORMATION

1. Audited Financial Statements for the fiscal year ended 31 December 2018, Annex A
2. Audited Financial Statements for the fiscal year ended 31 December 2017, Annex B
3. Audited Financial Statements for the fiscal year ended 31 December 2016, Annex C

aboitiz
Equity Ventures

SECURITIES & EXCHANGE COMMISSION
SEC Building, EDSA Greenhills
Mandaluyong, Metro Manila

STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS

The management of **Aboitiz Equity Ventures, Inc.** 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.

[redacted]

ENRIQUE M. ABOITIZ JR.
Chairman of the Board

[redacted]

ERRAMON I. ABOITIZ
President & Chief Executive Officer

[redacted]

MANUEL R. LOZANO
Senior Vice President - Chief Financial Officer

Signed this 7th day of March, 2019.

NAC Tower, 32nd Street, Bonifacio Global City, Taguig 1634, Metro Manila, Philippines
Tel: (632) 886-2800 | Fax: (632) 886-2404 | www.aboitiz.com

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 Jr.	[redacted]	[redacted]
Erramon I. Aboitiz		
Manuel R. Lozano		

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 2019.

ATTY. ADRIANNE MARIE C. ALAZAS
ROLL NO. 58[illegible]
NOTARY PUBLIC
TAGUIG CITY, PHILS.

Doc. No. 299;
Page No. 42;
Book No. II;
Series of 2019.

[redacted]

Atty. Adrianne Marie C. Alazas
Notary Public [illegible] Taguig City
Notarial Commission No. [illegible]
Until December 31, 2019
NAC Tower 32nd St. Bonifacio Global City, Taguig City
PTR No. [illegible] January 07, 2019, Taguig City
IBP O.R. No. [illegible] Taguig City January 08, 2019
Roll No. [illegible]
MCLE No. [illegible], December 13, 2018

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

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of Aboitiz Equity Ventures, Inc. is responsible for the preparation and fair presentation of the consolidated financial statements 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 stock-holders, has expressed its opinion on the fairness of presentation upon completion of such audit.

(SGD.)
ENRIQUE. ABOITIZ
Chairman of the Board

(SGD.)
ERRAMON I. ABOITIZ
President & Chief Executive Officer

(SGD.)
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 Jr.		[redacted]
Erramon I. Aboitiz		
Manuel R. Lozano		

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 2019.

Doc. No. 265;
Page No. 42;
Book No. II;
Series of 2019.

ATTY. ADRIANNE MARIE C. ALA...
ROLL NO. 58...
NOTARY PUBLIC
TAGUIG CITY, PH...

[redacted]

Atty. Adrianne ... Alazas
Notary Public ... Taguig ...
Notarial Commission No. ...50
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. 58...
MCLE No. VI-0015882 December 13, 2018

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Building a better working world

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BOA/PRC Reg. No. 0001,
October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-4 (Group A),
November 6, 2018, valid until November 5, 2021

INDEPENDENT AUDITOR'S REPORT

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.

[redacted]

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 AUDITOR'S REPORT

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.

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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 Note 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.

[redacted]

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

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October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-4 (Group A),
November 6, 2018, valid until November 5, 2021

INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY SCHEDULES

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.

[redacted]

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

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(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
Other equity reserves:			
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)
Accumulated other comprehensive income (loss):			
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.

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

(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.

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(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			
Items that may be reclassified to consolidated statements of income:			
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)
Items that will not be reclassified to consolidated statements of income:			
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.

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

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																		
														Retained Earnings					
	Capital Stock: Common (Note 23)	Additional Paid-in Capital (Note 23)	Gain on Dilution (Note 2)	Excess of Book Value Over Acquisition Cost of an Acquired Subsidiary (Note 9)	Acquisition of Non-controlling Interest (Note 2)	Net Unrealized Mark-to-Market Gains on AFS Investments	Cumulative Translation Adjustment (Note 36)	Actuarial Losses on Defined Benefit Plans, net of tax (Note 30)	Share in Actuarial Losses on Defined Benefit Plans of Associates and Joint Ventures (Note 10)	Share in Cumulative Translation Adjustments of Associates and Joint Ventures (Note 10)	Share in Net Unrealized Mark-to-Market Losses on AFS Investments of Associates (Note 10)	Net Unrealized Mark-to-Market Gains (Losses) on Investments in Financial Assets at FVOCI	Share in Net Unrealized Mark-to-Market Gains (Losses) on Investments in Financial Assets at FVOCI of Associates	Appropriated (Note 24)	Unappropriated (Note 24)	Treasury Stock (Note 23)	Total	Non-controlling Interest	Total
Balances at January 1, 2018, as previously reported	₱5,694,600	₱13,013,197	₱5,043,152	₱469,540	(₱1,577,075)	₱17,280	₱189,465	(₱666,132)	(₱537,099)	(₱107,913)	(₱3,229,609)	₱–	₱–	₱1,622,000	₱135,600,929	(₱521,132)	₱155,011,203	₱37,572,509	₱192,583,712
Effects of adoption of new accounting standards (Notes 2 and 3)	–			-		(17,280)	-	-	-	–	3,229,609	(798)	95,077		810,043		4,116,651		4,116,651
Share in restatement of an associate (Note 10)	–			-		–	-	-	-	–		–	–		(312,784)	–	(312,784)		(312,784)
Balances at January 1, 2018, as restated	5,694,600	13,013,197	5,043,152	469,540	(1,577,075)	–	189,465	(666,132)	(537,099)	(107,913)		(798)	95,077	1,622,000	136,098,188	(521,132)	158,815,070	37,572,509	196,387,579
Net income for the year	–			-		–	-	-	-	–		–	–		22,232,977	–	22,232,977	9,005,820	31,238,797
Other comprehensive income																			
Movement in net unrealized mark-to-market losses on Investments in Financial Assets at FVOCI	–			-		–	-	-	-	–		941	–		–	–	941	(18,077)	(17,136)
Movement in cumulative translation adjustments	–			-		–	544,939	-	-	–		–	–		–	–	544,939	94,807	639,746
Actuarial gains on defined benefit plans, net of tax	–			-		–	-	(10,633)	-	–		–	–		–	–	(10,633)		(10,633)
Share in movement in actuarial losses on defined benefit plan of associates and joint ventures	–			-		–	-	-	102,031	–		–	–		–	–	102,031	10,198	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		–	–	19,450	(5,155)	14,295
Total comprehensive income (loss) for the year	–			-		–	544,939	(10,633)	102,031	358,208		941	19,450		22,232,977	–	23,247,913	9,193,524	32,441,437
Cash dividends - ₱1.28 per share (Note 24)	–			-		–	-	-	-	–		–	–		(7,211,255)	–	(7,211,255)		(7,211,255)
Acquisition of treasury shares	–			-		–	-	-	-	–		–	–		–	(44,114)	(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	–			-	(102,474)	–	-	-	-	–		–	–		–	–	(102,474)	246	(102,228)
Changes in non-controlling interests	–			-		–	-	-	-	–		–	–		–	–		1,623,889	1,623,889
Balances at December 31, 2018, as restated	₱5,694,600	₱13,013,197	₱5,043,152	₱469,540	(₱1,679,549)	₱–	₱734,404	(₱676,765)	(₱435,068)	₱250,295	₱	₱143	₱114,527	₱4,200,000	₱148,541,910	(₱565,246)	₱174,705,140	₱42,558,391	₱217,263,531

	Attributable to equity holders of the parent																
												Retained Earnings					
	Capital Stock: Common (Note 23)	Additional Paid-in Capital (Note 23)	Gain on Dilution (Note 2)	Excess of Book Value Over Acquisition Cost of an Acquired Subsidiary (Note 9)	Acquisiion of Non-controlling Interest (Note 2)	Net Unrealized Mark-to-Market Gains on AFS Investments	Cumulative Translation Adjustment (Note 36)	Actuarial Losses on Defined Benefit Plans, net of tax (Note 30)	Share in Actuarial Losses on Defined Benefit Plans of Associates and Joint Ventures (Note 10)	Share in Cumulative Translation Adjustments of Associates and Joint Ventures (Note 10)	Share in Net Unrealized Mark to-Market Losses on AFS Investments of Associates (Note 10)	Appropriated (Note 24)	Unappropriated (Note 24)	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)	₱9,106	₱34,262	(₱783,891)	(₱513,132)	(₱95,378)	(₱3,938,424)	₱2,717,000	₱120,390,178	(₱521,132)	₱140,275,027	₱33,700,381	₱173,975,408
Share in restatement of an associate (Note 10)	-	-		-	-		-		-	-	-	-	(312,784)	-	(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	(783,891)	(513,132)	(95,378)	(3,938,424)	2,717,000	120,077,394	(521,132)	139,962,243	33,700,381	173,662,624
Net income for the year	-	-		-	-		-		-	-	-	-	21,608,695	-	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	(10,587)	(2,413)
Movement in cumulative translation adjustments	-	-		-	-		155,203		-	-	-	-	-	-	155,203	44,353	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	(22,788)
Share in cumulative translation adjustment of associates and joint ventures	-	-		-	-		-		-	(12,535)	-	-	-	-	(12,535)	(3,770)	(16,305)
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	-	21,608,695	-	22,562,144	7,703,628	30,265,772
Gain on dilution	-	-	(333,024)	-	-		-		-	-	-	-	-	-	(333,024)	-	(333,024)
Cash dividends - ₱1.33 per share (Note 24)	-	-		-	-		-		-	-	-	-	(7,492,944)	-	(7,492,944)	-	(7,492,944)
Reversal of appropriation during the year	-	-		-	-		-		-	-	-	(1,095,000)	1,095,000	-	-	-	-
Cash dividends paid to non-controlling interests	-	-		-	-		-		-	-	-	-	-	-	-	(3,077,223)	(3,077,223)
Changes in non-controlling interests	-	-		-	-		-		-	-	-	-	-	-	-	(754,277)	(754,277)
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)	(₱537,099)	(₱107,913)	(₱3,229,609)	₱1,622,000	₱135,288,145	(₱521,132)	₱154,698,419	₱37,572,509	₱192,270,928

	Capital Stock: Common (Note 23)	Additional Paid-in Capital (Note 23)	Gain on Dilution (Note 2)	Excess of Book Value Over Acquisition Cost of an Acquired Subsidiary (Note 9)	Acquisition of Non-controlling Interest (Note 2)	Net Unrealized Mark-to-Market Gains on AFS Investments	Cumulative Translation Adjustment (Note 36)	Actuarial Losses on Defined Benefit Plans, net of tax (Note 30)	Share in Actuarial Losses on Defined Benefit Plans of Associates and Joint Ventures (Note 10)	Share in Cumulative Translation Adjustments of Associates and Joint Ventures (Note 10)	Share in Net Unrealized Mark to-Market Losses on AFS Investments of Associates (Note 10)	Retained Earnings: Appropriated (Note 24)	Retained Earnings: Unappropriated (Note 24)	Treasury Stock (Note 23)	Total	Non-controlling Interest (As Restated; Note 9)	Total
								Attributable to equity holders of the parent									
Balances at January 1, 2016, as previously reported	₱5,694,600	₱7,683,568	₱5,376,176	₱469,540	(₱1,577,075)	₱14,188	₱176,379	(₱795,967)	(₱334,456)	(₱193,921)	(₱3,748,731)	₱–	₱106,521,242	(₱1,065,585)	118,219,958	₱28,764,484	₱146,984,442
Share in restatement of an associate (Note 10)	–	-		–	–			–		-	–	–	(312,784)	–	(312,784)	–	(312,784)
Balances at January 1, 2016, as restated	5,694,600	7,683,568	5,376,176	469,540	(1,577,075)	14,188	176,379	(795,967)	(334,456)	(193,921)	(3,748,731)	–	106,208,458	(1,065,585)	117,907,174	28,764,484	146,671,658
Net income for the year	–	-		–	–			–		-	–	–	22,473,458	–	22,473,458	6,179,667	28,653,125
Other comprehensive income																	
Movement in net unrealized mark-to-market losses on AFS investments	–	-		–	–	(5,082)		–		-	–	–	–	–	(5,082)	(766)	(5,848)
Movement in cumulative translation adjustments	–	-		–	–		(142,117)	–		-	–	–	–	–	(142,117)	(60,950)	(203,067)
Actuarial gains on defined benefit plans, net of tax	–	-		–	–			12,076		-	–	–	–	–	12,076	–	12,076
Share in movement in actuarial losses on defined benefit plan of associates and joint ventures	–	-		–	–			–	(178,676)	-	–	–	–	–	(178,676)	432	(178,244)
Share in cumulative translation adjustment of associates and joint ventures	–	-		–	–			–		98,543	–	–	–	–	98,543	29,630	128,173
Share in movement in unrealized mark-to-market losses on AFS investments of associates	–	-		–	–			–		-	(189,693)	–	–	–	(189,693)	–	(189,693)
Total comprehensive income (loss) for the year	–	-		–	–	(5,082)	(142,117)	12,076	(178,676)	98,543	(189,693)	–	22,473,458	–	22,068,509	6,148,013	28,216,522
Cash dividends - ₱1.06 per share (Note 24)	–	-		–	–			–		-	–	–	(5,887,522)	–	(5,887,522)	–	(5,887,522)
Appropriation during the year	–	-		–	–			–		-	–	2,717,000	(2,717,000)	–		–	–
Cash dividends paid to non-controlling interests	–	-		–	–			–		-	–	–	–	–		(4,456,950)	(4,456,950)
Sale of treasury shares	–	5,329,629		–	–			–		-	–	–	–	544,453	5,874,082	–	5,874,082
Acquisition of a subsidiary (Note 9)	–	-		–	–			–		-	–	–	–	–		3,164,230	3,164,230
Changes in non-controlling interests	–	-		–	–			–		-	–	–	–	–		80,604	80,604
Balances at December 31, 2016, as restated	₱5,694,600	₱13,013,197	₱5,376,176	₱469,540	(₱1,577,075)	₱9,106	₱34,262	(₱783,891)	(₱513,132)	(₱95,378)	(₱3,938,424)	₱2,717,000	₱120,077,394	(₱521,132)	139,962,243	₱33,700,381	₱173,662,624

See accompanying Notes to Consolidated Financial Statements.

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in Thousands)

	Years Ended December 31		
	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)	**(₱16,211,727)**	₱747,150	(₱44,572,591)
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 availment 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)	**₱59,033,029**	₱64,870,214	₱63,857,528

See accompanying Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in Thousands, Except Par Value, Earnings Per Share, Number of Shares, and When Otherwise Indicated)

1. Corporate Information

Aboitiz Equity Ventures, Inc. (the Company) was originally incorporated in the Philippines as Cebu Pan Asian Holdings, Inc. and registered with the Philippine Securities and Exchange Commission (SEC) on September 11, 1989. The Company changed its corporate name to the present one on December 29, 1993 and its ownership was opened to the general public through an initial public offering of its shares on November 16, 1994 (see Note 23).

The Company and its subsidiaries (collectively referred to as the "Group") are engaged in various business activities mainly in the Philippines, including power generation, retail electricity supply and power distribution, food manufacturing, banking and financial services, real estate development, and infrastructure (see Note 33). The Company is the publicly-listed holding and management company of the Group. The parent and the ultimate parent of the Company is Aboitiz & Company, Inc. (ACO).

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

The consolidated financial statements of the Group were approved and authorized for issue in accordance with a resolution by the Board of Directors (BOD) of the Company on March 7, 2019.

2. Basis of Preparation, Statement of Compliance and Summary of Significant Accounting Policies

Basis of Preparation

The accompanying consolidated financial statements of the Group have been prepared on a historical cost basis, except for derivative financial instruments, investments in certain debt and equity securities, and investment properties which are measured at fair value, and agricultural produce and biological assets which are measured at fair value less estimated costs to sell. The consolidated financial statements are presented in Philippine peso, which is the Company's functional currency, and all values are rounded to the nearest thousands, except for earnings per share and exchange rates and as otherwise indicated.

Statement of Compliance

The consolidated financial statements of the Group are prepared in compliance with Philippine Financial Reporting Standards (PFRSs).

Changes in Accounting Policies and Disclosures
The accounting policies adopted are consistent with those of the previous financial year, except for the new and revised standards and Philippine Interpretations which were applied starting January 1, 2018. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Except as otherwise indicated, adoption of the following new and revised standards and interpretations did not have any significant impact on the Group's consolidated financial statements:

- PFRS 9*, Financial Instruments*
  PFRS 9 reflects all phases of the financial instruments project and replaces Philippine Accounting Standard (PAS) 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. Retrospective application is required, but comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

  The Group has adopted this new standard without restating comparative information.

  As of January 1, 2018, the Group has reviewed and assessed all of its existing financial instruments. The table below illustrates the classification and measurement of financial instruments under PFRS 9 and PAS 39 at the date of initial application.

  The measurement category and the carrying amount of financial instruments in accordance with PAS 39 and PFRS 9 as of January 1, 2018 are compared as follows:

Financial Assets	**Original Measurement Category Under PAS 39**	**Original Carrying Amount Under PAS 39**	**New Measurement Category Under PFRS 9**	**New Carrying Amount Under PFRS 9**
Cash on hand and in banks	Loans and receivables	₱13,080,148	Financial assets at amortized cost	₱13,080,148
Cash equivalents	Loans and receivables	51,790,066	Financial assets at amortized cost	51,790,066
Investment in equity securities not held for trading	AFS investments	480,059	Financial assets at fair value through profit or loss (FVTPL)	480,059
Investment in debt securities not held for trading	AFS investments	292,735	Debt investments at amortized cost	292,735
Investment in debt securities not held for trading	HTM investments	189,216	Debt investments at amortized cost	189,216
Trade and other receivables				
Trade receivables	Loans and receivables	23,249,908	Debt instruments at amortized cost	23,122,774
Other receivables	Loans and receivables	1,523,802	Debt instruments at amortized cost	1,523,802
Derivative assets	Financial assets at fair value through profit or loss (FVPL)	341,941	Financial assets at FVTPL	341,941
Restricted cash	Loans and receivables	2,642,327	Financial assets at amortized cost	2,642,327

  As of December 31, 2018 and 2017, the Group does not hold financial liabilities designated at fair value through profit or loss.

The following table reconciles the carrying amounts of financial assets, from their previous measurement category in accordance with PAS 39 to their new measurement categories upon transition to PFRS 9 on January 1, 2018, and prior period's closing impairment allowance measured in accordance with PAS 39 and the provisions in accordance with PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, to the opening impairment allowance determined in accordance with PFRS 9 as of January 1, 2018:

	PAS 39 measurement		Reclassification	Remeasurement		PFRS 9
Financial assets	Category	Amount		ECL	Amount	Category
Cash and cash equivalents	L&R[1]	₱64,870,214	₱64,870,214	₱–	₱64,870,214	AC[2]
Trade and other receivables	L&R	24,773,710	24,773,710	(127,134)	24,646,576	AC
Restricted cash	L&R	2,642,327	2,642,327	–	2,642,327	AC
	L&R	₱92,286,251	₱92,286,251	(₱127,134)	₱92,159,117	AC
Financial investments - AFS		₱772,794	(₱772,794)	₱–	N/A	
To: *FVTPL*			(480,059)			
To: *Debt investments at amortized cost*			(292,735)			
	AFS	₱772,794	(₱772,794)	₱–	N/A	
Derivative assets	FVPL	₱341,941	₱341,941	₱–	₱341,941	FVTPL
Financial assets at fair value through profit or loss	FVPL	–	480,059	–	480,059	FVTPL
From: *Financial investments - AFS*		–	480,059	–		
	AFS	341,941	822,000	–	822,000	FVTPL
Debt instruments - HTM		₱189,216	(₱189,216)	₱–	N/A	
To: Debt investments at amortized cost			(189,216)			
	HTM	189,216	(189,216)	–	N/A	
Debt investments at amortized cost		N/A	₱481,951	₱–	₱481,951	AC
From: *Financial investments - AFS*			292,735		292,735	
From: *Debt instruments - HTM*			189,216		189,216	
		N/A	481,951	–	481,951	AC

[1]L&R: Loans and receivables
[2]AC: Amortized cost

The Group does not have financial assets and financial liabilities which had previously been designated FVPL to reduce an accounting mismatch in accordance with PAS 39 which had been reclassified to amortized cost or fair value through other comprehensive income (FVOCI) upon transition to PFRS 9.

Under PFRS 9, the level of provision for credit and impairment losses has generally increased due to the incorporation of a more forward-looking approach in determining provisions. Further, since the implementation of PFRS 9, all financial assets except those measured at FVTPL and equity instruments at FVOCI are assessed for at least 12-month expected credit loss (ECL) and the population of financial assets to which the lifetime ECL applies is larger than the population for which there is objective evidence of impairment in accordance with PAS 39.

The new hedge accounting model under PFRS 9 aims to simplify hedge accounting, align the accounting for hedge relationships more closely with an entity's risk management activities and permit hedge accounting to be applied more broadly to a greater variety of hedging instruments and risks eligible for hedge accounting.

We determined that all existing hedge relationships that are currently designated in effective hedging relationships will continue to qualify for hedge accounting under PFRS 9. As PFRS 9 does not change the general principles of how an entity accounts for effective hedges, applying the hedging requirements of PFRS 9 did not have a significant impact on the consolidated financial statements.

The effects of adoption on consolidated financial statements are as follows:

	As at January 1, 2018
Increase (decrease) in consolidated balance sheets:	
Trade and other receivables	(₱127,134)
AFS investments	(772,794)
Financial assets at FVTPL	480,059
HTM investments	(189,216)
Debt investments at amortized cost	481,951
Investments and advances (see Note 10)	4,248,654
Deferred income tax assets	22,508
Total Assets	₱4,144,028
Deferred income tax liabilities	(₱3,573)
Net unrealized mark-to-market gain on AFS investments	3,306,608
Retained earnings	857,957
Non-controlling interests	(16,964)
Total Liabilities and Equity	₱4,144,028

- PFRS 15*, Revenue from Contracts with Customers*
  PFRS 15 supersedes PAS 11, *Construction Contracts*, PAS 18, *Revenue*, and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. PFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. The new standard establishes a five-step model to account for revenue arising from contracts with customers. The five-step model is as follows:

  1. Identify the contract(s) with a customer
  2. Identify the performance obligations in the contract
  3. Determine the transaction price
  4. Allocate the transaction price to the performance obligations in the contract
  5. Recognize revenue when (or as) the entity satisfies a performance obligation.

  Under PFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

  The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with the customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

  The Group adopted PFRS 15 using the modified retrospective method, effective January 1, 2018. The Group elected to apply the method to only those contracts that were not completed at the date of initial recognition.

Except for the Real Estate Group, the adoption of PFRS 15 has no significant impact on the operating performance and financial condition of the rest of the Group.

Real Estate Segment

On February 14, 2018, the Philippines Interpretation Committee (PIC) issued PIC Q&A 2018-12 (PIC &A) which provides guidance on some implementation issues of PFRS 15 affecting real estate industry. On October 25, 2018 and February 7, 2019, the Philippine Securities and Exchange Commission (SEC) issued SEC Memorandum Circular Nos. 14-2018 and 3-2019, respectively, providing relief to the real estate industry by deferring the application of the following provisions of PIC Q&A Nos. 2018-12 and 2018-14 for a period of 3 years:

- Exclusion of land and uninstalled materials in the determination of percentage of completion (POC) discussed in PIC Q&A No. 2018-12-E;
- Accounting for significant financing component discussed in PIC Q&A No. 2018-12-D;
- Accounting to Common Usage Service Area (CUSA) charges discussed in PIC Q&A No. 2018-12-H; and,
- Accounting for Cancellation of Real Estate Sales discussed in PIC Q&A No. 2018-14

This deferral will only be applicable for real estate sales transactions. Effective January 1, 2021, real estate companies will adopt PIC Q&A Nos. 2018-12 and 2018-14 and any subsequent amendments thereof retrospectively or as the SEC will later prescribe.

The Real Estate Group availed of the deferral of the accounting for significant financing component and cancellation of real estate sales as provided in PIC Q&A Nos. 2018-12 and 2018-14, respectively. Had these provisions been adopted, it would have the following impact to the consolidated financial statements:

a. The mismatch between the POC of the real estate projects and right to an amount of consideration based on the schedule of payments explicit in the contract would constitute a significant financing component. Interest income is recognized for contract assets and interest expense for contract liabilities using the effective interest rate method which would have an impact on retained earnings as at January 1, 2018 and the real estate sales in 2018; and
b. The repossessed real estate inventory would be recorded at fair value plus cost to repossess (or fair value less cost to repossess if this would have been opted). This would have increased retained earnings as at January 1, 2018 and gain from repossession in 2018.

Consistent with the chosen approach of the AEV Group, Real Estate Group applied the modified retrospective method only to those contracts that are not completed as at January 1, 2018.

The cumulative impact of the changes made, excluding the impact of significant financing component and cancellation of real estate sales, to the Group's consolidated balance sheet for the adoption of PFRS 15 is as follows:

	As at January 1, 2018
Increase (decrease) in consolidated balance sheet:	
Trade and other receivables	(₱2,827,104)
Contract assets	3,047,305
Inventories	188,010
Trade receivables - net of current portion	(350,249)
Total Assets	₱57,962
Trade and other payables	₱109,855
Contract liabilities	36,649
Customers' deposits	(36,649)
Retained Earnings	(47,914)
Non-controlling interests	(3,979)
Total Liabilities and Equity	₱57,962

The nature of the adjustments causing significant changes in some line items of the consolidated balance sheet as at January 1, 2018 and December 31, 2018, and the consolidated statement of income for the year ended December 31, 2018 are described below:

- *Sale of Real Estate.* The Real Estate Group determines the overall POC for revenue recognition purposes by adding all weighted POC specific to each construction activity. The weighted POC for each activity is arrived at by multiplying the relative weight of each activity to its POC determined on the basis of the estimated completion of physical proportion of the contract work.

  Under PFRS 15, the cost of the lot should be excluded for purposes of determining the POC since the cost to procure the lot is not proportionate to the Real Estate Group's progress in satisfying the performance obligation.

  As a result, the consolidated balance sheet as at January 1, 2018 was restated resulting to a decrease in retained earnings and trade and other receivables by ₱43.7 million and ₱130 million, respectively, and increase in real estate inventories by ₱86.4 million. As at and for the year ended December 31, 2018, the impact of excluding the cost of the lot in determining POC is impracticable to determine. This is considering that upon adoption of PFRS 15 in January 2018, the Real Estate Group has already excluded the cost of the lot in the computation for POC, and thus, has stopped monitoring the financial impact on the difference in the manner of POC computation.

- *Amounts Billed for Work Performed/Amount Billed in Advance for Construction Work.* PFRS 15 requires to present separately the contract asset (right to consideration in exchange for goods or services that has transferred), contract liability (obligation to transfer goods or services to a customer for which the entity has received consideration) and receivable (right to consideration is unconditional).

In the case of contracts wherein the recognized real estate sales determined based on POC exceed the amount billed, the difference shall be presented as "Contract Assets". In cases wherein the recognized sales based on POC are lower than the amount billed, the difference shall be presented as "Contract Liabilities".

As a result, the consolidated balance sheet as at January 1, 2018 was restated resulting to an increase in contract assets and contract liabilities by ₱3.0 billion and ₱36.6 million, respectively, and decrease in trade and other receivables, trade receivables - net of current portion and customers' deposits by ₱2.8 billion, ₱350.2 million and ₱36.6 million, respectively. As at December 31, 2018, the contract assets and contract liabilities have increased by ₱758.6 million and ₱146.9 million, respectively, and the trade and other receivables, trade receivables-net of current portion and customers' deposits in the consolidated balance sheet have decreased by ₱758.3 million, ₱0.3 million and ₱146.9 million, respectively.

- *Incremental Costs to Obtain Contracts.* The Real Estate Group incurs incremental sales commissions to obtain a contract with a customer that would not have been incurred if the contract had not been entered into. Under PAS 18, the Real Estate Group recognized sales commission as expense when incurred.

  Under PFRS 15, these are recognized as incremental costs of obtaining a contract and are capitalized as an asset if the costs are expected to be recoverable. The Real Estate Group concluded that these costs should be capitalized and amortized on a systematic basis that is consistent with the transfer of the related goods/services to the customer (i.e. POC). It also applied practical expediency wherein contract costs shall be immediately expensed when the asset that would have resulted from capitalizing such costs is to be amortized within one year or less.

  As a result, the consolidated balance sheet as at January 1, 2018 was restated resulting to a decrease in retained earnings by ₱8.2 million and increase in real estate inventories and trade and other payables by ₱101.6 million and ₱109.9 million, respectively. As at and for the period ended December 31, 2018, the commission expense recorded under cost of sales and the forfeitures under other income in the consolidated statement of income have decreased by ₱71.0 million and the real estate inventories and trade and other payables in the consolidated balance sheet have increased by ₱28.0 million and ₱11.0 million, respectively.

- Amendments to PFRS 2*, Share-based Payment, Classification and Measurement of Share-based Payment Transactions*

  The amendments to PFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled.

On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and if other criteria are met.

These amendments are not applicable to the Group since it has no share-based payment arrangements.

- Amendments to PFRS 4*, Insurance Contracts,* Applying PFRS 9*, Financial Instruments, with PFRS 4*
  The amendments address concerns arising from implementing PFRS 9, the new financial instruments standard before implementing the new insurance contracts standard. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying PFRS 9 and an overlay approach. The temporary exemption is first applied for reporting periods beginning on or after January 1, 2018. An entity may elect the overlay approach when it first applies PFRS 9 and apply that approach retrospectively to financial assets designated on transition to PFRS 9. The entity restates comparative information reflecting the overlay approach if, and only if, the entity restates comparative information when applying PFRS 9.

  The Group's activities are not predominantly connected with insurance. These amendments do not have any significant impact on the Group's consolidated financial statements.

- Amendments to PAS 28, *Investments in Associates and Joint Ventures, Measuring an Associate or Joint Venture at Fair Value (Part of Annual Improvements to PFRSs 2014 - 2016 Cycle)*
  The amendments clarify that an entity that is a venture capital organization, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. They also clarify that if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (a) the investment entity associate or joint venture is initially recognized; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent.

  These amendments are not applicable to the Group since none of the entities within the Group is a venture capital organization or an investment entity, nor does the Group have investment entity associates or joint ventures.

- Amendments to PAS 40, *Investment Property, Transfers of Investment Property*
  The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to changes in use that occur on or after the

beginning of the annual reporting period in which the entity first applies the amendments. Retrospective application is only permitted if this is possible without the use of hindsight. Since the Group's current practice is in line with the clarifications issued, these amendments do not have an impact on its consolidated financial statements.

- Philippine Interpretation International Financial Reporting Interpretations Committee (IFRIC) - 22, *Foreign Currency Transactions and Advance Consideration*
  The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the nonmonetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. The interpretation may be applied on a fully retrospective basis. Entities may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognized on or after the beginning of the reporting period in which the entity first applies the interpretation or the beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.

  Since the Group's current practice is in line with the clarifications issued, this interpretation does not have any effect on its consolidated financial statements.

<u>New Standards and Interpretations Issued and Effective after December 31, 2018</u>
The Group will adopt the standards enumerated below when these become effective. Except as otherwise indicated, the Group does not expect the adoption of these new and amended PFRSs, PAS and Philippine Interpretations to have significant impact on its consolidated financial statements.

Effective January 1, 2019

- PFRS 16, *Leases*
  PFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under PAS 17, *Leases*. The standard includes two recognition exemptions for lessees - leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

  Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under PFRS 16 is substantially unchanged from today's accounting under PAS 17. Lessors will continue to classify all leases using the same classification principle as in PAS 17 and distinguish between two types of leases: operating and finance leases.

PFRS 16 also requires lessees and lessors to make more extensive disclosures than under PAS 17.

The Group plans to adopt PFRS 16 on the required effective date using the modified retrospective method. The Group will elect to apply the standard to contracts that were previously identified as leases applying PAS 17. The Group will therefore not apply the standard to contracts that were not previously identified as containing a lease applying PAS 17.

The Group will elect to use the exemptions proposed by the standard on lease contracts for which the lease terms ends within 12 months as of the date of initial application, and lease contracts for which the underlying asset is of low value.

In 2018, the Group performed a preliminary impact assessment of PFRS 16. Based on the initial assessment, the standard may have an impact on the Group's consolidated balance sheets, statements of income, statements of comprehensive income and statements of cash flows.

- Amendments to PFRS 9, *Prepayment Features with Negative Compensation*
  The amendments to PFRS 9 allow debt instruments with negative compensation prepayment features to be measured at amortized cost or fair value through other comprehensive income. An entity shall apply these amendments for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted.

  The Group expects that adoption of these amendments will not have any impact on its consolidated financial statements.

- Amendments to PAS 19, *Employee Benefits, Plan Amendment, Curtailment or Settlement*
  The amendments to PAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

  - Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event
  - Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset).

  The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognized in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognized in other comprehensive income.

The amendments apply to plan amendments, curtailments, or settlements occurring on or after the beginning of the first annual reporting period that begins on or after January 1, 2019, with early application permitted. Since the Group's current practice is in line with these amendments, the Group does not expect any effect on its consolidated financial statements upon adoption.

- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*
  The amendments clarify that an entity applies PFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). The amendments also clarified that, in applying PFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognized as adjustments to the net investment in the associate or joint venture that arise from applying PAS 28.

  Since the Group does not have such long-term interests in its associates and joint venture to which equity method is not applied, the amendments will not have an impact on its consolidated financial statements.

- Philippine Interpretation IFRIC 23, *Uncertainty over Income Tax Treatments*
  The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of PAS 12 and does not apply to taxes or levies outside the scope of PAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

  The interpretation specifically addresses the following:
  - Whether an entity considers uncertain tax treatments separately
  - The assumptions an entity makes about the examination of tax treatments by taxation authorities
  - How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
  - How an entity considers changes in facts and circumstances

  An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed.

  The Group is currently assessing the impact of adopting this interpretation.

- *Annual Improvements to PFRSs* 2015-2017 Cycle

  - Amendments to PFRS 3, *Business Combinations,* and PFRS 11, *Joint Arrangements*, *Previously Held Interest in a Joint Operation*
    The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in PFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2019 and to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after January 1, 2019, with early application permitted. These amendments are currently not applicable to the Group but may apply to future transactions.

- Amendments to PAS 12, *Income Taxes, Income Tax Consequences of Payments on Financial Instruments Classified as Equity*
  The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognizes the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events.

  An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application permitted. These amendments are not relevant to the Group because dividends declared by the Group do not give rise to tax obligations under the current tax laws.

- Amendments to PAS 23, *Borrowing Costs, Borrowing Costs Eligible for Capitalization*
  The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

  An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application permitted.

  Since the Group's current practice is in line with these amendments, the Group does not expect any effect on its consolidated financial statements upon adoption.

Effective beginning on or after January 1, 2020

- Amendments to PFRS 3, *Definition of a Business*
  The amendments to PFRS 3 clarify the minimum requirements to be a business, remove the assessment of a market participant's ability to replace missing elements, and narrow the definition of outputs. The amendments also add guidance to assess whether an acquired process is substantive and add illustrative examples. An optional fair value concentration test is introduced which permits a simplified assessment of whether an acquired set of activities and assets is not a business.

An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

These amendments will apply on future business combinations of the Group.

- Amendments to PAS 1, *Presentation of Financial Statements, and PAS 8, Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material*
  The amendments refine the definition of material in PAS 1 and align the definitions used across PFRSs and other pronouncements. They are intended to improve the understanding of the existing requirements rather than to significantly impact an entity's materiality judgements.

  An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

Effective beginning on or after January 1, 2021

- PFRS 17, *Insurance Contracts*
  PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

  The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:
  - A specific adaptation for contracts with direct participation features (the variable fee approach)
  - A simplified approach (the premium allocation approach) mainly for short-duration contracts

  PFRS 17 is effective for reporting periods beginning on or after January 1, 2021, with comparative figures required. Early application is permitted.

Deferred effectivity

- Amendments to PFRS 10, *Consolidated Financial Statements,* and PAS 28*, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
  The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

On January 13, 2016, the Financial Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Company and the following subsidiaries as at December 31 of each year:

	Nature of Business	Place of Incorporation	Percentage of Ownership 2018 Direct	2018 Indirect	2017 Direct	2017 Indirect
Aboitiz Power Corporation (AP) and Subsidiaries	Power	Philippines	**76.98%**	**–%**	76.88%	–%
Aboitiz Energy Solutions, Inc. (AESI)	Power	Philippines	**–**	**100.00**	–	100.00
Balamban Enerzone Corporation (BEZ)	Power	Philippines	**–**	**100.00**	–	100.00
Mactan Enerzone Corporation (MEZ)	Power	Philippines	**–**	**100.00**	–	100.00
Malvar Enerzone Corporation (MVEZ) *(A)*	Power	Philippines	**–**	**100.00**	–	100.00
East Asia Utilities Corporation (EAUC)	Power	Philippines	**–**	**100.00**	–	100.00
Lima Enerzone Corporation (LEZ)	Power	Philippines	**–**	**100.00**	–	100.00
Subic Enerzone Corporation (SEZ)	Power	Philippines	**–**	**100.00**	–	100.00
Cotabato Light & Power Co., Inc. (CLP)	Power	Philippines	**–**	**99.94**	–	99.94
Cotabato Ice Plant, Inc.	Manufacturing	Philippines	**–**	**100.00**	–	100.00
Davao Light & Power Co., Inc. (DLP)	Power	Philippines	**–**	**99.93**	–	99.93
Maaraw Holdings San Carlos, Inc. (MHSCI, see Note 9)	Holding	Philippines	**–**	**100.00**	–	100.00
San Carlos Sun Power, Inc. (Sacasun, see Note 9)	Power	Philippines	**–**	**100.00**	–	100.00
AboitizPower International B.V. (formerly Sunedison Philippines Helios B.V.) (see Note 9)	Holding	Netherlands	**–**	**100.00**	–	100.00
Visayan Electric Co., Inc. (VECO)	Power	Philippines	**–**	**55.26**	–	55.26
Aboitiz Renewables Inc. (ARI) and Subsidiaries	Power	Philippines	**–**	**100.00**	–	100.00
AP Renewables, Inc. (APRI)	Power	Philippines	**–**	**100.00**	–	100.00
Hedcor, Inc. (HI)	Power	Philippines	**–**	**100.00**	–	100.00
Hedcor Mt. Province, Inc.*	Power	Philippines	**–**	**100.00**	–	100.00
Hedcor Benguet, Inc.*	Power	Philippines	**–**	**100.00**	–	100.00
Hedcor Bukidnon, Inc.*	Power	Philippines	**–**	**100.00**	–	100.00
Hedcor Kabayan, Inc.*	Power	Philippines	**–**	**100.00**	–	100.00
Hedcor Ifugao, Inc.*	Power	Philippines	**–**	**100.00**	–	100.00
Hedcor Kalinga, Inc. *	Power	Philippines	**–**	**100.00**	–	100.00
Hedcor Itogon, Inc.*	Power	Philippines	**–**	**100.00**	–	100.00
Hedcor Manolo Fortich, Inc.*	Power	Philippines	**–**	**100.00**	–	100.00
Hedcor Sabangan, Inc. (Hedcor Sabangan)	Power	Philippines	**–**	**100.00**	–	100.00
Hedcor Sibulan, Inc. (HSI)	Power	Philippines	**–**	**100.00**	–	100.00
Hedcor Tamugan, Inc. (HTI)*	Power	Philippines	**–**	**100.00**	–	100.00
Hedcor Tudaya, Inc. (Hedcor Tudaya)	Power	Philippines	**–**	**100.00**	–	100.00
Aboitiz Power Distributed Renewables, Inc.	Power	Philippines	**–**	**100.00**	–	100.00
AP Renewable Energy Corporation	Power	Philippines	**–**	**100.00**	–	100.00
Aboitiz Power Distributed Energy, Inc. *	Power	Philippines	**–**	**100.00**	–	100.00
Mt. Apo Geopower, Inc. *	Power	Philippines	**–**	**100.00**	–	100.00

(Forward)

			Percentage of Ownership			
	Nature of		**2018**		2017	
	Business	Place of Incorporation	**Direct**	**Indirect**	Direct	Indirect
Cleanergy, Inc. (CI)*	Power	Philippines	**–%**	**100.00%**	–%	100.00%
Hydro Electric Development Corporation*	Power	Philippines	**–**	**99.97**	–	99.97
Luzon Hydro Corporation (LHC)	Power	Philippines	**–**	**100.00**	–	100.00
Bakun Power Line Corporation*	Power	Philippines	**–**	**100.00**	–	100.00
AP Solar Tiwi, Inc.*	Power	Philippines	**–**	**100.00**	–	100.00
Retensol, Inc. *	Power	Philippines	**–**	**100.00**	–	100.00
Aseagas Corporation (Aseagas)*	Power	Philippines	**–**	**100.00**	–	100.00
Cordillera Hydro Corporation (CHC)*	Power	Philippines	**–**	**100.00**	–	100.00
Negron Cuadrado Geopower, Inc. (NCGI)*	Power	Philippines	**–**	**100.00**	–	100.00
Tagoloan Hydro Corporation	Power	Philippines	**–**	**100.00**	–	100.00
Luzon Hydro Company Limited*	Power	Philippines	**–**	**100.00**	–	100.00
Therma Power, Inc. (TPI) and Subsidiaries	Power	Philippines	**–**	**100.00**	–	100.00
Mindanao Sustainable Solutions, Inc.*	Services	Philippines	**–**	**100.00**	–	100.00
Therma Luzon, Inc. (TLI)	Power	Philippines	**–**	**100.00**	–	100.00
Therma Marine, Inc. (Therma Marine)	Power	Philippines	**–**	**100.00**	–	100.00
Therma Mobile, Inc. (Therma Mobile)	Power	Philippines	**–**	**100.00**	–	100.00
Therma South, Inc. (TSI)	Power	Philippines	**–**	**100.00**	–	100.00
Therma Power-Visayas, Inc.*	Power	Philippines	**–**	**100.00**	–	100.00
Therma Central Visayas, Inc.*	Power	Philippines	**–**	**100.00**	–	100.00
Therma Subic, Inc.*	Power	Philippines	**–**	**100.00**	–	100.00
Therma Mariveles Holding Cooperatief U.A. *(B)*	Holding	Netherlands	**–**	**–**	–	100.00
Therma Mariveles B.V. *(B)*	Holding	Netherlands	**–**	**–**	–	100.00
Therma Mariveles Holdings, Inc.	Holding	Netherlands	**–**	**100.00**	–	100.00
GNPower Mariveles Coal Plant Ltd. Co. (GMCP)	Power	Philippines	**–**	**66.07**	–	66.07
Therma Dinginin Holding Cooperatief U.A.	Holding	Netherlands	**–**	**100.00**	–	100.00
Therma Dinginin B.V.	Holding	Netherlands	**–**	**100.00**	–	100.00
Therma Dinginin Holdings, Inc.	Holding	Philippines	**–**	**100.00**	–	100.00
Therma Visayas, Inc. (TVI)*	Power	Philippines	**–**	**80.00**	–	80.00
Abovant Holdings, Inc.	Holding	Philippines	**–**	**60.00**	–	60.00
AboitizPower International Pte. Ltd.	Holding	Singapore	**–**	**100.00**	–	100.00
Adventenergy, Inc. (AI)	Power	Philippines	**–**	**100.00**	–	100.00
Cebu Private Power Corporation (CPPC)	Power	Philippines	**–**	**60.00**	–	60.00
Prism Energy, Inc. (PEI)	Power	Philippines	**–**	**60.00**	–	60.00
Pilmico Foods Corporation (PILMICO) and Subsidiaries	Food manufacturing	Philippines	**–**	**100.00**	–	100.00
Filagri Holdings, Inc.	Holding	Philippines	**–**	**100.00**	–	100.00
Pilmico Animal Nutrition Corporation (PANC)	Food manufacturing	Philippines	**–**	**100.00**	–	100.00
Filagri, Inc.	Food manufacturing	Philippines	**–**	**100.00**	–	100.00
AboitizLand, Inc. (AboitizLand) and Subsidiaries	Real estate	Philippines	**–**	**100.00**	–	100.00
Cebu Industrial Park Developers, Inc. (CIPDI)	Real estate	Philippines	**–**	**60.00**	–	60.00
Misamis Oriental Land Development Corporation (MOLDC)	Real estate	Philippines	**–**	**60.00**	–	60.00
Propriedad del Norte, Inc. (PDNI)	Real estate	Philippines	**–**	**100.00**	–	100.00
Lima Land, Inc. (LLI) and Subsidiary	Real estate	Philippines	**–**	**100.00**	–	100.00
AEV International Pte. Ltd. (AEV International)	Holding	Singapore	**–**	**100.00**	–	100.00
Pilmico International Pte. Ltd. (Pilmico International)	Holding	Singapore	**–**	**100.00**	–	100.00
Pilmico Vietnam Feeds Joint Stock Company (Pilmico Feeds)	Food manufacturing	Vietnam	**–**	**100.00**	–	100.00

(Forward)

	Nature of Business	Place of Incorporation	Percentage of Ownership 2018 Direct	2018 Indirect	2017 Direct	2017 Indirect
Pilmico Viet Nam Trading Company, Ltd. (PVTC)	Trading	Vietnam	–%	**100.00%**	–%	100.00%
Pilmico Animal Nutrition Joint Stock Company (PAN JSC)	Food manufacturing	Vietnam	–	**70.00**	–	70.00
PT PILMICO Foods Indonesia (PFI)	Trading	Indonesia	–	**67.00**	–	67.00
Gold Coin Management Holdings Ltd. (GCMH)	Holding	British Virgin Island	–	**75.00**	–	–
GC Investment Holdings Limited (GCIH)	Holding	Hong Kong	–	**100.00**	–	–
Gold Coin (ZhangJiang) Company Ltd. (GCZJ)	Feedmills	China	–	**100.00**	–	–
Gold Coin (Zhangzhou) Company Ltd. (GCZZ)	Feedmills	China	–	**100.00**	–	–
Gold Coin (Zhuhai) Company Limited (GCZH)	Feedmills	China	–	**100.00**	–	–
Gold Coin Feedmill (Kunming) Co. Ltd. (GCKM)	Feedmills	China	–	**100.00**	–	–
Gold Coin Feedmill (Dongguan) Co. Ltd. (GCDG)	Feedmills	China	–	**100.00**	–	–
Gold Coin Management (Shenzhen) Co. Ltd. (GCSZ)	Holding	China	–	**100.00**	–	–
Gold Coin Malaysia Group Sdn. Bhd. (GCMG)	Holding	Malaysia	–	**70.00**	–	–
Gold Coin Feedmills (Malaysia) Sdn. Bhd. (GCFM)	Feedmills	Malaysia	–	**100.00**	–	–
Gold Coin Feedmill (Sabah) Sdn. Bhd. (GCFS)	Feedmills	Malaysia	–	**100.00**	–	–
Gold Coin Sarawak Sdn. Bhd. (GCS)	Feedmills	Malaysia	–	**72.80**	–	–
Bintawa Fishmeal Factory Sdn. Bhd. (BFF)	Feedmills	Malaysia	–	**72.80**	–	–
Golden Livestock Sdn Bhd (GLS)	Holding	Malaysia	–	**100.00**	–	–
Gold Coin Sabah Sdn. Bhd. (GCSAB)	Holding	Malaysia	–	**100.00**	–	–
Gold Coin Feedmill (Dong Nai) Co. Ltd. (GCFD)	Feedmills	Vietnam	–	**100.00**	–	–
American Feeds Company Limited (AFC)	Feedmills	Vietnam	–	**100.00**	–	–
Gold Coin Feedmill Ha Nam Co. Ltd. (GCFHN)	Feedmills	Vietnam	–	**100.00**	–	–
Gold Coin Feed Mills (Lanka) Ltd. (GCFL)	Feedmills	Sri Lanka	–	**60.00**	–	–
Comfez Limited (CFL)	Trading	Hong Kong	–	**100.00**	–	–
APAC Commodities Pte. Ltd. (APAC)	Trading	Singapore	–	**100.00**	–	–
Gold Coin Group Limited (GCG)	Holding	Hong Kong	–	**100.00**	–	–
Gold Coin Holdings Sdn Bhd (GCHSB)	Holding	Malaysia	–	**100.00**	–	–
Gold Coin Services Singapore Pte Limited (GCSS)	Holding	Singapore	–	**100.00**	–	–
Comfez Pte. Ltd. (CPL)	Trading	Singapore	–	**100.00**	–	–
Myanmar Gold Coin International Co. Ltd. (MGCI)	Feedmills	Myanmar	–	**100.00**	–	–
KLEAN Greentech Co. Ltd. (KGT)	Feedmills	Thailand	–	**49.00**	–	–
Gold Coin Aqua Feed Incorporated (FKA Syaqua Group Incorporated) (SYBVI)	Holding	British Virgin Island	–	**100.00**	–	–
Gold Coin Aqua Feed (Hong Kong) Ltd (FKA Syaqua Holdings (Hong Kong) Ltd) (SYHK)	Holding	Hong Kong	–	**100.00**	–	–
Gold Coin Aqua Feed (Singapore) Pte Ltd (FKA SYAQUA Singapore Pte Ltd) (SYSG)	Holding	Singapore	–	**100.00**	–	–
Gold Coin Specialities Sdn. Bhd. (GCSSB)	Feedmills	Malaysia	–	**70.00**	–	–
Gold Coin Specialities (Thailand) Co. Ltd. (GCST)	Feedmills	Thailand	–	**93.9**	–	–
P.T. Gold Coin Trading Indonesia (GCTI)	Feedmills	Indonesia	–	**100.00**	–	–
P.T. Gold Coin Specialities (GCSI)	Feedmills	Indonesia	–	**99.9**	–	–
P.T. Gold Coin Indonesia (GCI)	Feedmills	Indonesia	–	**100.00**	–	–

(Forward)

	Nature of Business	Place of Incorporation	Percentage of Ownership 2018 Direct	2018 Indirect	2017 Direct	2017 Indirect
PT Ayam Unggul (PT Ayam)	Feedmills	Indonesia	**–%**	**60.00%**	–%	–%
FEZ Animal Nutrition Pte Ltd (FEZ)	Holding	Singapore	**–**	**100.00**	–	–
FEZ Animal Nutrition Philippines, Inc. (FEZ(PH))	Holding	Philippines	**–**	**40.00**	–	–
FEZ Animal Nutrition Pakistan (Private Limited (FEZ(PK))	Holding	Pakistan	**–**	**100.00**	–	–
FEZ Animal Nutrition (Malaysia) Sdn. Bhd. (FEZ(M))	Holding	Malaysia	**–**	**100.00**	–	–
Archipelago Insurance Pte Ltd (AIPL)	Insurance	Singapore	**100.00**	**–**	100.00	–
AEV Aviation, Inc. (AEV Aviation)	Service	Philippines	**73.31**	**26.69**	73.31	26.69
AEV Properties, Inc.*	Real estate	Philippines	**100.00**	**–**	100.00	–
Cebu Praedia Development Corporation (CPDC)	Real estate	Philippines	**100.00**	**–**	100.00	–
PETNET, Inc. (PETNET)	Financial services	Philippines	**–**	**–**	51.00	–
Aboitiz Infracapital, Inc. (Aboitiz Infracapital)	Holding	Philippines	**100.00**	**–**	100.00	–
Lima Water Corporation (LWC)	Water	Philippines	**–**	**100.00**	–	100.00
Apo Agua Infrastructura, Inc. (Apo Agua)*	Supply of treated bulk water	Philippines	**22.22**	**47.78**	22.22	47.78

**No commercial operations as of December 31, 2018.*
A) MVEZ was incorporated in 2017
B) Dissolved and liquidated in 2018 as part of TPI's restructuring of its offshore intermediary companies acquired as part of the GNPower acquisition

The Group controls an investee if and only if the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

The financial statements of the subsidiaries are prepared for the same reporting year as the Company, using consistent accounting policies.

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- Derecognizes the carrying amount of any non-controlling interests;
- Derecognizes the cumulative translation differences recorded in equity;
- Recognizes the fair value of the consideration received;
- Recognizes the fair value of any investment retained;
- Recognizes any surplus or deficit in profit or loss; and
- Reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities

Interest in Joint Operations

On May 15, 2014, the Group, through TPI, entered into a shareholders' agreement with TPEC Holdings Corporation (TPEC) for the development, construction and operation of the 400 MW Pagbilao Unit III in Pagbilao, Quezon through Pagbilao Energy Corporation (PEC). TPI and TPEC both agreed to provide their respective capital contributions and subscribe to common shares such that each stockholder owns 50% of the issued and outstanding shares of stock of PEC.

The Group's share of assets, liabilities, revenue, expenses and cash flows of joint operations are included in the consolidated financial statements on a line-by-line basis.

Transactions with Non-controlling Interests

Non-controlling interests represent the portion of profit or loss and net assets in the subsidiaries not held by the Group and are presented separately in the consolidated statement of income and within equity in the consolidated balance sheet, separately from the equity attributable to equity holders of the parent. Transactions with non-controlling interests are accounted for as equity transactions. On acquisitions of non-controlling interests, the difference between the consideration and the book value of the share of the net assets acquired is reflected as being a transaction between owners and recognized directly in equity. Gain or loss on disposals to non-controlling interest is also recognized directly in equity.

Summary of Significant Accounting Policies

Current versus Noncurrent Classification

The Group presents assets and liabilities in the consolidated balance sheet based on current/noncurrent classification. An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realized within twelve months after the reporting period or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for a least twelve months after reporting period

All other assets are classified as noncurrent.

A liability is current when:

- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period or
- There is no unconditional right to defer settlement of the liability for at least twelve months after the reporting period

All other liabilities are classified as noncurrent.

Deferred income tax assets and liabilities are classified as non-current assets and liabilities.

Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

The Group's valuation team (the Team) determines the policies and procedures for fair value measurement of its investment properties, and property, plant and equipment. External valuers (the Valuers) are involved in the periodic valuation of these assets. The respective subsidiary's Team decides the selection of the Valuers after discussion with and approval by its Chief Financial Officer (CFO). Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Team also determines, after discussions with the chosen valuers, which valuation techniques and inputs to use for each case.

At each reporting date, the Team analyzes the movements in the values of the investment properties, and property, plant and equipment which are required to be re-measured or re-assessed in accordance with the subsidiary's accounting policies. The Team, in coordination with the Valuers, also compares each of the changes in the fair value of each property with relevant external sources to determine whether the change is reasonable.

On the re-appraisal year, the Team and Valuers present the valuation results and the major assumptions used in the valuation to its CFO.

Cash and Cash Equivalents

Cash and cash equivalents in the consolidated balance sheet consist of cash on hand and with banks, and short-term, highly liquid investments that are readily convertible to known amounts of cash and subject to insignificant risk of changes in value. They are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Financial Instruments - Initial Recognition and Subsequent Measurement (prior to adoption of PFRS 9)

Date of recognition

The Group recognizes a financial asset or a financial liability in the consolidated balance sheet on the date when it becomes a party to the contractual provisions of the instrument. All regular way purchases and sales of financial assets are recognized on trade date, which is the date that the Group commits to purchase the asset. Regular way purchases or sales of financial assets are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace. Derivatives are recognized on a trade date basis.

Initial recognition of financial instruments

All financial assets and financial liabilities are recognized initially at fair value. Except for financial assets at FVPL, the initial measurement of financial assets includes transaction costs. The Group classifies its financial assets in the following categories: financial assets at FVPL, loans and receivables, HTM investments, and AFS investments. For financial liabilities, the Group also classifies them into financial liabilities at FVPL and other financial liabilities. The classification depends on the purpose for which the investments were acquired and whether they are quoted in an active market. The Group determines the classification of its financial assets at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

"Day 1" difference
Where the transaction price in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a "Day 1" difference) in the consolidated statement of income unless it qualifies for recognition as some other type of asset. In cases where use is made of data which is not observable, the difference between the transaction price and model value is only recognized in the consolidated statement of income when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the "Day 1" difference amount.

a. Financial assets and financial liabilities at FVPL
   Financial assets and liabilities at FVPL include financial assets and liabilities held for trading purposes and financial assets and liabilities designated upon initial recognition as at FVPL. Financial assets and liabilities are classified as held for trading if they are acquired for the purpose of selling and repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated and considered as hedging instruments in an effective hedge.

   Financial assets and financial liabilities may be designated at initial recognition as at FVPL if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing the gains or losses on them on a different basis; or (ii) the assets and liabilities are part of a group of financial assets, liabilities or both which are managed and their performance evaluated on fair value basis, in accordance with a documented risk management strategy; or (iii) the financial instruments contains an embedded derivative that would need to be recorded separately, unless the embedded derivative does not significantly modify the cash flow or it is clear, with little or no analysis, that it would not be separately recorded.

   Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial asset or financial liability at FVPL, except when the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

   Financial assets and liabilities at FVPL are recorded in the consolidated balance sheet at fair value. Subsequent changes in fair value are recognized in the consolidated statement of income. Interest earned or incurred is recorded as interest income or expense, respectively, while dividend income is recorded as other income when the right to receive payment has been established.

   The Group's derivative assets and derivative liabilities as at December 31, 2017 prior to adoption of PFRS 9 are classified as financial assets and financial liabilities at FVPL, respectively (see Note 36).

b. Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not reclassified or designated as AFS investments or financial assets at FVPL. After initial measurement, loans and receivables are subsequently carried at amortized cost using the effective interest method less any allowance for impairment. Amortized cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate (EIR) and transaction costs. Gains and losses are recognized in the consolidated statement of income when the loans and receivables are derecognized or impaired, as well as through the amortization process.

Financial assets included in this classification as of December 31, 2017 are the Group's cash in banks and cash equivalents, trade and other receivables and restricted cash (see Note 36).

c. HTM investments
HTM investments are quoted non-derivative financial assets which carry fixed or determinable payments and fixed maturities and which the Group has the positive intention and ability to hold to maturity. After the initial measurement, HTM investments are measured at amortized cost using the effective interest method. This method uses an effective interest rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are integral to the effective interest rate. Where the Group sells other than an insignificant amount of HTM investments, the entire category would be tainted and reclassified as AFS investments. Gains and losses are recognized in the consolidated statement of income when the investments are impaired, as well as through the amortization process.

The Group's HTM investments amounted to ₱189.2 million as of December 31, 2017.

d. AFS investments
AFS financial investments include equity and debt securities. Equity investments classified as AFS are those which are neither classified as held for trading nor designated as at FVPL. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions. They are included in noncurrent assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

After initial recognition, AFS financial investments are measured at fair value with unrealized gains or losses being recognized in the other comprehensive income and in equity as "Net unrealized mark-to-market gains on AFS investments". When the investment is disposed of, the cumulative gains or loss previously recorded in equity is recognized in the consolidated statement of income. The Group uses the specific identification method in determining the cost of securities sold. Interest earned or paid on the investments is reported as interest income or expense using the EIR. Interest earned on holding AFS investments are reported as "Interest income" using the effective interest method.

Dividends earned on holding AFS investments are recognized in the consolidated statement of income as "Other income" when the right of payment had been established. The losses arising from impairment of such investments are recognized as "Provision for credit and impairment losses" in the consolidated statement of income. Unquoted equity securities are carried at cost, net of impairment.

The Group's AFS investments as of December 31, 2017 include investments in quoted and unquoted shares of stock (see Note 36).

e. Other financial liabilities

This category pertains to issued financial liabilities or their components that are neither held for trading nor designated as at FVPL upon the inception of the liability and contain contractual obligations to deliver cash or another financial asset to the holder or to settle the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares. The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.

Other financial liabilities are initially recorded at fair value, less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Amortized cost is calculated by taking into account any issue costs, and any discount or premium on settlement. Gains and losses are recognized in the consolidated statement of income when the liabilities are derecognized, as well as through the amortization process.

Included in other financial liabilities as of December 31, 2017 are the Group's debt and other borrowings (bank loans and long-term debts), obligations under finance lease, trade and other payables, customers' deposits, dividends payable, and long-term obligation on Power Distribution System (PDS) (see Note 36).

Financial Instruments - Classification and Measurement (upon adoption of PFRS 9)

Classification of financial assets

Financial assets are classified in their entirety based on the contractual cash flows characteristics of the financial assets and the Group's business model for managing the financial assets. The Group classifies its financial assets into the following measurement categories:

- financial assets measured at amortized cost
- financial assets measured at fair value through profit or loss
- financial assets measured at fair value through other comprehensive income, where cumulative gains or losses previously recognized are reclassified to profit or loss
- financial assets measured at fair value through other comprehensive income, where cumulative gains or losses previously recognized are not reclassified to profit or loss

Contractual cash flows characteristics

If the financial asset is held within a business model whose objective is to hold assets to collect contractual cash flows or within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, the Group assesses whether the cash flows from the financial asset represent solely payments of principal and interest (SPPI) on the principal amount outstanding.

In making this assessment, the Group determines whether the contractual cash flows are consistent with a basic lending arrangement, i.e., interest includes consideration only for the time value of money, credit risk and other basic lending risks and costs associated with holding the financial asset for a particular period of time. In addition, interest can include a profit margin that is consistent with a basic lending arrangement. The assessment as to whether the cash flows meet the test is made in the currency in which the financial asset is denominated. Any other contractual terms that introduce exposure to risks or volatility in the contractual cash flows that is unrelated to a basic lending arrangement, such as exposure to changes in equity prices or commodity prices, do not give rise to contractual cash flows that are solely payments of principal and interest on the principal amount outstanding.

Business model
The Group's business model is determined at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The Group's business model does not depend on management's intentions for an individual instrument.

The Group's business model refers to how it manages its financial assets in order to generate cash flows. The Group's business model determines whether cash flows will result from collecting contractual cash flows, selling financial assets or both. Relevant factors considered by the Group in determining the business model for a group of financial assets include how the performance of the business model and the financial assets held within that business model are evaluated and reported to the Group's key management personnel, the risks that affect the performance of the business model (and the financial assets held within that business model) and how these risks are managed and how managers of the business are compensated.

Financial assets at amortized cost
A financial asset is measured at amortized cost if (i) it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and (ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. These financial assets are initially recognized at fair value plus directly attributable transaction costs and subsequently measured at amortized cost using the EIR method, less any impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The amortization is included in 'Interest income' in the statement of income and is calculated by applying the EIR to the gross carrying amount of the financial asset, except for (i) purchased or originated credit-impaired financial assets and (ii) financial assets that have subsequently become credit-impaired, where, in both cases, the EIR is applied to the amortized cost of the financial asset. Losses arising from impairment are recognized in 'Provision for credit and impairment losses' in the statement of income.

The Group's debt financial assets as of December 31, 2018 consist of cash in banks, including restricted cash, cash equivalents, trade and other receivables and the Power Sector Assets and Liabilities Management Corporation (PSALM) deferred adjustment - net of current portion included in "Other noncurrent assets" in the consolidated balance sheets. The Group assessed that the contractual cash flows of its debt financial assets are SPPI and are expected to be held to collect all contractual cash flows until their maturity. As a result, the Group concluded these debt financial assets to be measured at amortized cost.

Financial assets at FVOCI
A financial asset is measured at FVOCI if (i) it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and (ii) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. These financial assets are initially recognized at fair value plus directly attributable transaction costs and subsequently measured at fair value. Gains and losses arising from changes in fair value are included in other comprehensive income within a separate component of equity. Impairment losses or reversals, interest income and foreign exchange gains and losses are recognized in profit and loss until the financial asset is derecognized. Upon derecognition, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss. This reflects the gain or loss that would have been recognized in profit or loss upon derecognition if the financial asset had been measured at amortized cost. Impairment is measured based on the ECL model.

The Group may also make an irrevocable election to measure at FVOCI on initial recognition investments in equity instruments that are neither held for trading nor contingent consideration recognized in a business combination in accordance with PFRS 3. Amounts recognized in OCI are not subsequently transferred to profit or loss. However, the Group may transfer the cumulative gain or loss within equity. Dividends on such investments are recognized in profit or loss, unless the dividend clearly represents a recovery of part of the cost of the investment.

Dividends are recognized in profit or loss only when:

- the Group's right to receive payment of the dividend is established
- it is probable that the economic benefits associated with the dividend will flow to the Group; and
- the amount of the dividend can be measured reliably.

The Group does not have any financial asset at FVOCI as of December 31, 2018.

Financial assets at FVTPL
Financial assets at FVTPL are measured as at unless these are measured at amortized cost or at FVOCI. Included in this classification are equity investments held for trading and debt instruments with contractual terms that do not represent solely payments of principal and interest. Financial assets held at FVTPL are initially recognized at fair value, with transaction costs recognized in the statement of income as incurred. Subsequently, they are measured at fair value and any gains or losses are recognized in the statement of income.

Additionally, even if the asset meets the amortized cost or the FVOCI criteria, the Group may choose at initial recognition to designate the financial asset at FVTPL if doing so eliminates or significantly reduces a measurement or recognition inconsistency (an accounting mismatch) that would otherwise arise from measuring financial assets on a different basis.

Trading gains or losses are calculated based on the results arising from trading activities of the Group, including all gains and losses from changes in fair value for financial assets and financial liabilities at FVTPL, and the gains or losses from disposal of financial investments.

The Group's investments in quoted equity securities and in unquoted equity shares previously carried at cost under PAS 39 and classified as AFS investments are measured at FVTPL under PFRS 9 as of December 31, 2018.

Classification of financial liabilities
Financial liabilities are measured at amortized cost, except for the following:

- financial liabilities measured at fair value through profit or loss;
- financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the Group retains continuing involvement;
- financial guarantee contracts;
- commitments to provide a loan at a below-market interest rate; and
- contingent consideration recognized by an acquirer in accordance with PFRS 3.

A financial liability may be designated at fair value through profit or loss if it eliminates or significantly reduces a measurement or recognition inconsistency (an accounting mismatch) or:

- if a host contract contains one or more embedded derivatives; or
- if a group of financial liabilities or financial assets and liabilities is managed and its performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Where a financial liability is designated at fair value through profit or loss, the movement in fair value attributable to changes in the Group's own credit quality is calculated by determining the changes in credit spreads above observable market interest rates and is presented separately in other comprehensive income.

The Group's financial liabilities measured at amortized cost as of December 31, 2018 include trade and other payables, customers' deposits, short-term loans, finance lease obligation, long-term obligation on PDS and long-term debts (see Note 35).

Reclassifications of financial instruments (upon adoption of PFRS 9)
The Group reclassifies its financial assets when, and only when, there is a change in the business model for managing the financial assets. Reclassifications shall be applied prospectively by the Group and any previously recognized gains, losses or interest shall not be restated. The Group does not reclassify its financial liabilities.

The Group does not reclassify its financial assets when:

- A financial asset that was previously a designated and effective hedging instrument in a cash flow hedge or net investment hedge no longer qualifies as such;
- A financial asset becomes a designated and effective hedging instrument in a cash flow hedge or net investment hedge; and
- There is a change in measurement on credit exposures measured at fair value through profit or loss.

<u>Derivative Financial Instruments</u>
Derivative financial instruments, including embedded derivatives, are initially recognized at fair value on the date in which a derivative transaction is entered into or bifurcated, and are

subsequently remeasured at FVPL, unless designated as effective hedge. Changes in fair values of derivative instruments not accounted as hedges are recognized immediately in the consolidated statement of income. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The Group assesses whether embedded derivatives are required to be separated from host contracts when the Group first becomes party to the contract. An embedded derivative is separated from the host financial or non-financial contract and accounted for as a derivative if all of the following conditions are met:

- the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics of the host contract;
- a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and
- the hybrid or combined instrument is not recognized as at FVPL.

Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

Embedded derivatives that are bifurcated from the host contracts are accounted for either as financial assets or financial liabilities at FVPL.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

Under PAS 39, the documentation includes identification of the hedging instrument, the hedge item or transaction, the nature of the risk being hedged and how the Group will assess the effectiveness of changes in the hedging instrument’s fair value in offsetting the exposure to changes in the hedged item’s fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting period for which they were designated.

Under PFRS 9, the documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is ‘an economic relationship’ between the hedged item and the hedging instrument.
- The effect of credit risk does not ‘dominate the value changes’ that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Company actually hedges and the quantity of the hedging instrument that the Company actually uses to hedge that quantity of hedged item.

As of December 31, 2018 and 2017, the Group has freestanding derivatives in the form of deliverable and non-deliverable foreign currency forward contracts entered into to economically hedge its foreign currency risks (see Note 35).

The Group’s hedges that meet all the qualifying criteria for hedge accounting are accounted for, as described below:

Cash flow hedges
The effective portion of the gain or loss on the hedging instrument is recognized in OCI in the cash flow hedge reserve, while any ineffective portion is recognized immediately in the statement of income. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

The Group uses foreign currency forward contracts as hedges of its exposure to foreign currency risk in forecast transactions, as well as commodity swap contracts for its exposure to volatility in the commodity prices. The ineffective portion relating to foreign currency forward contracts and the commodity contracts are recognized in other operating income or expenses as realized gain or loss on derivative instruments.

The Company designated all of the foreign currency forward and commodity swap contracts as hedging instrument. The amounts accumulated in OCI are accounted for, depending on the nature of the underlying hedged transaction. If the hedged transaction subsequently results in the recognition of a non-financial item, the amount accumulated in equity is removed from the separate component of equity and included in the initial cost or other carrying amount of the hedged asset or liability. This is not a reclassification adjustment and will not be recognized in OCI for the period. This also applies where the hedged forecast transaction of a non-financial asset or non-financial liability subsequently becomes a firm commitment for which fair value hedge accounting is applied.

For any other cash flow hedges, the amount accumulated in OCI is reclassified to the statement of income as a reclassification adjustment in the same period or periods during which the hedged cash flows affect profit or loss.

If cash flow hedge accounting is discontinued, the amount that has been accumulated in OCI must remain in accumulated OCI if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to profit or loss as a reclassification adjustment. After discontinuation, once the hedged cash flow occurs, any amount remaining in accumulated OCI must be accounted for depending on the nature of the underlying transaction as described above.

Classification of Financial Instruments Between Liability and Equity
Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity, net of any related income tax benefits.

A financial instrument is classified as liability if it provides for a contractual obligation to:
- deliver cash or another financial asset to another entity;
- exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group; or
- satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of its own equity shares.

If the Group does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.

Derecognition of Financial Assets and Liabilities (prior to and upon adoption of PFRS 9)

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when, and only when:

- the rights to receive cash flows from the asset expires;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group retains the contractual rights to receive the cash flows of a financial asset but assumes a contractual obligation to pay those cash flows to one or more entities, the Group treats the transaction as a transfer of a financial asset if the Group:

- has no obligation to pay amounts to the eventual recipients unless it collects equivalent amounts from the original asset;
- is prohibited by the terms of the transfer contract from selling or pledging the original asset other than as security to the eventual recipients for the obligation to pay them cash flows; and
- has an obligation to remit any cash flows it collects on behalf of the eventual recipients without material delay.

In transactions where the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset and it retains control over the financial asset, the financial asset is recognized to the extent of the Group's continuing involvement in the financial asset. The extent of the Group's continuing involvement in the transferred asset is the extent to which it is exposed to changes in the value of the transferred asset. When the Group's continuing involvement takes the form of guaranteeing the transferred asset, the extent of the Group's continuing involvement is the lower of (i) the amount of the asset and (ii) the maximum amount of the consideration received that the Group could be required to repay ('the guarantee amount'). When the Group's continuing involvement takes the form of a written or purchased option (or both) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase. However, in the case of a written put option on an asset that is measured at fair value, the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price. When the Group's continuing involvement takes the form of a cash- settled option or similar provision on the transferred asset, the extent of the Group's continuing involvement is measured in the same way as that which results from non-cash settled options.

Modification of contractual cash flows
When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset, the Group recalculates the gross carrying amount of the financial asset as the present value of the renegotiated or modified contractual cash flows discounted at the original EIR (or credit-adjusted EIR for purchased or originated credit-impaired financial assets) and recognizes a modification gain or loss in the statement of income.

When the modification of a financial asset results in the derecognition of the existing financial asset and the subsequent recognition of the modified financial asset, the modified asset is considered a 'new' financial asset. Accordingly, the date of the modification shall be treated as the date of initial recognition of that financial asset when applying the impairment requirements to the modified financial asset.

Financial liabilities
A financial liability (or a part of a financial liability) is derecognized when the obligation under the liability is discharged, cancelled or has expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability or a part of it are substantially modified, such an exchange or modification is treated as a derecognition of the original financial liability and the recognition of a new financial liability, and the difference in the respective carrying amounts is recognized in the statement of income.

Impairment of Financial Assets (prior to adoption of PFRS 9)
The Group assesses at each balance sheet date whether a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if and only if, there is an objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Loans and receivables
For loans and receivables carried at amortized cost, the Group first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether

significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the consolidated statement of income. Interest income continues to be accrued on the reduced carrying amount based on the original EIR of the financial asset. Loans and receivables together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Group. If, in a subsequent period, the amount of the impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or decreased by adjusting the allowance account. Any subsequent reversal of an impairment loss is recognized in the consolidated statement of income, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

Assets carried at cost

If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

AFS investments

In the case of equity investments classified as AFS, objective evidence of impairment would include a significant or prolonged decline in the fair value of the investments below its cost. Where there is evidence of impairment, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the consolidated statement of income) is removed from other comprehensive income and recognized in the consolidated statement of income. Impairment losses on equity investments are not reversed through the consolidated statement of income. Increases in fair value after impairment are recognized directly in other comprehensive income.

In the case of debt instruments classified as AFS, impairment is assessed based on the same criteria as financial assets carried at amortized cost. Future interest income is based on rate of interest used to discount future cash flows for measuring impairment loss. Such accrual is recorded as part of "Interest income" in the consolidated statement of income. If, in subsequent period, the fair value of a debt instrument increased and the increase can be objectively related to an event occurring after the impairment loss was recognized in the consolidated statement of income, the impairment loss is reversed through the consolidated statement of income.

HTM investments

The Group reviews the age and status of HTM investments and assesses if it needs to be provided with allowance. The Group maintains allowances for impairment losses at a level considered adequate to provide for potential uncollectible investments.

Impairment of Financial Assets (upon adoption of PFRS 9)
PFRS 9 introduces the single, forward-looking "expected loss" impairment model, replacing the "incurred loss" impairment model under PAS 39.

The Group recognizes ECL for the following financial assets that are not measured at FVTPL:

- debt instruments that are measured at amortized cost and FVOCI;
- loan commitments; and
- financial guarantee contracts.

No ECL is recognized on equity investments.

ECLs are measured in a way that reflects the following:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Financial assets migrate through the following three stages based on the change in credit quality since initial recognition:

Stage 1: 12-month ECL
For credit exposures where there have not been significant increases in credit risk since initial recognition and that are not credit-impaired upon origination, the portion of lifetime ECLs that represent the ECLs that result from default events that are possible within the 12-months after the reporting date are recognized.

Stage 2: Lifetime ECL - not credit-impaired
For credit exposures where there have been significant increases in credit risk since initial recognition on an individual or collective basis but are not credit-impaired, lifetime ECLs representing the ECLs that result from all possible default events over the expected life of the financial asset are recognized.

Stage 3: Lifetime ECL – credit-impaired
Financial assets are credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of those financial assets have occurred. For these credit exposures, lifetime ECLs are recognized and interest revenue is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the financial asset.

Loss allowances are recognized based on 12-month ECL for debt investment securities that are assessed to have low credit risk at the reporting date. A financial asset is considered to have low credit risk if:

- the financial instrument has a low risk of default
- the borrower has a strong capacity to meet its contractual cash flow obligations in the near term
- adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group considers a debt investment security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade', or when the exposure is less than 30 days past due.

Determining the stage for impairment
At each reporting date, the Group assesses whether there has been a significant increase in credit risk for financial assets since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. The Group considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and forward-looking analysis.

An exposure will migrate through the ECL stages as asset quality deteriorates. If, in a subsequent period, asset quality improves and also reverses any previously assessed significant increase in credit risk since origination, then the loss allowance measurement reverts from lifetime ECL to 12-months ECL.

The simplified approach, where changes in credit risk are not tracked and loss allowances are measured at amounts equal to lifetime ECL, is applied to "Trade and other receivables". The Group has established a provision matrix for customer segments that is based on historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

<u>Financial Guarantees (prior to adoption of PFRS 9)</u>
Financial guarantees are initially recognized in the financial statements at fair value, and the initial fair value is amortized over the life of the financial guarantee. The guarantee liability is subsequently carried at the higher of the amortized amount and the present value of any expected payment (when a payment under the guaranty has become probable).

<u>Financial Guarantee Contracts and Loan Commitments (upon adoption of PFRS 9)</u>
Financial guarantees are contracts issued by the Group that require it to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantees are initially recognized in the financial statements at fair value. Subsequently, these are measured at the higher of:

- the amount of the loss allowance determined in accordance with the ECL model and
- the amount initially recognized less, when appropriate, the cumulative amount of income

Loan commitments provided by the Group are measured as the amount of the loss allowance. The Group has not provided any commitment to provide loans that can be settled net in cash or by delivering or issuing another financial instrument or that are issued at below-market interest rates.

For loan commitments and financial guarantee contracts, the loss allowance is recognized as a provision. However, for financial instruments that include both a loan and an undrawn commitment (i.e. loan commitment) component where the Group cannot separately identify the expected credit losses on the loan commitment component from those on the loan component, the expected credit losses on the loan commitment should be recognized together with the loss allowance for the loan. To the extent that the combined expected credit losses exceed the gross carrying amount of the financial asset, the expected credit losses should be recognized as a provision.

Offsetting Financial Instruments
Financial assets and financial liabilities are offset and the net amount is reported in the consolidated balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is generally not the case with master netting agreements, and the related assets and liabilities are presented at gross in the consolidated balance sheet.

Redeemable Preferred Shares (RPS)
The component of the RPS that exhibits characteristics of a liability is recognized as a liability in the consolidated balance sheet, net of transaction costs. The corresponding dividends on those shares are charged as interest expense in the consolidated statement of income. On issuance of the RPS, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond; and this amount is carried as a long-term liability on the amortized cost basis until extinguished on redemption.

Inventories
Inventories are valued at the lower of cost and net realizable value (NRV). Costs incurred in bringing each product to its present location and condition are accounted for as follows:

Wheat grains and trading inventories	-	purchase cost on a specific identification basis;
Other raw materials and production supplies, materials, parts and supplies	-	purchase cost on a moving average method
Finished goods	-	cost of direct materials, labor and a portion of manufacturing overhead based on normal operating capacity but excluding borrowing costs;
Fuel and lubricants	-	purchase cost on a first-in, first-out basis;

NRV of wheat grains and other raw materials and finished goods is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. An allowance for inventory losses and inventory shrinkage is provided, when necessary, based on management's review of inventory turnover in accordance with prescribed policies. NRV of fuel and lubricants and materials, parts and supplies is the current replacement costs.

Real estate inventories include land and condominium units, land and land improvements and residential lots for sale. Real estate inventories are carried at the lower of cost and NRV (i.e., estimated selling price less estimated costs to complete and sell). Cost includes costs incurred for the acquisition, development and improvement of the properties as well as the borrowing costs allowed to be capitalized.

Land and Improvements

Land and improvements consist of properties for future development and are carried at the lower of cost and NRV. NRV is the estimated selling price in the ordinary course of business, less estimated cost of completion and estimated costs necessary to make the sale. Cost includes those costs incurred for development and improvement of the properties. Cost of land and improvements is transferred to real estate inventories upon commencement of the real estate project.

Agricultural Activity

Agricultural produce

Agricultural produce (livestock and poultry) are measured at fair value less estimated costs to sell at point of harvest.

Biological assets

Biological assets are measured on initial recognition and at each balance sheet date at fair value less estimated costs to sell except when, on initial recognition, market-determined prices or values are not available and for which alternative estimates of fair value are determined to be clearly unreliable. In such cases, those biological assets are measured at accumulated costs less any accumulated depreciation and any accumulated impairment losses. Once the fair value of such biological assets becomes reliably measurable, those biological assets are measured at fair value less estimated costs to sell.

Gains or losses arising on initial recognition of a biological asset (for market hogs, piglets, growing stock, broilers and others) at fair value less estimated costs to sell and from changes in their fair values less estimated costs to sell are included in the consolidated statement of income for the period in which they arise.

Biological assets measured at fair value less estimated costs to sell continue to be measured as such until disposed. Expenditures on biological assets subsequent to initial recognition, excluding the costs of day-to-day servicing, are capitalized.

Investments in Associates and Joint Ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

The Group's investments in its associates and joint ventures are accounted for using the equity method.

Under the equity method, the investment in an associate or a joint venture is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

The consolidated statement of income reflects the Group's share of the results of operations of the associate or joint venture. Any change in other comprehensive income of those investees is presented as part of the Group's other comprehensive income. In addition, when there has been a change recognized directly in the equity of the associate or joint venture, the Group recognizes its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

The aggregate of the Group's share of profit or loss of an associate and a joint venture is shown on the face of the consolidated statement of income outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate or joint venture.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognizes the loss in the consolidated statement of income.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

<u>Interest in Joint Operations</u>
A joint arrangement is classified as a joint operation if the parties with joint control have rights to the assets and obligations for the liabilities of the arrangement. For interest in joint operations, the Group recognizes:

- assets, including its share of any assets held jointly;
- liabilities, including its share of any liabilities incurred jointly;

- revenue from the sale of its share of the output arising from the joint operation;
- share of the revenue from the sale of the output by the joint operation; and
- expenses, including its share of any expenses incurred jointly.

The accounting and measurement for each of these items is in accordance with the applicable PFRSs.

Business Combination and Goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the noncontrolling interest in the acquiree pertaining to instruments that represent present ownership interests and entitle their holders to a proportionate share of the net assets in the event of liquidation either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interest are measured at fair value unless another measurement basis is required by PFRS. Acquisition costs incurred are expensed and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognized in accordance with PAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the Group's interest in the fair values of the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized as "bargain purchase gain" in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Impairment of goodwill
Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units), to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognized.

Common control business combination
Business combination of entities under common control is accounted for similar to pooling of interest method, which is scoped out of PFRS 3. Under the pooling of interest method, any excess of acquisition cost over the net asset value of the acquired entity is recorded in equity.

<u>Property held for sale</u>
The Group classifies non-current assets as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification. Property, plant and equipment and intangible assets are not depreciated or amortized once classified as held for sale.

<u>Property, Plant and Equipment</u>
Except for land, property, plant and equipment are stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and any accumulated impairment in value. The initial cost of property, plant and equipment comprises its purchase price, including import duties, if any, and nonrefundable taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Cost includes the cost of replacing part of such property, plant and

equipment when that cost is incurred and the recognition criteria are met. Repairs and maintenance costs are recognized in the consolidated statement of income as incurred.

Land is stated at cost less any accumulated impairment in value.

Depreciation and amortization of the Group's property, plant and equipment and assets under finance leases is calculated on a straight-line basis over the useful lives of the assets as follows:

Category	Estimated Useful Life (in years)
Buildings, warehouses and improvements	10 - 50
Power plant and equipment	2 - 50
Transmission, distribution and substation equipment	
Power transformers	30
Poles and wires	20 - 40
Other components	12 - 30
Machinery and equipment	2 - 30
Transportation equipment	2 - 10
Office furniture, fixtures and equipment	1 - 20
Leasehold improvements	3 - 20
Electrical equipment	5 - 25
Meters and laboratory equipment	25
Steam field assets	20 - 25
Tools and others	2 - 20

Leasehold improvements are amortized over the shorter of the lease terms and the lives of the improvements.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable.

Fully depreciated assets are retained in the accounts until these are no longer in use. When assets are retired or otherwise disposed of, both the cost and related accumulated depreciation and amortization and any allowance for impairment losses are removed from the accounts and any resulting gain or loss is credited or charged to current operations. An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of income in the year the asset is derecognized.

The asset's residual values, useful lives and depreciation and amortization methods are reviewed and adjusted, if appropriate, at each financial year-end.

When each major inspection is performed, its cost is recognized in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria satisfied.

Construction in progress represents structures under construction and is stated at cost. This includes cost of construction and other direct costs. Borrowing costs that are directly attributable to the construction of property, plant and equipment are capitalized during the construction period.

Service Concession Arrangements

Public-to-private service concession arrangements where: (a) the grantor controls or regulates what services the entities in the Group must provide with the infrastructure, to whom it must provide them, and at what price; and (b) the grantor controls - through ownership, beneficial entitlement or otherwise - any significant residual interest in the infrastructure at the end of the term of the arrangement, are accounted for under the provisions of Philippine Interpretation IFRIC 12, *Service Concession Arrangements*. Infrastructures used in a public-to-private service concession arrangement for its entire useful life (whole-of-life assets) are within the scope of this Interpretation if the conditions in (a) are met.

This interpretation applies to both: (a) infrastructure that the entities in the Group constructs or acquires from a third party for the purpose of the service arrangement; and (b) existing infrastructure to which the grantor gives the entity in the Group access for the purpose of the service arrangement.

Infrastructures within the scope of this Interpretation are not recognized as property, plant and equipment of the Group. Under the terms of contractual arrangements within the scope of this Interpretation, an entity acts as a service provider. An entity constructs or upgrades infrastructure (construction or upgrade services) used to provide a public service and operates and maintains that infrastructure (operation services) for a specified period of time.

An entity recognizes and measures revenue in accordance with PFRS 15 for the services it performs. If an entity performs more than one service (i.e., construction or upgrade services and operation services) under a single contract or arrangement, consideration received or receivable shall be allocated by reference to the relative fair values of the services delivered, when the amounts are separately identifiable.

When an entity provides construction or upgrades services, the consideration received or receivable by the entity is recognized at its fair value. An entity accounts for revenue and costs relating to construction or upgrade services in accordance with PFRS 15. Revenue from construction contracts is recognized based on the percentage-of-completion method, measured by reference to the percentage of costs incurred to date to estimated total costs for each contract. The applicable entities account for revenue and costs relating to operation services in accordance with PFRS 15.

An entity recognizes a financial asset to the extent that it has an unconditional contractual right to receive cash or another financial asset from or at the direction of the grantor for the construction services. An entity recognizes an intangible asset to the extent that it receives a right (a license) to charge users of the public service.

When the applicable entities have contractual obligations it must fulfill as a condition of its license (a) to maintain the infrastructure to a specified level of serviceability or (b) to restore the infrastructure to a specified condition before it is handed over to the grantor at the end of the service arrangement, it recognizes and measures these contractual obligations in accordance with

PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, i.e., at the best estimate of the expenditure that would be required to settle the present obligation at the balance sheet date.

Borrowing cost attributable to the construction of the asset if the consideration received or receivable is an intangible asset, is capitalized during the construction phase. In all other cases, borrowing costs are expensed as incurred.

<u>Intangible Asset</u>
Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of the acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in the consolidated statement of income in the year in which the expenditure is incurred.

Service concession right
The Group's intangible asset - service concession right pertains mainly to its right to charge users of the public service in connection with the service concession and related arrangements. This is recognized initially at the fair value which consists of the cost of construction services and the fair value of future fixed fee payments in exchange for the license or right. Following initial recognition, the intangible asset is carried at cost less accumulated amortization and any accumulated impairment losses.

The intangible asset - service concession right is amortized using the straight-line method over the estimated useful economic life which is the service concession period, and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The estimated economic useful life is ranging from 18 to 25 years. The amortization period and the amortization method are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense is recognized in the consolidated statement of income in the expense category consistent with the function of the intangible asset.

Intangible assets - customer contracts
The Group's intangible assets - customer contracts pertain to contracts entered by subsidiaries relating to the provision of utility services to locators within an industrial zone.

These are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses.

The intangible assets - customer contracts are amortized using the straight-line method over the remaining life of the contract, and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The amortization period and method are reviewed at least at each financial year end.

The amortization expense is recognized in the consolidated statement of income in the expense category consistent with the function of the intangible asset.

Franchise
The Group's franchise pertains to VECO's franchise to distribute electricity within an area granted by the Philippine Legislature, acquired in the business combination in 2013. The franchise is initially recognized at its fair value at the date of acquisition. Following initial recognition, the franchise is carried at cost less accumulated amortization and any accumulated impairment losses. The Group's franchise is amortized using the straight-line method over the estimated economic useful life, and assessed for impairment whenever there is an indication that the franchise may be impaired. The estimated economic useful life of the franchise is 40 years. The amortization period and amortization method for franchise are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the franchise are accounted for by changing the amortization period or method, as appropriate, and treated as a change in accounting estimates. The amortization expense on franchise is recognized in the consolidated statement of income in the expense category consistent with its function.

Software and licenses
Software and licenses are initially recognized at cost. Following initial recognition, the software development costs are carried at cost less accumulated amortization and any accumulated impairment in value.

The software development costs are amortized on a straight-line basis over its estimated useful economic life of 3 to 5 years and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization commences when the software development costs are available for use. The amortization period and the amortization method for the software development costs are reviewed at each financial year-end. Changes in the estimated useful life is accounted for by changing the amortization period or method, as appropriate, and treating them as changes in accounting estimates. The amortization expense is recognized in the consolidated statement of income in the expense category consistent with the function of the software development costs.

Project development costs
Project development costs include power plant projects in the development phase which meet the "identifiability" requirement under PAS 38, *Intangible Assets*, as they are separable and susceptible to individual sale and are carried at acquisition cost. These assets are transferred to "Property, plant and equipment" when construction of each power plant commences. During the period of development, the asset is tested for impairment annually.

<u>Research and Development Expenditure</u>
The Group's policy is to record research expenses in the consolidated statement of income in the period when they are incurred.

Development costs are recognized as an intangible asset on the consolidated balance sheet if the Group can identify them separately and show the technical viability of the asset, its intention and capacity to use or sell it, and how it will generate probable future economic benefits.

Following initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit. During the period of development, the asset is tested for impairment annually.

Investment Properties

Investment properties, which pertain to land, land improvements and buildings, are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, investment properties are carried at fair value, which reflects market conditions at the balance sheet date. Gains or losses arising from changes in fair values of investment properties are included in the consolidated statement of income in the year in which they arise.

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in the consolidated statement of income in the year of retirement or disposal.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction or development with a view to sale. For a transfer from investment property to owner-occupied property or inventories, the deemed cost of property for subsequent accounting is its fair value at the date of change in use. If the property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use. For a transfer from inventories to investment property, any difference between the fair value of the property at that date and its previous carrying amount is recognized in the consolidated statement of income. When the Group completes the construction or development of a self-constructed investment property, any difference between the fair value of the property at that date and its previous carrying amount is recognized in the consolidated statement of income.

Asset Retirement Obligation

The asset retirement obligation arose from the Group's obligation, under its contracts, to decommission, abandon and perform surface rehabilitation at the end of the useful lives of the steam field assets or upon abandonment of the plant. A corresponding asset is recognized as part of property, plant and equipment. Decommissioning costs are provided at the present value of expected costs to settle the obligation using estimated cash flows. The cash flows are discounted at a current pre-tax rate that reflects the risks specific to the asset retirement obligation. The unwinding of the discount is expensed as incurred and recognized in the consolidated statement of income as an "Accretion of asset retirement obligation" under the "Interest expense" account. The estimated future costs of decommissioning are reviewed annually and adjusted prospectively.

Changes in the estimated future costs or in the discount rate applied are added or deducted from the cost of the steam field asset. The amount deducted from the cost of the steam field asset, shall not exceed its carrying amount.

If the decrease in the liability exceeds the carrying amount of the steam field asset, the excess shall be recognized immediately in the consolidated statement of income.

<u>Noncurrent Assets Classified as Held for Sale and Discontinued Operations</u>
Noncurrent assets and disposal groups classified as held for sale are measured at the lower of their carrying mount and fair value less costs to sell. Noncurrent assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

In the consolidated statement of income of the reporting period, and of the comparable period of the previous year, income and expenses from discontinued operations are reported separately from income and expenses from continuing operations, down to the level of net income after taxes, even when the Group retains a non-controlling interest in the subsidiary after the sale. The resulting net income is reported separately in the consolidated statement of income.

If there are changes to a plan of sale, and the criteria for the asset or disposal group to be classified as held for sale are no longer met, the Group ceases to classify the asset or disposal group as held for sale and it shall be measured at the lower of:

- its carrying amount before the asset was classified as held for sale adjusted for any depreciation, amortization or revaluations that would have been recognized had the asset not been classified as held for sale, and
- its recoverable amount at the date of the subsequent decision not to sell.

The Group includes any required adjustment to the carrying amount of a noncurrent asset or disposal group that ceases to be classified as held for sale in the consolidated statement of income from continuing operations in the period in which the criteria for the asset or disposal group to be classified as held for sale are no longer met. The Group presents that adjustment in the same caption in the consolidated statement of income used to present a gain or loss recognized, if any. If the Group ceases to classify a component of an entity as held for sale, the results of operations of the component previously presented in discontinued operations shall be reclassified and included in income from continuing operations for all periods presented. The amounts for prior periods shall be described as having been re-presented.

<u>Impairment of Nonfinancial Assets</u>
Property, plant and equipment, intangible assets, investments and advances and other current and noncurrent assets excluding restricted cash and PSALM deferred adjustment
The Group assesses at each balance sheet date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is

the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognized in the consolidated statement of income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each balance sheet date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of accumulated depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of income unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Capital Stock and Additional Paid-in Capital

Capital stock is measured at par value for all shares issued. When the Company issues more than one class of stock, a separate account is maintained for each class of stock and the number of shares issued. Capital stock includes common stock and preferred stock.

When the shares are sold at premium, the difference between the proceeds and the par value is credited to the "Additional paid-in capital" account. When shares are issued for a consideration other than cash, the proceeds are measured by the fair value of the consideration received. In case the shares are issued to extinguish or settle the liability of the Company, the shares shall be measured either at the fair value of the shares issued or fair value of the liability settled, whichever is more reliably determinable.

Direct costs incurred related to equity issuance, such as underwriting, accounting and legal fees, printing costs and taxes are debited to the "Additional paid-in capital" account, net of tax. If additional paid-in capital is not sufficient, the excess is charged against equity.

Retained Earnings

Retained earnings include accumulated earnings of the Company and reduced by dividends on capital stock. Dividends on capital stock are recognized as a liability and deducted from equity when they are approved by the BOD. Dividends for the year that are approved after the financial reporting date are dealt with as an event after the financial reporting date. Retained earnings may also include effect of changes in accounting policy as may be required by the transition provisions of new and amended standards.

Treasury Shares
The Group's own equity instruments which are reacquired (treasury shares) are deducted from equity. No gain or loss is recognized in the consolidated statement of income on the purchase, sale, issue or cancellation of the Group's own equity instruments.

Foreign Currency Translation
The consolidated financial statements are presented in Philippine peso, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded in the functional currency at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to the consolidated statement of income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

As at the balance sheet date, the assets and liabilities of subsidiaries and associates whose functional currencies are not the Philippine peso, are translated into the Group's presentation currency at the rate of exchange ruling at the balance sheet date, and their statements of income are translated at the weighted average exchange rates for the year. The exchange differences arising on the translation are taken directly to other comprehensive income. On disposal of any of these subsidiaries or associates, the deferred cumulative amount recognized in other comprehensive income relating to the disposed entity is recognized in the consolidated statement of income.

Revenue Recognition
Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as a principal or an agent.

Sale of Power
Contracts with customers for the Power Group generally include power generation and ancillary services and power distribution and retail supply.

For power generation and ancillary services where capacity and energy dispatched are separately identified, these two obligations are to be combined as one performance obligation since these are not distinct within the context of the contract as the buyer cannot benefit from the contracted capacity alone without the corresponding energy and the buyer cannot obtain energy without contracting a capacity. The combined performance obligation qualifies as a series of distinct goods or services that are substantially the same and have the same pattern of transfer.

Revenue from power generation and ancillary services is recognized in the period actual capacity is generated. Revenue is recognized over time since the customer simultaneously receives and consumes the benefits as the seller supplies power.

Under PAS 18, revenue from power generation is recognized in the period actual capacity is generated. Under PFRS 15, the Group has concluded that revenue should be recognized over time since the customer simultaneously receives and consumes the benefit as the seller supplies power.

In contracts with fixed capacity payments which are determined at contract inception, the fixed capacity payments for the entire contract period is determined at day 1 and is recognized over time. Specifically, on contracts where capacity payments are fixed but escalates throughout the contract period without any reference to market indices, the fixed escalation is recognized on a straight-line basis over the contract period.

Some contracts with customers provide unspecified quantity of energy, includes provisional Energy Regulatory Commission (ERC) rates, and volume and prompt payment discounts that give rise to variable consideration. Under PFRS 15, the variable consideration is estimated at contract inception and constrained until the associated uncertainty is subsequently resolved. The application of constraint on variable consideration resulted in the same revenue recognition under PAS 18.

Power distribution and retail supply also qualify as a series of distinct goods or services that are substantially the same and have the same pattern of transfer accounted for as one performance obligation. Revenue is recognized over time based on amounts billed.

Sale of Goods
Revenue from the sale of goods is recognized at a point in time when control of the asset is transferred to the customer, generally on delivery of the goods. The normal credit term is 30 to 90 days upon delivery. The Group has concluded that it is the principal in its revenue arrangements because it controls the goods before transferring them to the customer.

Sale of Real Estate
Contracts with customers for the Real Estate Group's real estate segment generally include sale of lot, sale of house and lot and sale of unfurnished and fully furnished condominium units.

For the sale of lot, the lot and the development made on the lot are separately identifiable promises but are combined as one performance obligation since these are not distinct within the context of the contract as the development of lot is used as an input to deliver a combined output.

For the sale of house and lot, the house and lot are separately identifiable promises but are combined as one performance obligation since these are not distinct within the context of the contract. The obligation to deliver the house duly constructed in a specific lot is fully integrated in the lot in accordance with the approved plan.

If the sale of lot, house and lot and unfurnished and fully furnished condominium units occurs at completion, the Real Estate Group shall recognize revenue at a point in time when control of the asset is transferred to the customer, generally on delivery of the properties. Otherwise, if the sale occurs prior to completion, the Real Estate Group shall recognize over time, using the output method (i.e., POC) as the appropriate measure of progress, satisfying the criterion of which the Real Estate Group's performance does not create an asset with an alternative use and the Real Estate Group has an enforceable right to payment for performance completed to date.

The buyer could enforce its rights to the promised property if the developer seeks to sell the unit to another buyer. This contractual restriction on the developer's ability to direct the promised property for another use is considered substantive as the property is not interchangeable with other properties that the entity could transfer to the buyer without breaching the contract and without incurring significant costs that otherwise would not have been incurred in relation to that contract. The Real Estate Group also has enforceable right to payment for performance completed to date notwithstanding contract terminations.

In determining the transaction price for real estate sales, the Real Estate Group considers the existence of significant financing component. Contracts with real estate customers provide two alternative payment options, spot cash and installment payments, after the contracts are signed. For both payment options, the Real Estate Group concluded that there is a significant financing component because the timing between when the customer pays for the property and when the Real Estate Group transfers the property to the customer do not match and the period between transfers are more than a year. The transaction price for such contracts is determined by discounting the amount of promised consideration using the appropriate discount rate. The Real Estate Group also concluded that there is a significant financing component for those contracts where the customer elects to pay in advance considering the length of time between the customer's payment and the transfer of property to the customer, as well as the prevailing interest rates in the market.

However, pursuant to the said SEC Memorandum Circular No. 14, series of 2018, the Real Estate Group opted to avail of the relief for the deferral of the accounting for the significant financing component in recognizing revenue from its real estate sales.

Rendering of services
Service revenues are recognized when the related services are rendered. Customer payments for which services have not yet been rendered are classified as unearned revenue under "Trade and other payables" account in the consolidated balance sheets.

Rental income
Rental income arising from operating leases is accounted for on a straight-line basis over the related lease terms.

Dividend income
Dividend income is recognized when the Group's right to receive payment is established.

Interest income
Interest income is recognized as it accrues taking into account the effective yield on the asset.

<u>Costs and Expenses</u>
Costs and expenses are decreases in economic benefits during the accounting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decreases in equity, other than those relating to distributions to equity participants. Expenses are recognized when incurred.

Pension Benefits

The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.
Defined benefit costs comprise the following:

- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in the consolidated statement of income. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in the consolidated statement of income.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to consolidated statement of income in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The Group’s right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

Borrowing Costs
Borrowing costs are capitalized if they are directly attributable to the acquisition, construction or production of a qualifying asset. To the extent that funds are borrowed specifically for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalization on that asset shall be determined as the actual borrowing costs incurred on that borrowing during the period less any investment income on the temporary investment of those borrowings. To the extent that funds are borrowed generally, the amount of borrowing costs eligible for capitalization shall be determined by applying a capitalization rate to the expenditures on that asset. The capitalization rate shall be the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. The amount of borrowing costs capitalized during a period shall not exceed the amount of borrowing costs incurred during that period.

Leases
The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Group as a lessee
Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating lease. Operating lease payments are recognized as an expense in the consolidated statement of income on a straight-line basis over the lease term.

Group as a lessor
Leases where the Group retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income.

Taxes
Current income tax
Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the balance sheet date.

Current income tax relating to items recognized directly in equity is recognized in the consolidated statement of comprehensive income and not in the consolidated statement of income.

Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax
Deferred income tax is provided using the balance sheet liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences, except:
- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences and carryforward benefits of net operating loss carryover (NOLCO) and excess of minimum corporate income tax (MCIT) over regular corporate income tax (RCIT), to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and the carryforward benefits of NOLCO and excess of MCIT over RCIT can be utilized, except:
- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each balance sheet date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted as at the balance sheet date.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Input Value-Added Tax (VAT)
Input VAT represents VAT imposed on the Group by its suppliers for the acquisition of goods and services as required by Philippine taxation laws and regulations.

Input VAT, which is presented as part of "Other current assets" and/or "Other noncurrent assets" in the consolidated balance sheets, is recognized as an asset and will be used to offset the Group's current output VAT liabilities and/or applied for claim for tax credit certificates. Input VAT is stated at its estimated NRV.

Output VAT
Output VAT represents VAT due on the sale, lease or exchange of taxable goods or properties or service by any person registered or required to register under Philippine taxation laws and regulations.

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the consolidated balance sheet.

Provisions
Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated statement of income, net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a borrowing cost.

Contingencies
Contingent liabilities are not recognized in the consolidated financial statements. These are disclosed unless the probability of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but are disclosed when an inflow of economic benefits is probable.

Events After the Reporting Period
Post year-end events that provide additional information about the Group's position at balance sheet date (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed when material.

Earnings Per Common Share
Basic earnings per common share are computed by dividing net income for the year attributable to the common shareholders of the parent by the weighted average number of common shares issued and outstanding during the year, after retroactive adjustments for any stock dividends declared and stock rights exercised during the year.

Diluted earnings per share amounts are calculated by dividing the net income for the year attributable to the common shareholders of the parent by the weighted average number of common shares outstanding during the year plus the weighted average number of common shares that would be issued for outstanding common stock equivalents. The Group does not have dilutive common stock equivalents.

Dividends on Common Shares
Dividends on common shares are recognized as a liability and deducted from retained earnings when approved by the respective shareholders of the Group and its subsidiaries. Dividends for the year that are approved after the balance sheet date are dealt with as an event after the reporting period.

Operating Segments
For management purposes, effective September 2015, the Group is organized into five major operating segments (power, food manufacturing, financial services, real estate, infrastructure and parent company/others) according to the nature of the products and the services provided. The Group's identified operating segments are consistent with the segments reported to the BOD which is the Group's Chief Operating Decision Maker (CODM). Financial information on operating segments is presented in Note 33.

3. **Summary of Significant Accounting Judgments, Estimates and Assumptions**

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Judgments, key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities.

Judgments
In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the consolidated financial statements:

Determining functional currency
Based on the economic substance of the underlying circumstances relevant to the companies in the Group, the functional currency of the companies in the Group has been determined to be the Philippine peso, except for certain subsidiaries and associates whose functional currencies are the US dollar (US$), Singapore dollar, Vietnamese Dong, Indonesian Rupiah, Renminbi, Malaysian Ringgit, Sri Lanka Rupee, Pakistani Rupee, Myanmar Kyat, or Thai Baht. The Philippine peso is the currency of the primary economic environment in which the companies in the Group operate and it is the currency that mainly influences the sale of power, goods and services and the costs of power, manufacturing and selling the goods, and the rendering of services.

Determination of control or joint control over an investee company
Control is presumed to exist when an investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. On the other hand, joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Management has determined that by virtue of its majority ownership of voting rights in its subsidiaries as of December 31, 2018 and 2017, the Company had the ability to exercise control over these investees (see Note 2).

Nonconsolidation of certain investees
The Group has 83.33% interest in Manila-Oslo Renewable Enterprise, Inc. (MORE) which has a 60% ownership interest in SN Aboitiz Power-Magat (SNAP-Magat), Inc., SN Aboitiz Power-Benguet (SNAP-Benguet), Inc., SN Aboitiz Power-RES, Inc. (SNAP-RES), and SN Aboitiz Power-Generation, Inc. (SNAP-Generation).

The Group does not consolidate MORE since it does not have the ability to direct the relevant activities which most significantly affect the returns of MORE and its investees. This is a result of the shareholders' agreement which, among others, stipulates the management and operation of MORE. Management of MORE is vested in its BOD and the affirmative vote of the other shareholder is required for the approval of certain corporate actions which include financial and operating undertakings.

The Group has 60% interest in AEV CRH Holdings, Inc. (AEV CRH) which has 99.09% ownership interest in Republic Cement and Building Materials, Inc. (RCBMI), 99.63% ownership interest in Republic Cement Mindanao, Inc. (RCMI), 94.63% ownership interest in Republic Cement Iligan, Inc. (RCII) and 100% ownership interest in Luzon Continental Land Corporation (LCLC).

The Group does not consolidate AEV CRH since it does not have the ability to direct the relevant activities which most significantly affect the returns of AEV CRH and its investees. This is a result of the contractual arrangements that give the other party the power to direct the relevant non-nationalized activities of the subsidiaries of AEV CRH. Consequently, the Group recognizes AEV CRH and MORE as associates that are accounted for using the equity method in the consolidated financial statements.

Determining a joint operation
The Group has 50% interest in PEC. The Group assessed that the joint arrangement is a joint operation as the financial and operating activities of the operation are jointly controlled by the participating shareholders and are primarily designed for the provision of output to the shareholders.

Service concession arrangements - Companies in the Group as Operators
Based on management's judgment, the provisions of Philippine Interpretation IFRIC 12 apply to SEZ's Distribution Management Service Agreement (DMSA) with Subic Bay Metropolitan Authority (SBMA); MEZ's Built-Operate-Transfer agreement with Mactan Cebu International Airport Authority (MCIAA) and LHC's Power Purchase Agreement (PPA) with the National Power Corporation (NPC). SEZ, MEZ and LHC's service concession agreements were accounted for under the intangible asset model.

The Company's associate, STEAG, has also determined that the provisions of Philippine Interpretation IFRIC 12 apply to its PPA with NPC. STEAG's service concession agreement was accounted for under the financial asset model. Refer to the accounting policy on service concession arrangements for the discussion of intangible asset and financial asset models.

Finance lease - Group as the lessee
In accounting for its Independent Power Producer Administration Agreement (IPP Administration Agreement) with the Power Sector Assets and Liabilities Management Corporation (PSALM), the Group has made a judgment that the IPP Administration Agreement of TLI is an arrangement that contains a lease. The Group has made a judgment that it has substantially acquired all the risks and rewards incidental to ownership of the power plant principally by virtue of its right to control the capacity of the power plant and its right to receive the transfer of the power plant at the end of the IPP Administration Agreement for no consideration. Accordingly, the Group accounted for the agreement as a finance lease and recognized the power plant and finance lease obligation at the present value of the agreed monthly payments to PSALM (see Notes 22 and 36).

The power plant is depreciated over its estimated useful life as there is reasonable certainty that the Group will obtain ownership by the end of the lease term. As of December 31, 2018 and 2017, the carrying value of the power plant amounted to ₱34.7 billion and ₱35.8 billion, respectively (see Note 13). The carrying value of the finance lease obligation amounted to ₱46.9 billion and ₱49.2 billion as of December 31, 2018 and 2017, respectively (see Note 22).

Identifying performance obligations
The Group identifies performance obligations by considering whether the promised goods or services in the contract are distinct goods or services. A good or service is distinct when the customer can benefit from the good or service on its own or together with other resources that are readily available to the customer and the Group's promise to transfer the good or service to the customer is separately identifiable from the other promises in the contract.

The Group assesses performance obligations as a series of distinct goods and services that are substantially the same and have the same pattern of transfer if i) each distinct good or services in the series are transferred over time and ii) the same method of progress will be used (i.e., units of delivery) to measure the entity's progress towards complete satisfaction of the performance obligation

For Power Group's power generation and ancillary services where capacity and energy dispatched are separately identified, these two obligations are to be combined as one performance obligation since these are not distinct within the context of the contract as the buyer cannot benefit from the contracted capacity alone without the corresponding energy and the buyer cannot obtain energy without contracting a capacity.

The combined performance obligation qualifies as a series of distinct goods or services that are substantially the same and have the same pattern of transfer since the delivery of energy every month are distinct services which are all recognized over time and have the same measure of progress.

Power distribution and retail supply also qualify as a series of distinct goods or services which is accounted for as one performance obligation since the delivery of energy every month are distinct services which are recognized over time and have the same measure of progress.

For Real Estate Group's sale of developed lots, the lot and the development made on the lot are separately identifiable promises but are combined as one performance obligation since these are not distinct within the context of the contract as the lot development is used as an input to deliver a combined output. For the sale of house and lot, the house and lot are separately identifiable promises but are combined as one performance obligation since these are not distinct within the context of the contract. The obligation to deliver the house duly constructed in a specific lot is fully integrated in the lot in accordance with the approved plan.

Revenue recognition
The Group recognizes revenue when it satisfies an identified performance obligation by transferring a promised good or service to a customer. A good or service is considered to be transferred when the customer obtains control. The Group determines, at contract inception, whether it will transfer control of a promised good or service over time. If the Group does not satisfy a performance obligation over time, the performance obligation is satisfied at a point in time.

The Group concludes that:

- revenue from power generation, power distribution, ancillary services and retail supply are to be recognized over time, since customers simultaneously receives and consumes the benefits as the Group supplies power;
- when a contract is judged to be for the construction of a property, revenue is recognized using the POC method as construction progresses. The POC is made reference to the stage of completion of projects and contracts determined on the basis of the estimated completion of physical proportion of the contract work;
- for sale of goods, revenue is recognized at a point in time, generally on the delivery of goods.

Identifying methods for measuring progress of revenue recognized over time
The Group determines the appropriate method of measuring progress which is either through the use of input or output methods. Input method recognizes revenue on the basis of the entity's efforts or inputs to the satisfaction of a performance obligation while output method recognizes revenue on the basis of direct measurements of the value to the customer of the goods or services transferred to date.

For power generation and ancillary services, the Power Group determines that the output method is the best method in measuring progress since actual electricity is supplied to customers. The Group recognizes revenue based on:

For power generation and ancillary services:

a. For the variable energy payment, actual kilowatt hours consumed which are billed on a monthly basis.
b. For fixed capacity payments, the Group allocates the transaction price on a straight-line basis over the contract term. The allocated fixed payments are also billed on a monthly basis.

For power distribution and retail supply, the Group uses the actual kilowatt hours consumed, which are also billed on a monthly basis.

The Real Estate Group recognizes revenues from real estate sales over time using output method in measuring progress. The use of output method is the best method in measuring progress since the entitlement of the customers to the output performed as of date is easily measured and observed on the basis that POC for the construction of real estate properties is determined using the estimated completion of physical proportion of the contract work.

Determining method to estimate variable consideration and assessing the constraint
The Group includes some or all the amounts of variable consideration estimated but only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. The Group considers both the likelihood and magnitude of the revenue reversal in evaluating the extent of variable consideration the Group will subject to constraint. Factors such as i) highly susceptibility to factors outside the Group's influence, ii) timing of resolution of the uncertainty, and iii) having a large number and broad range of possible considerations amount are considered.

For Power Group, some contracts with customers provide unspecified quantity of energy, provisional ERC rates, and volume and prompt payment discounts that give rise to variable consideration. In estimating the variable consideration, the Group is required to use either the expected value method or the most likely amount method based on which method better predicts the amount of consideration to which it will be entitled. The expected value method of estimation takes into account a range of possible outcomes while the most likely amount is used when the outcome is binary. It is determined that the expected value method is the appropriate method to use in estimating the variable consideration given the large number of customer contracts that have similar characteristics and the range of possible outcomes.

Allocation of variable consideration
Variable consideration may be attributable to the entire contract or to a specific part of the contract. For power generation, power distribution, ancillary services and retail supply revenue streams which are considered as series of distinct goods or services that are substantially the same and have the same pattern of transfer, the Group allocates the variable amount that is no longer subject to constraint to the satisfied portion (i.e., month) which forms part of the single performance obligation, and forms part of the monthly billing of the Group.

Distinction among real estate inventories, land and improvements, and investment properties
The Group determines whether a property is classified as real estate inventories, land and improvements or investment properties:

- Real estate inventories comprise properties that are held for sale in the ordinary course of business. Principally, these are residential properties that the Group develops and intends to sell before or on completion of construction.
- Land and improvements comprise land and related improvements that are part of the Group's strategic land banking activities for development or sale in the medium or long-term. These properties are neither developed nor available for sale and therefore not yet considered as part of real estate inventories.
- Investment properties comprise land, land improvements and buildings (principally composed of offices, commercial warehouses and retail properties) which are not occupied substantially for use by, or in the operations of, the Group, nor for sale in the ordinary course of business, but are held primarily to earn rental income and for capital appreciation.

The Group considers each property separately in making its judgment.

Operating lease commitments - Group as the lessor
The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the commercial property and the present value of the minimum lease payments not amounting to substantially all of the fair value of the commercial property, that it retains all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases.

Determining fair value of customers' deposits
In applying PAS 39 on transformer and lines and poles deposits, the Group has made a judgment that the timing and related amounts of future cash flows relating to such deposits cannot be reasonably and reliably estimated for purposes of establishing their fair values using alternative valuation techniques since the expected timing of customers' refund or claim for these deposits cannot be reasonably estimated. These customers' deposits amounted to ₱6.1 billion and ₱6.3 billion as of December 31, 2018 and 2017, respectively (see Notes 20 and 36).

Classification of financial instruments
The Group exercises judgment in classifying a financial instrument, or its component parts, on initial recognition as either a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definition of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the consolidated balance sheet.

Contractual cash flows assessment (upon adoption of PFRS 9)
For each financial asset, the Group assesses the contractual terms to identify whether the instrument is consistent with the concept of SPPI.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortization of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Group applies judgment and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

Evaluation of business model in managing financial instruments (upon adoption of PFRS 9)
The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. The Group's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed; and
- The expected frequency, value and timing of sales are also important aspects of the Group's assessment.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realized in a way that is different from the Group's original expectations, the Group does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

Estimation Uncertainty
The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed as follows:

Acquisition accounting
The Group accounts for acquired businesses using the purchase method of accounting which requires that the assets acquired and the liabilities assumed be recorded at the date of acquisition at their respective fair values.

The application of the purchase method requires certain estimates and assumptions especially concerning the determination of the fair values of acquired intangible assets and property, plant and equipment as well as liabilities assumed at the date of the acquisition. Moreover, the useful lives of the acquired intangible assets, property, plant and equipment have to be determined. The judgments made in the context of the purchase price allocation can materially impact the Group's future results of operations. Accordingly, for significant acquisitions, the Group obtains assistance from third party valuation specialists. The valuations are based on information available at the acquisition date (see Note 9).

Estimating allowance for impairment losses on investments and advances
Investments and advances are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. There were no impairment indicators in 2018 and 2017 based on management's assessment. The carrying amounts of the investments in and advances to associates amounted to ₱107.0 billion and ₱91.9 billion as of December 31, 2018 and 2017, respectively. The allowance for impairment losses amounted to ₱680.7 million as of December 31, 2018 and 2017 (see Note 10).

Assessing impairment of goodwill
The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill as of December 31, 2018 and 2017 amounted to ₱56.3 billion and ₱41.3 billion, respectively (see Note 12). Goodwill impairment recognized in 2018 and 2016 amounted to ₱45.9 million and ₱169.5 million, respectively. No impairment of goodwill was recognized in 2017.

Estimating useful lives of property, plant and equipment
The Group estimates the useful lives of property, plant and equipment based on the period over which assets are expected to be available for use. The estimated useful lives of property, plant and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. In addition, the estimation of the useful lives of property, plant and equipment is based on collective assessment of internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in the factors and circumstances mentioned above. As of December 31, 2018 and 2017, the net book values of property, plant and equipment, excluding land, amounted to ₱219.1 billion and ₱211.1 billion, respectively (see Note 13).

Estimating residual value of property, plant and equipment
The residual value of the Group's property, plant and equipment is estimated based on the amount that the entity would obtain from disposal of the asset, after deducting estimated costs of disposal, if the asset is already of the age and in the condition expected at the end of its useful life. The estimated residual value of each asset is reviewed periodically and updated if expectations differ from previous estimates. As of December 31, 2018 and 2017, the net book values of property, plant and equipment, excluding land, amounted to ₱219.1 billion and ₱211.1 billion, respectively (see Note 13).

Estimating useful lives of intangible asset - service concession rights
The Group estimates the useful lives of intangible asset arising from service concessions based on the period over which the asset is expected to be available for use which is 18 to 25 years. The Group has not included any renewal period on the basis of uncertainty, as of balance sheet date, of the probability of securing renewal contract at the end of the original contract term. As of December 31, 2018 and 2017, the net book value of intangible asset - service concession rights amounted to ₱3.8 billion and ₱3.1 billion, respectively (see Note 15).

Estimating useful lives of intangible asset - customer contracts
The Group estimates the useful lives of intangible asset arising from customer contracts based on the period over which the asset is expected to be available for use which is six years. The Group has not included any renewal period on the basis of uncertainty, as of reporting date, of the probability of securing renewal contract at the end of the original contract term. As at December 31, 2018 and 2017, the net book values of intangible assets - customer contracts amounted to ₱27.4 million and ₱42.8 million, respectively (see Note 16).

Estimating useful life of franchise
The Group estimates the useful life of VECO's distribution franchise based on the period over which the asset is estimated to be available for use which is 40 years, consisting of 15 years remaining contract period from date of business combination and expected probable renewal covering another 25 years. As of December 31, 2018 and 2017, the carrying value of franchise amounted to ₱2.6 billion and ₱2.7 billion, respectively (see Note 16).

Assessing impairment of nonfinancial assets
The Group assesses whether there are any indicators of impairment for nonfinancial assets at each balance sheet date. These nonfinancial assets (other current assets, property, plant and equipment, intangible asset - service concession rights and other noncurrent assets) are tested for impairment when there are indicators that the carrying amounts may not be recoverable.

Determining the recoverable amount of these assets, which require the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets, requires the Group to make estimates and assumptions that can materially affect its consolidated financial statements. Future events could cause the Group to conclude that the other current assets, property, plant and equipment, intangible asset - service concession rights and other noncurrent assets are impaired. Any resulting impairment loss could have a material adverse

impact on the consolidated balance sheet and consolidated statement of income. The aggregate net book values of these assets as of December 31 are as follows:

	2018	2017
Property, plant and equipment (see Note 13)	**₱221,430,841**	₱213,232,540
Other current assets (see Note 7)	**12,341,747**	8,882,626
Intangible asset - service concession rights (see Note 15)	**3,791,377**	3,062,307
Other noncurrent assets (see Note 16)	**14,597,734**	14,493,688
	₱252,161,699	₱239,671,161

Impairment losses recognized on these non-financial assets in 2018 amounted to ₱740.3 billion (see Note 13). No impairment loss was recognized in 2017 and 2016.

Estimating allowance for impairment of trade and other receivables (prior to adoption of PFRS 9)
The Group maintains allowance for impairment of trade and other receivables at a level considered adequate to provide for potential uncollectible receivables. The level of this allowance is evaluated by management on the basis of the factors that affect the collectibility of the accounts. These factors include, but are not limited to, the Group's relationship with its clients, client's current credit status and other known market factors. The Group reviews the age and status of receivables and identifies accounts that are to be provided with allowance either individually or collectively. The amount and timing of recorded expenses for any period would differ if the Group made different judgment or utilized different estimates. An increase in the Group's allowance for impairment of trade and other receivables will increase the Group's recorded expenses and decrease current assets.

Allowance for impairment losses as of December 31, 2017 ₱2.0 billion. Trade and other receivables, net of valuation allowance, amounted to ₱24.8 billion as of December 31, 2017 (see Note 5).

Measurement of ECL (upon adoption of PFRS 9)
ECLs are derived from unbiased and probability-weighted estimates of expected loss, and are measured as follows:

- *Financial assets that are not credit-impaired at the reporting date:* as the present value of all cash shortfalls over the expected life of the financial asset discounted by the effective interest rate. The cash shortfall is the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive.
- *Financial assets that are credit-impaired at the reporting date:* as the difference between the gross carrying amount and the present value of estimated future cash flows discounted by the effective interest rate.
- *Undrawn loan commitments:* as the present value of the difference between the contractual cash flows that are due to the Group if the commitment is drawn down and the cash flows that the Group expects to receive.
- *Financial guarantee contracts:* as the expected payments to reimburse the holder less any amounts that the Group expects to recover.

The Group leverages existing risk management indicators (e.g. internal credit risk classification and restructuring triggers), credit risk rating changes and reasonable and supportable information which allows the Group to identify whether the credit risk of financial assets has significantly increased.

Inputs, assumptions and estimation techniques
The ECL is measured on either a 12-month or lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. Expected credit losses are the discounted product of the Probability of Default (PD), Loss Given Default (LGD), and Exposure at Default (EAD), defined as follows:

- *Probability of default*
  The PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months, or over the remaining life of the obligation. PD estimates are estimates at a certain date, which are calculated based on statistical rating models, and assessed using rating tools tailored to the various categories of counterparties and exposures. If a counterparty or exposure migrates between rating classes, then this will lead to a change in the estimate of the associated PD. PDs are estimated considering the

contractual maturities of exposures. The 12-months and lifetime PD represent the expected point-in-time probability of a default over the next 12 months and remaining lifetime of the financial instrument, respectively, based on conditions existing at the balance sheet date and future economic conditions that affect credit risk.

- *Loss given default*
  Loss Given Default represents the Group's expectation of the extent of loss on a defaulted exposure, taking into account the mitigating effect of collateral, its expected value when realized and the time value of money. LGD varies by type of counterparty, type of seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of EAD.

- *Exposure at default*
  EAD is based on the amounts the Group expects to be owed at the time of default, over the next 12 months or over the remaining lifetime.

The ECL is determined by projecting the PD, LGD, and EAD for each future month and for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has not prepaid or defaulted in an earlier month). This effectively calculates an ECL for each future month, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

The lifetime PD is developed by applying a maturity profile to the current 12-month PD. The maturity profile looks at how defaults develop on a portfolio from the point of initial recognition throughout the lifetime of the loans. The maturity profile is based on historical observed data and is assumed to be the same across all assets within a portfolio and credit grade band. This is supported by historical analysis. The 12-month and lifetime EADs are determined based on the expected payment profile, which varies by customer segment.

The 12-month and lifetime LGDs are determined based on the factors which impact the recoveries made post default. LGDs are typically set at product level due to the limited differentiation in recoveries achieved across different borrowers. These LGD's are influenced by collection strategies including contracted debt sales and price.

The assumptions underlying the ECL calculation such as how the maturity profile of the PDs change are monitored and reviewed on a quarterly basis.

Simplified approach for trade receivables and contract assets
The Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the industrial segment, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

There have been no significant changes in estimation techniques or significant assumptions made during the reporting period.

Incorporation of forward-looking information
The Group incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL.

The base case represents a most-likely outcome and is aligned with information used by the Group for other purposes such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes. Periodically, the Group carries out stress testing of more extreme shocks to calibrate its determination of these other representative scenarios.

The Group has identified and documented key drivers of credit risk and credit losses of each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

The macro-economic variables include the following key indicators for the Philippines: unemployment rates, inflation rates, gross domestic product growth and net personal income growth.

Predicted relationship between the key indicators and default and loss rates on various portfolios of financial assets have been developed based on analyzing historical data over the past 5 years. The methodologies and assumptions including any forecasts of future economic conditions are reviewed regularly.

The Group has not identified any uncertain event that it has assessed to be relevant to the risk of default occurring but where it is not able to estimate the impact on ECL due to lack of reasonable and supportable information.

An increase in the Group's allowance for ECL of trade and other receivables will increase the Group's recorded expenses and decrease current assets. As of December 31, 2018, allowance for ECL amounted to ₱2.5 billion. Trade and other receivables, net of allowance for ECL, amounted to ₱33.7 billion as of December 31, 2018 (see Note 5).

Estimating allowance for inventory obsolescence

The Group estimates the allowance for inventory obsolescence based on the age of inventories. The amounts and timing of recorded expenses for any period would differ if different judgments or different estimates are made. An increase in allowance for inventory obsolescence would increase recorded expenses and decrease current assets. As of December 31, 2018 and 2017, allowance for inventory obsolescence amounted to ₱103.4 million and ₱64.1 million, respectively. The carrying amount of the inventories, net of valuation allowance, amounted to ₱22.1 billion and ₱12.5 billion as of December 31, 2018 and 2017, respectively (see Note 6).

Estimating asset retirement obligation

Under the Geothermal Resource Service Contract (GRSC), the Group has a legal obligation to decommission, abandon and perform surface rehabilitation on its steam field asset at the end of its useful life. The Group also has a legal obligation under its land lease agreements to decommission the power plants at the end of its lease term. The Group recognizes the present value of the obligation to decommission the plant, abandon and perform surface rehabilitation of the steam field asset and capitalizes the present value of this cost as part of the balance of the related property, plant and equipment, which are being depreciated and amortized on a straight-line basis over the useful life of the related asset.

These costs are accrued based on in-house estimates, which incorporates estimates of the amount of obligations and interest rates, if appropriate. Assumptions used to compute the provision are reviewed and updated annually. Each year, the provision is increased to reflect the accretion of discount and to accrue an estimate for the effects of inflation, with charges being recognized as accretion expense, included under “Interest expense” in the consolidated statement of income.

Changes in the asset retirement obligation that result from a change in the current best estimate of cash flows required to settle the obligation or a change in the discount rate are added to (or deducted from) the amount recognized as the related asset and the periodic unwinding of the discount on the liability is recognized in the consolidated statement of income as it occurs.

While the Group has made its best estimate in establishing the decommissioning provision, because of potential changes in technology as well as safety and environmental requirements, plus the actual time scale to complete decommissioning activities, the ultimate provision requirements could either increase or decrease significantly from the Group’s current estimates.

The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances.

Asset retirement obligation amounted to ₱3.7 billion and ₱3.0 billion as of December 31, 2018 and 2017, respectively (see Note 21).

Recognition of deferred income tax assets
The Group reviews the carrying amounts of deferred income tax assets at each balance sheet date and reduces deferred income tax assets to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred income tax assets to be utilized. The Group has net deferred income tax assets amounting ₱2.3 billion and ₱1.5 billion as of December 31, 2018 and 2017, respectively (see Note 31).

The Company did not recognize its deferred income tax assets on NOLCO generated in 2018 and 2017 amounting to ₱802.8 million and ₱966.0 million, respectively, and on MCIT paid in 2018 and 2017 amounting to ₱31.9 million and ₱25.2 million, respectively. Likewise, AP parent company did not recognize its deferred income tax assets on NOLCO amounting to ₱1.1 billion and ₱647.9 million as of December 31, 2018 and 2017, respectively, and on MCIT amounting to ₱49.1 million and ₱44.4 million as of December 31, 2018 and 2017, respectively (see Note 31).

Pension benefits
The costs of defined benefit pension plans, as well as the present value of the pension obligation, are determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each balance sheet date.

Net benefit expense amounted to ₱318.6 million in 2018, ₱350.9 million in 2017 and ₱320.5 million in 2016. The net benefit asset as at December 31, 2018 and 2017 amounted to ₱158.6 million and ₱177.0 million, respectively (see Note 30). Net pension liabilities as of December 31, 2018 and 2017 amounted to ₱486.2 million and ₱400.3 million, respectively (see Note 30).

In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation.

The mortality rate is based on publicly available mortality tables for the specific country and is modified accordingly with estimates of mortality improvements. Future salary increases and pension increases are based on expected future inflation rates for the specific country.

Further details about the assumptions used are provided in Note 30.

Fair value less estimated costs to sell of biological assets
The Group determines the most reliable estimate of fair value less estimated costs to sell of its biological assets. Fair value reflects the most recent market transaction price provided that there has been no significant change in economic circumstances between the date of transaction and balance sheet date. Point-of-sale cost is estimated based on recent transactions and is deducted from the fair value in order to measure the biological assets at balance sheet date.

As of December 31, 2018 and 2017, the carrying value of the biological assets amounted to ₱1.17 billion and ₱1.06 billion, respectively (see Note 8).

Fair value of financial instruments
When the fair values of financial assets and financial liabilities recorded in the consolidated balance sheet cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments. See Note 36 for further disclosures.

Contingent consideration, resulting from business combinations, is valued at fair value at the acquisition date as part of the business combination. When the contingent consideration meets the definition of a financial liability, it is subsequently re-measured to fair value at each reporting date. The determination of the fair value is based on discounted cash flows.

Revaluation of investment properties
The Group carries its investment properties at fair value, with changes in fair value being recognized in the consolidated statement of income. The Group engaged an independent valuation specialist to assess the fair values of these properties. For these assets, the valuation methodology used was Sales Comparison Approach. This method considers the sales of similar or substitute properties and related market data and establishes a value estimate by processes involving comparison (see Note 14).

Legal contingencies
The estimate of probable costs for the resolution of possible claims has been developed in consultation with outside counsels handling the Group’s defense in these matters and is based upon an analysis of potential results. No provision for probable losses arising from legal contingencies was recognized in the Group’s consolidated financial statements for the years ended December 31, 2018, 2017 and 2016.

4. **Cash and Cash Equivalents**

	2018	2017
Cash on hand and in banks	**₱14,866,870**	₱13,080,148
Short-term deposits	**44,166,159**	51,790,066
	₱59,033,029	₱64,870,214

Cash in banks earn interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates. Interest income earned from cash and cash equivalents amounted to ₱1.5 billion, ₱1.3 billion and ₱1.4 billion in 2018, 2017, and 2016, respectively (see Note 35).

5. **Trade and Other Receivables**

	2018	2017
Trade receivables (see Note 35)		
Power	**₱14,717,574**	₱16,338,622
Real estate	**3,982,424**	3,654,299
Food manufacturing	**2,913,959**	2,344,307
Holding and others	**5,612,256**	646,368
Financial services	**–**	266,312
	27,226,213	23,249,908
Nontrade receivables	**6,967,769**	461,527
Accrued revenues	**3,493,246**	724,820
Dividends receivable (see Note 10)	**665,783**	792,000
Advances to contractors	**148,300**	105,690
Others	**1,191,295**	1,395,939
	39,692,606	26,729,884
Less allowance for expected credit losses	**2,455,396**	1,956,174
	37,237,210	24,773,710
Less noncurrent portion	**3,441,898**	580,925
	₱33,795,312	₱24,192,785

Trade receivables, except real estate receivables, are generally non-interest bearing and on 10 - 30 days' terms.

For terms and conditions relating to related party receivables, refer to Note 34.

Non-trade receivables include advances to partners in GMCP and PSALM adjustment recoverable from the customers of distribution subsidiaries. These advances are subject to offset against any cash dividends declared by GMCP and due to the partners. PSALM adjustment refers to the current and non-current portions of the amounts pertaining to Generation Rate Adjustment Mechanism (GRAM) and Incremental Currency Exchange Rate Adjustment (ICERA) which, as granted by the ERC, are to be recovered from the customers and to be remitted to PSALM.

Other receivables include accrued interest income.

Trade Receivables of Real Estate Group
Contractual maturities of trade receivables from sale of real estate inventories range from 1 to 180 months. Current and noncurrent portion of these receivables amount to ₱3.0 billion and ₱258.8 million, respectively, as of December 31, 2018, and ₱3.1 billion and ₱580.9 million, respectively, as of December 31, 2017.

Trade receivables include contract assets amounting to ₱754.9 million as of December 31, 2018. Contract assets represent excess of recognized revenues from contracts with real estate customers determined based on percentage-of-completion, against amounts billed to customers. The movements of this account for the year ended December 31, 2018 are shown below:

Adjustments due to PFRS 15 adoption (see Note 3):	
Reclassification from trade and other receivables	₱2,827,104
Reclassification from trade receivables- net of current portion	350,248
Effect of exclusion of land costs in determination of POC rate	(130,048)
	3,047,304
Less allowance for impairment	3,534
At January 1	3,043,770
Movements for the year:	
Billed revenues recognized in prior years	(2,387,210)
Unbilled revenues for the year	98,479
Provision for expected credit losses for the year	(147)
At December 31	₱754,893

The rollforward analysis of allowance for expected credit losses as of December 31, 2018 and allowance for doubtful accounts under PAS 39 as of December 31, 2017 is presented below:

December 31, 2018

	Trade Receivables				
	Power	Food Manufacturing	Real Estate	Holding and Others	Total
At beginning of year	**₱1,774,838**	**₱102,360**	**₱62,033**	**₱16,943**	**₱1,956,174**
Add adjustment due to PFRS 9 adoption (see Note 2)	**86,936**	**–**	**40,198**	**–**	**127,134**
At beginning of year, as restated	**1,861,774**	**102,360**	**102,231**	**16,943**	**2,083,308**
Acquisition of a subsidiary	**–**	**–**	**–**	**615,964**	**615,964**
Provisions (see Note 27)	**235,818**	**14,668**	**2,556**	**50,336**	**303,378**
Write-off	**(347,601)**	**(3,953)**	**(216)**	**(17,611)**	**(369,381)**
Reversals/recovery	**–**	**(13,644)**	**(1,736)**	**(162,493)**	**(177,873)**
At end of year	**₱1,749,991**	**₱99,431**	**₱102,835**	**₱503,139**	**₱2,455,396**

December 31, 2017

	Trade Receivables				
	Power	Food Manufacturing	Real Estate	Holding and Others	Total
At beginning of year	₱1,761,636	₱109,305	₱2,293	₱5,798	₱1,879,032
Provisions (see Note 27)	77,708	5,942	59,740	11,145	154,535
Write-off	(64,506)	(10,487)	–	–	(74,993)
Reversals/recovery	–	(2,400)	–	–	(2,400)
At end of year	₱1,774,838	₱102,360	₱62,033	₱16,943	₱1,956,174

Reversals of allowance for impairment losses are presented as part of "Others - net" under "Other income (expense)- net" account in the consolidated statements of income.

6. Inventories and Land and Improvements

Inventories

	2018	2017
At cost:		
Fuel and lubricants	**₱3,521,390**	₱3,294,622
Materials, parts and supplies	**3,297,723**	2,362,186
Real estate inventories	**4,417,009**	2,257,682
Raw materials	**2,336,914**	984,614
Finished goods (see Note 27)	**1,752,729**	317,007
At NRV:		
Wheat grains and other raw materials	**5,670,435**	2,416,762
Materials, parts and supplies	**1,107,234**	820,462
	₱22,103,434	₱12,453,335

A summary of the movement in real estate inventories is set out below:

	2018	2017
Real estate inventories:		
At January 1	**₱2,257,682**	₱1,984,725
Add adjustment due to PFRS 15 adoption (see Note 2)	**188,010**	–
At January 1, as adjusted	**2,445,692**	1,984,725
Construction/development costs incurred	**2,252,236**	1,191,597
Land costs transferred from land and improvements	**1,423,378**	184,751
Borrowing costs capitalized	**127,482**	102,851
Contract cost asset related to capitalized sales commissions	**91,825**	–
Transfers to other noncurrent assets	**(2,665)**	–
Reversal of capitalized commission related to forfeited units	**(13,859)**	–
Transfers to investments properties	**(35,695)**	–
Amortization of capitalized contract cost asset (recognized as cost of real estate inventories sold)	**(77,656)**	–
Cost of real estate inventories sold	**(1,793,729)**	(1,825,570)
Transfers from property and equipment	**–**	422,649
Land acquired during the period	**–**	196,679
At December 31	**₱4,417,009**	₱2,257,682

The cost of inventories recognized as part of cost of generated power in the consolidated statements of income amounted to ₱29.4 billion in 2018, ₱22.3 billion in 2017 and ₱12.2 billion in 2016 (see Notes 26 and 27). The cost of inventories recognized as part of operations and maintenance in the consolidated statements of income amounted to ₱286.7 million in 2018, ₱412.1 million in 2017 and ₱572.5 million in 2016 (see Note 27).

Cost of real estate inventories sold amounted to ₱1.9 billion, ₱1.8 billion in 2018 and 2017, and ₱1.1 billion 2016.

Allowance for inventory obsolescence amounted to ₱103.4 million and ₱64.1 million as of December 31, 2018 and 2017, respectively. The amount of provision for inventory obsolescence and losses recognized as expense amounted to ₱1.0 million in 2018, ₱11.9 million in 2017 and ₱11.1 million in 2016 (see Note 27).

Cost of inventories carried at NRV amounted to ₱6.8 billion and ₱3.2 billion as of December 31, 2018 and 2017, respectively.

Total borrowing costs capitalized as part of the real estate projects amounted to ₱127.5 million and ₱102.9 million in 2018 and 2017, respectively (see Note 19). The general capitalization rates are 4.11% in 2018 and 3.83% in 2017.

Land and Improvements

	2018	2017
Cost		
At January 1	**₱3,689,677**	₱3,525,381
Additions	**387,780**	444,907
Transfers to real estate inventories	**(1,423,378)**	(184,751)
Transfers to investment properties	**(264,569)**	(94,349)
Other transfers/adjustments	**(47,873)**	(1,511)
Disposal	**(1,524)**	–
At December 31	**₱2,340,113**	₱3,689,677

7. **Other Current Assets**

	2018	2017
Restricted cash	**₱5,289,145**	₱2,642,327
Prepaid expenses	**4,896,331**	5,575,689
Input VAT	**3,043,641**	2,260,927
Advances to NGCP	**1,725,176**	–
Biological assets (see Note 8)	**1,033,992**	917,563
Others	**2,000,780**	1,046,010
	₱17,989,065	₱12,442,516

Restricted cash represents proceeds from sale of power under the control of trustees of the lenders as per loan agreement (see Note 19). The asset will be used to pay the current portion of loans payable and interest payments in the following period.

Advances to NGCP pertain to the cost of construction and installation of substation and transmission facilities which are subject for reimbursement after completion of the project.

"Others" include prepayments to regulatory agencies and advances to suppliers.

8. **Biological Assets**

	2018	2017
Presented under Other Current Assets:		
Market hogs	**₱660,851**	₱585,216
Piglets	**251,825**	251,868
Growing stocks	**119,258**	75,269
Others	**2,058**	5,210
	1,033,992	917,563
Presented under Other Noncurrent Assets:		
Bearers (breeders) (see Note 16)	**134,144**	144,263
	₱1,168,136	₱1,061,826

As of December 31, 2018 and 2017, biological assets are measured at fair value under Level 3 input. Fair values are determined based on average market selling prices at balance sheet date. Market hogs, piglets, growing stocks, bearers (breeders), and others are measured at fair value less estimated costs to sell.

As of December 31, 2018 and 2017, the fair value of biological assets amounted to ₱1.17 billion and ₱1.06 billion, respectively (see Notes 7 and 16).

During the years ended December 31, 2018 and 2017, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

The reconciliation of changes in the carrying amount of consumable biological assets follows:

	2018	2017
At beginning of year	**₱1,061,826**	₱756,303
Additions	**1,968,022**	1,920,849
Additions due to acquisition of a subsidiary (see Note 9)	**56,050**	–
Sales at fair value	**(2,501,841)**	(2,410,542)
Transferred to breeding herd	**(168,481)**	(146,915)
Increase in fair value (see Note 29)	**752,560**	942,131
At end of year	**₱1,168,136**	₱1,061,826

Consumable biological assets are included under "Other current assets" account while bearers are included under "Other noncurrent assets" account in the consolidated balance sheets (see Notes 7 and 16).

9. Acquisitions and Disposals of Shares of Stock

a. Acquisition of Gold Coin Management Holdings Ltd. (GCMH)

On July 27, 2018, Pilmico International Pte. Ltd. (PILMICO International), a 100%-owned subsidiary of AEV, acquired 75% equity interest in GCMH at a cash consideration of USD333.8 million or ₱18.1 billion.

GCMH is engaged in the business of animal feeds manufacturing, which it carries out through various subsidiaries operating 21 feed mills situated in seven countries in the Asia Pacific.

The following are the provisional fair values of the identifiable assets and liabilities assumed on acquisition date:

Assets:	
Cash and cash equivalents	₱1,913,264
Trade and other receivables	3,929,490
Inventories	5,740,702
Other current assets	626,617
Property, plant, and equipment	4,779,721
Other noncurrent assets	2,605,214
	19,595,008
Liabilities:	
Trade and other payables	9,206,785
Bank loans	2,352,961
Long-term debt	2,366,786
Other noncurrent liabilities	773,759
	14,700,291
Total identifiable net assets at fair value	₱4,894,717
Total consideration	₱18,124,991
Fair value of noncontrolling interest	2,292,747
	20,417,738
Goodwill	₱15,523,021
Cash flow on acquisition:	
Net cash acquired with the subsidiary	₱1,913,264
Cash paid	(18,124,991)
Net cash outflow	(₱16,211,727)

The accounting for this business combination was determined provisionally as PILMICO International is still finalizing the fair valuation of the nonfinancial assets acquired.

The Group expects to recognize significant goodwill arising from this acquisition because of the business synergies that will materialize with one of the Group's subsidiaries engaged in similar business.

In 2018, GCMH contributed ₱18.1 billion to the consolidated revenue and ₱513.2 million to the net income of the Group from the date of acquisition. If the combination had taken place at the beginning of 2018, the Group's revenue would have been ₱211.2 billion and consolidated net income would have been ₱22.8 billion.

b. Acquisition PAN JSC

On July 29, 2017, PILMICO International acquired 70% equity interest in PAN JSC, an animal feeds company organized under the laws of Vietnam, for a total consideration of ₱162.7 million.

The purchase of PAN JSC was treated as a business combination accounted for under the acquisition method. PILMICO International elected to measure the non-controlling interest at its proportionate share in PAN JSC's identifiable net assets.

In 2017, PAN JSC contributed ₱131.8 million to the consolidated revenue and ₱1.5 million to the net income of the Group from the date of acquisition. If the combination had taken place at the beginning of 2017, the Group's revenue would have been ₱154.8 billion and net income would have been ₱21.6 billion.

In 2018, the purchase price allocation in the acquisition of PAN JSC was finalized. No changes were made on the provisional accounting done in 2017.

c. Step-acquisition of Sacasun

In 2014, ARI, a 100%-owned subsidiary of AP, entered into a joint framework agreement to develop solar photovoltaic projects in the Philippines. Pursuant to their agreement, SunEdison Inc. (SEI), the ultimate parent company of SunE BV and Helios BV, and ARI invested in MHSCI and Sacasun for the 59-MWp solar project in San Carlos City, Negros Occidental.

On December 4, 2017, AboitizPower International Pte. Ltd. (API), signed a Share Purchase Agreement ("SPA") with SunE Solar B.V. (SunE BV) for the acquisition of 100% equity interest in Sunedison Philippines Helios BV (Helios BV). The offshore execution of the Deed of Transfer is subject to certain closing conditions under the SPA. These conditions were met on December 27, 2017.

The transaction resulted in API owning all the issued and outstanding shares of Helios BV, which owns a 40% equity interest in each of MHSCI and Sacasun. MHSCI owns 25% of Sacasun. This allows AP to increase its indirect ownership interest in MHSCI and Sacasun to 100%. The transaction was accounted for as a business combination achieved in stages. The fair value of the of the previously-held interest as at the date of acquisition is ₱330.9 million.

The resulting bargain purchase gain of ₱328.7 million and the loss on remeasurement of previously held interest of ₱18.5 million are included in other income as "Bargain purchase gain" in the 2017 consolidated statement of income. The bargain purchase gain is mainly due to the purchase price reflecting the ongoing difficulty of SEI as confirmed by its bankruptcy declaration which affected its ability to fulfill loan obligations.

In 2017, Sacasun contributed nil to the consolidated revenue and a net loss contribution to the Group amounted to ₱399.7 million. If the combination had taken place at the beginning of 2017, the Group's revenue would have been ₱150.4 billion and consolidated net income would have been ₱29.7 billion.

In 2018, the purchase price allocation in the step-acquisition of Sacasun was finalized. No changes were made on the provisional accounting done in 2017.

d. GNPower acquisition
On October 4, 2016, TPI finalized the purchase and sale agreements for the acquisition of the partnership interests held by affiliated investment funds of The Blackstone Group L.P. which own indirectly the majority and minority interests in GMCP and GNPower Dinginin Ltd. Co. (GNPD), respectively. The Philippine Competition Commission and the Board of Investments approved the acquisition on December 19, 2016 and November 21, 2016, respectively.

GMCP
GMCP owns and operates the Mariveles subcritical coal-fired power plant, consisting of two units totaling 604 MW. The plant is located in Mariveles, Bataan and started commercial operations in 2014. TPI acquired the 82.82% indirect interest in GMCP through its acquisition of Therma Mariveles Holdings L.P (see Note 2).

The accounting for this business combination recognized in the December 31, 2016 consolidated financial statements was finalized in 2017. The business combination resulted to an increase in fair value of property, plant and equipment amounting to ₱342.8 million, increase in fair value of long-term debt amounting to ₱1.6 billion, decrease in the deferred tax asset of ₱434.1 million, a decrease in the derivative asset of ₱752.3 million, increase in the non-controlling interest of ₱579.8 million, and an increase in the goodwill recognized amounting to ₱3.08 billion. The goodwill can be attributed to GMCP's current workforce and operating capabilities.

In 2016, GMCP contributed ₱663.8 million to the consolidated revenue and ₱326.1 million to the net income of the Group. If the combination had taken place at the beginning of 2016, the Group's revenue would have been ₱90.33 billion and consolidated net income would have been ₱28.28 billion.

GNPD
GNPD is the project company established to develop, finance, design, engineer, construct, complete, maintain, own and operate the proposed supercritical coal-fired power project located also in Bataan. The GNPD project is currently under development and consists of up to two units totaling 668 MW. TPI acquired the 50.00% indirect interest in GNPD through its acquisition of Therma Dinginin L.P.

e. Step-acquisition of EAUC
EAUC is a Philippine Economic Zone Authority (PEZA) registered power generation company, which provides electric power to PEZA economic zones in Lapu-Lapu City and Balamban, province of Cebu. Prior to the acquisition, EAUC was 50% owned by the Company and 50% owned by El Paso Philippines Energy Company, Inc. (EPPECI).

In June 2016, TPI acquired 50% ownership interest in EAUC from EPPECI. As a result of the acquisition, EAUC became a wholly owned subsidiary of the Company. The transaction was accounted for as a business combination achieved in stages. In 2017, the purchase price allocation in the step- acquisition of EAUC was finalized. No changes were made on the provisional accounting done in 2016.

The resulting bargain purchase gain of ₱34.2 million and the gain on remeasurement of previously held interest of ₱316.7 million are included in other income as "Bargain purchase gain" in the 2016 consolidated statement of income.

In 2016, EAUC contributed ₱415.8 million to the consolidated revenue and ₱92.5 million to the net income of the Group. If the combination had taken place at the beginning of 2016, the Group's revenue would have been ₱74.32 billion and consolidated net income would have been ₱24.76 billion.

f. Sale of PETNET in 2018

On February 9, 2018, AEV signed a Share Purchase Agreement for the sale of its 51% stake in PETNET Inc. (PETNET) to City Savings Bank, Inc. (CitySavings) and Union Properties, Inc. (UPI). CitySavings and UPI are 99.77% and 100% owned by Union Bank of the Philippines (UnionBank), respectively. UnionBank is a banking associate of AEV. The sale and the resulting consolidation of all of AEV's existing interests in banking and financial services will unlock shareholder value from the synergies between the core businesses of CitySavings and PETNET.

This acquisition by CitySavings and UPI was payable in cash, and required both approvals of the Philippine Competition Commission (PCC) and the Bangko Sentral ng Pilipinas (BSP).
On May 8, 2018, the PCC granted its approval.

After securing the BSP approval on December 12, 2018, the parties signed on December 17, 2018 the Deeds of Absolute Sale setting forth the final terms and conditions of the sale, including the total consideration of ₱1.2 billion. Accordingly, PETNET was deconsolidated from the December 31, 2018 consolidated financial statements of the Group, and a gain on sale of PETNET amounting to ₱166.89 million was reported under "Other income (expense) - net" in the 2018 consolidated statement of income.

10. **Investments and Advances**

	2018	2017 (As restated)
Acquisition cost:		
Balance at beginning of year	**₱63,458,834**	₱62,563,115
Additions during the year	**7,875,182**	1,773,729
Acquisition of a subsidiary (see Note 9)	**54,334**	–
Step acquisition of subsidiary (Note 9)	**–**	(878,010)
Balance at end of year	**71,388,350**	63,458,834
Accumulated share in net earnings:		
Balances at beginning of year, as previously reported	**32,020,150**	28,599,982
Share in restatement of an associate	**(312,784)**	(312,784)
Cumulative share in impact of PFRS 9 adoption by an associate (see Notes 2 and 3)	**923,969**	–
Balances at beginning of year, as restated	**32,631,335**	28,287,198
Share in net earnings for the year	**7,727,663**	9,053,733
Step acquisition of subsidiary (see Note 9)	**–**	528,698
Cash dividends received and receivable	**(5,144,481)**	(6,162,263)
Balance at end of year, as restated	**35,214,517**	31,707,366
Gain on dilution (see Note 2)	**1,014,136**	1,014,136
Share in net unrealized mark-to-market gains on FVOCI investments of associates		
At beginning of year, as previously reported	**–**	–
Cumulative share in impact of PFRS 9 adoption by an associate (see Notes 2 and 3)	**123,816**	–
At beginning of year, as restated	**123,816**	–
Additions during the year	**14,293**	–
Balance at end of year	**138,109**	–
Share in cumulative translation adjustments of associates and joint ventures	**319,631**	(144,508)
Share in actuarial losses on retirement benefit plan of associates and joint ventures	**(457,017)**	(569,248)
Share in net unrealized mark-to-market losses on AFS investments of associates (see Note 2)		
At beginning of year, as previously reported	**(3,200,871)**	(3,200,871)
Cumulative share in impact of PFRS 9 adoption by an associate (see Notes 2 and 3)	**3,200,871**	–
Share in net unrealized mark-to-market losses on AFS investments of associates at beginning of year, as restated	**–**	(3,200,871)
	107,617,726	92,265,709
Advances to associates	**22,562**	24,614
	107,640,288	92,290,323
Less allowance for impairment losses (see Note 3)	**680,731**	680,731
	₱106,959,557	₱91,609,592

The rollforward of the share in net unrealized mark-to-market losses on AFS investments of associates follows:

	2018	2017
At January 1	**(₱3,200,871)**	(₱3,903,435)
Cumulative share in impact of PFRS 9 adoption by an associate (see Notes 2 and 3)	**3,200,871**	–
Unrealized valuation losses	**–**	573,135
Realized valuation gains	**–**	129,429
At December 31	**(₱–)**	(₱3,200,871)

The Group's investees and the corresponding equity ownership are as follows:

	Nature of Business	2018	2017	2016
MORE* (see Note 3)	Holding	**83.33%**	83.33%	83.33%
AEV CRH (see Note 3)	Holding	**60.00**	60.00	60.00
Cebu District Property Enterprise, Inc. (CDPEI)*	Real estate	**50.00**	50.00	50.00
Accuria, Inc.**	Holding	**49.54**	49.54	49.54
Union Bank of the Philippines (UBP)	Banking	**49.36**	48.83	48.83
Hijos	Holding	**46.73**	46.73	46.73
CRH ABOITIZ Holdings, Inc. (CRH ABOITIZ)	Holding	**45.00**	45.00	45.00
Mazzaraty Energy Corporation	Retail electricity supplier	**44.87**	44.87	44.87
Gold Coin Feed Mills (B) Sdn. Bhd. (see Note 9) ***	Feedmills	**20.00**	–	–
San Fernando Electric Light & Power Co., Inc. (SFELAPCO)	Power distribution	**43.78**	43.78	43.78
Pampanga Energy Ventures, Inc. (PEVI)	Holding	**42.84**	42.84	42.84
GNPD[1]**	Power generation	**45.00**	50.00	50.00
La Filipina Elektrika, Inc.**	Power generation	**40.00**	40.00	40.00
STEAG	Power generation	**34.00**	34.00	34.00
Cebu Energy Development Corp. (CEDC)	Power generation	**26.40**	26.40	26.40
Redondo Peninsula Energy, Inc. (RP Energy) **	Power generation	**25.00**	25.00	25.00
SPPC	Power generation	**20.00**	20.00	20.00
WMPC	Power distribution	**20.00**	20.00	20.00
Balibago Water Systems, Inc. (BWSI)	Water distribution	**11.14**	11.14	–
MHSCI (see Note 9)	Power generation	**–**	–	60.00
Sacasun (see Note 9)	Power generation	**–**	–	35.00

[1]GNPD changed in ownership based on the Partnership Agreement.

**Joint venture*

***No commercial operations as of December 31, 2018.*

****Registered in Malaysia and is part of GCMH Group that was acquired by Pilmico International in 2018.*

Unless otherwise indicated, the principal place of business and country of incorporation of the Group's associates and joint ventures are in the Philippines.

All ownership percentages presented in the table above are direct ownership of the Group except for SFELAPCO. PEVI has direct ownership in SFELAPCO of 54.83% while the Group's direct ownership in SFELAPCO is 20.29% resulting to the Group's effective ownership in SFELAPCO of 43.78%.

As of December 31, 2018 and 2017, the undistributed earnings of the associates and joint ventures included in the Group's retained earnings are not available for distribution to the stockholders unless declared by the associates and joint ventures (see Note 24).

<u>2018</u>

UBP

In 2018, the Company purchased, through stock rights offer, 80.8 million shares at ₱62.97 per share in UBP for a total consideration of ₱5.1 billion. Additional shares were acquired at various dates in 2018 for 3.2 million shares for a total consideration of ₱289.9 million. As a result, its ownership in UBP increased from 48.83% in 2017 to 49.36% in 2018.

In 2018, UBP has changed the accounting for certain upfront fees on loans and discounts from outright income recognition as services charges, fees and commissions to amortizing the fees to interest income over the expected life of the loans using the effective interest rate method. The changes have been accounted for retroactively and resulted to a decrease in the investments and advances and retained earnings accounts in the consolidated financial statements amounting to

₱312.8 million as of December 31, 2017/January 1, 2018 and December 31, 2016/January 1, 2017. There is no material impact on net income of the Group for the years ended December 31, 2017 and 2016.

GNPD
In 2018, the Group, through TPI, made capital contributions to GNPD amounting to US$47.0 million (₱2.50 billion).

2017

RPEI
In January 2017, the Group, through TPI, subscribed and paid for additional shares of Redondo Peninsula Energy, Inc. (RPEI) amounting to ₱243.8 million.

GNPD
In 2017, the Group, through Therma Dinginin BV, made capital contributions to GNPD amounting to US$23.8 million (₱1.3 billion).

BWSI
In August 2017, the Group, through Aboitiz Infracapital, acquired an 11.14% ownership in BWSI from SFELAPCO. The consideration amounting to ₱274.7 million was paid in cash. BWSI is primarily engaged to build, operate and manage water system utilities of various local government units.

The detailed carrying values of investees, which are accounted for under the equity method, follow:

	2018	2017 (As restated)
UBP	**₱46,337,986**	₱33,658,026
AEV CRH	**24,450,287**	24,864,898
GNPD	**14,789,971**	12,251,529
MORE	**10,235,695**	9,926,376
STEAG	**4,185,758**	3,787,507
CEDC	**3,192,609**	3,019,192
CDPEI	**1,464,124**	1,476,052
SFELAPCO/PEVI	**857,368**	889,166
RP Energy	**528,383**	714,191
CRH ABOITIZ	**492,464**	311,511
BWSI	**295,889**	287,443
WMPC	**106,524**	112,420
SPPC	**81,856**	86,537
Others	**230,865**	200,132
	₱107,249,779	₱91,584,980

The fair value of the investment in UBP for which there is a published price quotation amounted to ₱38.4 billion and ₱44.8 billion as of December 31, 2018 and 2017, respectively.

Following is the summarized financial information of significant associates and joint ventures:

	2018	2017	2016
UBP			
Total current assets	**₱90,653,142**	₱132,590,855	₱129,052,429
Total noncurrent assets	**583,129,543**	482,460,244	386,790,707
Total current liabilities	**(538,299,718)**	(515,959,783)	(449,645,054)
Total noncurrent liabilities	**(44,522,066)**	(32,165,000)	(7,200,000)
Equity attributable to equity holders of UBP Parent Company	**₱90,417,723**	₱66,871,569	₱58,977,766
Gross revenue	**₱31,629,220**	₱24,586,366	₱20,105,820
Operating profit	**8,497,725**	10,679,786	12,012,290
Net income attributable to equity holders of the parent	**7,316,102**	8,405,016	10,094,621
Other comprehensive income attributable to equity holders of the parent	**7,581,026**	9,904,656	9,452,512
Group's share in net income	**₱3,599,941**	₱4,103,964	₱4,913,926
AEV CRH			
Total current assets	**₱7,184,970**	₱8,777,452	₱5,885,378
Total noncurrent assets	**83,802,263**	79,788,878	74,560,302
Total current liabilities	**(29,392,890)**	(25,575,956)	(18,189,288)
Total noncurrent liabilities	**(21,384,054)**	(21,844,669)	(21,723,645)
Equity attributable to equity holders of AEV CRH Parent Company	**₱40,233,724**	₱41,145,705	₱40,508,670
Gross revenue	**₱25,810,769**	₱24,853,225	₱26,693,275
Operating profit	**2,775,116**	4,041,005	3,973,198
Net income (loss) attributable to equity holders of the parent	**(690,801)**	360,992	1,790,981
Group's share in net income (loss)	**(₱414,481)**	₱216,595	₱1,074,589
GNPD			
Total current assets	**₱1,705,863**	₱2,486,668	₱533,725
Total noncurrent assets	**40,707,048**	16,762,108	6,593,952
Total current liabilities	**(3,342,924)**	(539,651)	(131,137)
Total noncurrent liabilities	**(29,473,440)**	(14,242,279)	(4,537,895)
Equity	**₱9,596,547**	₱4,466,846	₱2,458,645
Operating loss	**(₱352,858)**	(₱251,703)	(₱185,945)
Net loss	**(68,174)**	(376,336)	(5,907)
Group's share in net loss	**(₱15,435)**	(₱188,167)	(₱2,953)
Additional information:			
Cash and cash equivalents	**₱911,642**	₱1,869,486	₱181,026
Noncurrent financial liabilities	**29,473,440**	14,019,562	4,489,160

(Forward)

	2018	2017	2016
MORE			
Total current assets	**₱141,293**	₱126,125	₱149,022
Total noncurrent assets	**12,196,002**	11,889,592	11,688,969
Total current liabilities	**(54,462)**	(56,336)	(96,106)
Total noncurrent liabilities	**–**	–	(5,190)
Equity	**₱12,282,833**	₱11,959,381	₱11,736,695
Gross revenue	**₱180,236**	₱170,236	₱170,236
Operating profit	**4,133,911**	4,893,753	2,601,566
Net income	**4,125,996**	4,891,630	2,573,164
Other comprehensive income	**96,116**	55,115	145,426
Group's share in net income	**₱3,439,589**	₱4,160,480	₱2,164,217
Additional information:			
Cash and cash equivalents	**₱31,873**	₱16,134	₱39,817
STEAG			
Total current assets	**₱3,459,931**	₱2,688,544	₱2,608,136
Total noncurrent assets	**10,477,098**	10,348,729	10,721,862
Total current liabilities	**(1,672,896)**	(1,394,855)	(2,018,724)
Total noncurrent liabilities	**(3,262,770)**	(3,453,496)	(3,651,920)
Equity	**₱9,001,363**	₱8,188,922	₱7,659,354
Gross revenue	**₱4,468,016**	₱4,502,920	₱4,626,910
Operating profit	**1,115,567**	1,020,846	1,205,122
Net income	**687,186**	516,893	928,891
Other comprehensive income (loss)	**(37,173)**	4,750	10,321
Group's share in net income	**₱87,508**	₱25,744	₱162,426
CEDC			
Total current assets	**₱4,986,619**	₱5,419,700	₱5,666,952
Total noncurrent assets	**13,371,586**	14,308,208	14,901,921
Total current liabilities	**(2,158,754)**	(2,444,036)	(3,840,126)
Total noncurrent liabilities	**(8,943,522)**	(10,422,073)	(9,751,438)
Equity	**₱7,255,929**	₱6,861,799	₱6,977,309
Gross revenue	**₱9,728,163**	₱8,751,540	₱7,965,518
Operating profit	**3,300,164**	3,183,144	3,433,767
Net income	**1,880,853**	1,686,941	2,546,339
Other comprehensive income	**13,277**	2,451	7,188
Group's share in net income	**₱827,576**	₱742,254	₱1,120,389
SFELAPCO*			
Total current assets	**₱1,104,307**	₱1,576,530	₱1,406,869
Total noncurrent assets	**2,567,663**	2,215,130	1,996,643
Total current liabilities	**(763,966)**	(770,041)	(710,301)
Total noncurrent liabilities	**(699,175)**	(751,789)	(618,579)
Equity	**₱2,208,829**	₱2,269,830	₱2,074,632

(Forward)

	2018	2017	2016
Gross revenue	**₱4,088,124**	₱4,211,674	₱4,255,286
Operating profit	**408,160**	366,492	310,511
Net income	**302,677**	671,268	272,756
Other comprehensive income (loss)	**(63,679)**	334,246	8,671
Group's share in net income	**₱168,307**	₱323,674	₱73,415
CRH ABOITIZ			
Total current assets	**₱1,641,152**	₱411,074	₱165,802
Total noncurrent assets	**947,134**	900,780	1,085,320
Total current liabilities	**(1,820,630)**	(889,385)	(633,968)
Total noncurrent liabilities	**(28,379)**	(85,308)	(203,785)
Equity attributable to equity holders of CRH ABOITIZ Parent Company	**₱739,277**	₱337,161	₱413,361
Gross revenue	**₱11,606,618**	₱–	₱2,603,500
Operating profit (loss)	**882,680**	(1,443,313)	1,175,462
Net income attributable to equity holders of the parent	**402,116**	89,242	59,568
Group's share in net income	**₱180,952**	₱40,159	₱26,806
BWSI			
Total current assets	**₱809,074**	₱1,012,347	₱–
Total noncurrent assets	**1,843,428**	1,374,552	–
Total current liabilities	**(496,344)**	(140,734)	–
Total noncurrent liabilities	**(629,689)**	(639,673)	–
Equity	**₱1,526,470**	₱1,606,492	₱–
Gross revenue	**₱1,335,975**	₱1,191,595	₱–
Gross profit	**752,553**	705,341	–
Net income	**259,858**	465,737	–
Group's share in net income	**₱15,130**	₱17,763	₱–
WMPC			
Total current assets	**₱717,162**	₱695,571	₱555,637
Total noncurrent assets	**454,108**	418,807	305,394
Total current liabilities	**(551,781)**	(457,032)	(222,299)
Total noncurrent liabilities	**(74,341)**	(82,718)	(71,782)
Equity	**₱545,148**	₱574,628	₱566,950
Gross revenue	**₱1,393,417**	₱1,439,482	₱1,636,339
Operating profit	**13,006**	98,838	130,244
Net income	**20,521**	71,933	91,646
Other comprehensive loss	**–**	–	(9,634)
Group's share in net income	**₱4,104**	₱14,387	₱18,329

(Forward)

	2018	2017	2016
SPPC			
Total current assets	**₱182,303**	₱344,105	₱361,706
Total noncurrent assets	**311,472**	364,649	351,903
Total current liabilities	**(36,361)**	(221,096)	(42,285)
Total noncurrent liabilities	**(58,491)**	(68,326)	(66,430)
Equity	**₱398,923**	₱419,332	₱604,894
Gross revenue	**₱160,831**	₱523,854	₱632,504
Operating profit	**(19,307)**	133,508	204,593
Net income (loss)	**(23,407)**	272,756	272,756
Other comprehensive income	**–**	–	28,550
Group's share in net income (loss)	**(₱4,681)**	₱19,101	₱41,034
Sacasun			
Total current assets	**₱–**	₱–	₱838,410
Total noncurrent assets	**–**	–	3,642,924
Total current liabilities	**–**	–	(285,178)
Total noncurrent liabilities	**–**	–	(2,696,727)
Equity	**₱–**	₱–	₱1,499,429
Gross revenue	**₱–**	₱–	₱101,339
Operating loss	**–**	–	(112,596)
Net loss	**–**	–	(250,887)
Other comprehensive loss	**–**	–	–
Group's share in net loss	**₱–**	₱–	(₱87,810)
Additional information:			
Cash and cash equivalents	**₱–**	₱–	₱378,908
Noncurrent financial liabilities		–	2,696,727
Others**			
Total current assets	**₱453,445**	₱1,116,846	₱578,587
Total noncurrent assets	**2,842,300**	3,395,270	3,019,198
Total current liabilities	**(62,706)**	(16,405)	(214,628)
Total noncurrent liabilities	**(110,557)**	(5,497)	(104,248)
Gross revenue	**₱160,695**	₱133,022	₱129,808
Net income (loss)	**(727,830)**	13,318	(40,580)

** Amounts are based on appraised values which are adjusted to historical amounts upon equity take-up of the Group. Using cost method in accounting for property, plant and equipment, net income amounted to ₱952.8 million, ₱745.1 million and ₱361.8 million in 2018, 2017, and 2016, respectively, for SFELAPCO.*

***The financial information of insignificant associates and joint ventures is indicated under "Others".*

11. **Material partly - owned subsidiary**

As of December 31, 2018, the Company has 76.98% interest in AP, a holding company incorporated in the Philippines.

The summarized financial information as of December 31, 2018 and 2017 of AP is provided below:

	2018	2017	2016
Summarized comprehensive income information			
Revenue	**₱131,572,084**	₱119,391,303	₱89,163,269
Cost of sales	**71,680,298**	63,949,850	46,226,259
Administrative expenses	**23,395,104**	21,267,724	16,626,710
Finance costs - net	**11,202,073**	10,320,768	6,620,476
Other income - net	**3,064,514**	2,993,864	5,310,422
Profit before tax	**28,359,123**	26,846,825	25,000,246
Income tax	**2,925,623**	3,858,398	3,496,140
Profit for the year from continuing operations	**₱25,433,500**	₱22,988,427	₱21,504,106
Total comprehensive income	**₱26,494,498**	₱23,366,919	₱21,575,328
Summarized other financial information			
Attributable to non-controlling interests	**₱3,892,404**	₱2,749,732	₱1,450,558
Dividends paid to non-controlling interests	**2,364,492**	2,313,460	2,823,782
Summarized balance sheet information			
Total current assets	**₱88,708,607**	₱67,961,596	
Total noncurrent assets	**300,953,569**	293,515,403	
Total current liabilities	**46,815,020**	49,312,291	
Total noncurrent liabilities	**206,270,489**	188,186,244	
Equity	**₱136,576,667**	₱123,978,464	
Summarized cash flow information			
Operating cash flows	**₱37,287,900**	₱30,235,931	
Investing cash flows	**(7,243,119)**	(9,452,925)	
Financing cash flows	**(19,155,753)**	(32,122,699)	

12. **Impairment Testing of Goodwill**

Goodwill acquired through business combinations have been attributed to each business considered as cash-generating unit (CGU).

The recoverable amount of the investments has been determined based on a value in use calculation using cash flow projections based on financial budgets approved by senior management covering a five-year period.

<u>Key assumptions used in value in use calculation for December 31, 2018 and 2017</u>
The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill.

Discount rates and growth rates
The discount rate applied to cash flow projections are from 10.63% to 18.14% in 2018 and from 11.18% to 19.94% in 2017, and cash flows beyond the five-year period are extrapolated using a zero percent growth rate.

Revenue assumptions
Revenue assumptions are based on the expected electricity to be sold. In 2018, revenue growth of 6% in year 1, 4% for the next two years, 3% in year 4 and 5% in year 5 was applied for LEZ; 9% in year 1, 5% in year 2 and 2% in the next three years for BEZ; 4% in year 1, 0% in year 2 , 2% in year 3, 7% in year 4 and 3% in year 5 for GMCP; and 45% in year 1, -1% in year 2, 0% in year 3, 11% I year 4, and -4% in year 5 was applied for HI. Revenue assumptions for LLI are based on sale of existing lots (-49% in year 1, -19% in year 2, 11% in year 3, 5% in year 4, and -6% % in year 5). VHF revenue assumptions are based on projected aqua feeds sales (26% in year 1, 6% in years 2 and 4, 11% in year 3, and 2% in year 5). PAN JSC revenue assumptions are based on forecast animal feeds sales (347% in year 1, and 4% in the next four years). GCMH revenue assumptions are based on forecast animal feeds sales (9% in year 1, and 7% in the next four years).

In 2017, revenue growth of -6% in year 1, 6% in year 2, 4% for the next two years and 3% in year 5 was applied for LEZ; -18% in year 1, 3% in the next two years, 1% in year 4 and 0% in year 5 was applied to BEZ; -1% in years 1, 2 and 4, -4% in year 3, and 7% in year 5 for GMCP; and 8% in year 1, 18% in year 2, 7% for the next two years, and -5% in year 5 was applied for HI. Revenue assumptions for LLI are based on sale of existing lots (-38% in year 1, 3% in the next three years, and -54% % in year 5). VHF revenue assumptions are based on projected aqua feeds sales (15% in year 1, 19% in year 2, 12% in year 3, -8% in year 4 and 20% in year 5). PAN JSC revenue assumptions are based on forecast animal feeds sales (365% in year 1, 167% in year 2, and 2% in the next three years). PETNET revenue assumptions are based on income from money remittance and other allied services (no growth in years 1 and 5, and 7% in years 2 to 5).

Materials price inflation
In 2018, the assumption used to determine the value assigned to the materials price inflation is 3.47% in 2019, decreases to 3.37% in 2020 and 3.10% in 2021. It then settles at 3.00% for the next 2 years until 2023. The starting point of 2019 is consistent with external information sources.

In 2017, the assumption used to determine the value assigned to the materials price inflation is 3.17% in 2018 and increases to 3.20% in 2019. It then settles at 3.00% for the next 3 years until 2022.

Foreign exchange rates
In 2018, the assumption used to determine foreign exchange rate is a steady Philippine peso at a rate of ₱55.00 to a dollar from 2019 until 2023. In 2017, the assumption used to determine foreign exchange rate is a steady Philippine peso at a rate of ₱51.41 to a dollar from 2018 until 2022.

Based on the assumptions used in impairment testing, an impairment loss on goodwill amounting to ₱45.9 million on the investment in BEZ was recognized in 2018. No impairment of goodwill was recognized in 2017. Impairment loss on goodwill amounting to ₱169.5 million on the investment in MEZ was recognized in 2016.

With regard to the assessment of value-in-use, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of the goodwill to materially exceed its recoverable amount.

The carrying amount of goodwill follows:

	2018	2017
GMCP	**₱39,345,126**	₱39,345,126
GCMH (see Note 9)	**15,523,021**	–
LEZ	**467,586**	467,586
PILMICO FEEDS	**394,217**	394,217
HI	**220,228**	220,228
BEZ	**191,471**	237,404
LLI	**61,202**	61,202
PAN JSC	**59,060**	59,060
PETNET (see Note 9)	**–**	523,866
	₱56,261,911	₱41,308,689

13. Property, Plant and Equipment

December 31, 2018

	Building, Warehouses and Improvements	Power Plant and Equipment (see Note 21)	Transmission, Distribution and Substation Equipment	Machinery and Equipment	Transportation Equipment	Office Furniture, Fixtures and Equipment	Leasehold Improvements	Land	Construction in Progress	Others	Total
Cost											
At January 1	₱26,193,431	₱141,329,134	₱17,438,847	₱6,723,759	₱2,293,513	₱6,893,434	₱3,614,646	₱2,262,109	₱57,029,925	₱2,629,876	₱266,408,674
Acquisition of a subsidiary (see Note 9)	2,451,374	–	–	3,449,674	246,160	257,914	–	208,836	155,930	–	6,769,888
Additions	139,649	1,496,624	1,121,508	119,083	297,780	576,289	36,193	71,165	8,925,356	97,941	12,881,588
Disposals	(181,486)	(461,778)	(18,163)	(17,914)	(113,343)	(95,663)	(1,802)	(4,316)	–	(40)	(894,505)
Reclassifications/transfers	153,512	26,028,151	953,741	209,136	(20,628)	194,057	(130,109)	(84,434)	(26,868,475)	9,108	444,059
At December 31	28,756,480	168,392,131	19,495,933	10,483,738	2,703,482	7,826,031	3,518,928	2,453,360	39,242,736	2,736,885	285,609,704
Accumulated depreciation and amortization											
At January 1	5,304,436	31,991,703	4,671,132	2,927,918	1,149,352	3,090,014	729,448	132,107	(722,768)	1,254,632	50,527,974
Acquisition of a subsidiary (see Note 9)	649,567	–	–	987,389	147,931	199,671	–	5,609	–	–	1,990,167
Depreciation and amortization	1,085,407	5,958,157	585,036	426,263	288,111	639,303	135,520	16,363	–	108,434	9,242,594
Disposals	(154,943)	(225,945)	(24,020)	(17,914)	(86,190)	(55,551)	(1,492)	–	–	(562)	(566,617)
Reclassifications/transfers	197,597	(95,303)	903	(29,272)	(40,126)	(70,196)	(112,470)	(620)	–	(208)	(149,695)
At December 31	7,082,064	37,628,612	5,233,051	4,294,384	1,459,078	3,803,241	751,006	153,459	(722,768)	1,362,296	61,044,423
Impairment (see Note 29)	–	486,280	–	–	2,088	792	251	–	2,645,029	–	3,134,440
Net Book Value	₱21,674,416	₱130,277,239	₱14,262,882	₱6,189,354	₱1,242,316	₱4,021,998	₱2,767,671	₱2,299,901	₱37,320,475	₱1,374,589	₱221,430,841

December 31, 2017

	Building, Warehouses and Improvements	Power Plant and Equipment (see Note 21)	Transmission, Distribution and Substation Equipment	Machinery and Equipment	Transportation Equipment	Office Furniture, Fixtures and Equipment	Leasehold Improvements	Land	Construction in Progress	Others	Total
Cost											
At January 1	₱25,605,389	₱137,519,744	₱16,043,761	₱5,997,681	₱1,893,621	₱4,498,864	₱3,562,062	₱2,054,603	₱44,469,761	₱2,852,534	₱244,498,020
Acquisition of subsidiaries (see Note 9)	92,197	1,688,302	–	48,396	6,297	1,884,927	16,185	–	225,053	(18,757)	3,942,600
Additions	140,538	2,225,275	1,293,991	150,788	536,736	515,762	33,119	203,699	15,201,339	110,150	20,411,397
Disposals	(2,687)	(129,841)	(33,439)	(7,895)	(141,507)	(39,007)	(3,660)	–	–	(318,432)	(676,468)
Reclassifications/transfers	357,994	25,654	134,534	534,789	(1,634)	32,888	6,940	3,807	(2,866,228)	4,381	(1,766,875)
At December 31	26,193,431	141,329,134	17,438,847	6,723,759	2,293,513	6,893,434	3,614,646	2,262,109	57,029,925	2,629,876	266,408,674
Accumulated depreciation and amortization											
At January 1	4,322,174	26,644,783	4,191,739	2,648,183	985,638	2,210,427	587,872	115,294	(722,768)	1,277,067	42,260,409
Acquisition of subsidiaries (see Note 9)	6,272	359,311	–	15,666	3,046	399,150	4,586	–	–	279	788,310
Depreciation and amortization	978,265	5,104,284	514,047	278,472	240,885	544,827	138,734	16,813	–	130,142	7,946,469
Disposals	(329)	(69,617)	(33,439)	(7,895)	(103,690)	(23,947)	(2,325)	–	–	(137,911)	(379,153)
Reclassifications/transfers	(1,946)	(47,058)	(1,215)	(6,508)	23,473	(40,443)	581	–	–	(14,945)	(88,061)
At December 31	5,304,436	31,991,703	4,671,132	2,927,918	1,149,352	3,090,014	729,448	132,107	(722,768)	1,254,632	50,527,974
Impairment (see Note 29)	–	–	–	–	2,088	792	251	–	2,645,029	–	2,648,160
Net Book Value	₱20,888,995	₱109,337,431	₱12,767,715	₱3,795,841	₱1,142,073	₱3,802,628	₱2,884,947	₱2,130,002	₱55,107,664	₱1,375,244	₱213,232,540

In 2018, the Group has determined that an impairment test has to be performed on certain segments of its property, plant and equipment amounting to ₱5.44 billion. In performing an impairment test calculation, the Group determined the recoverable amount of the relevant property, plant and equipment through value in use (VIU). VIU is derived based on financial budgets prepared by senior management covering the project's entire life. Pre-tax discount rate of 16.14% - 16.71% was used.

The calculation of value in use of these property, plant and equipment are most sensitive to the following assumptions:

- Discount rate - Discount rate reflects the management's estimate of risks applicable to these projects. The benchmark used by the management to assess operating performance and to evaluate future investment proposals. In determining appropriate discount rates, consideration has been given to various market information, including, but not limited to, government bond yield, bank lending rates and market risk premium.

- Material price inflation - Estimates are obtained from published indices from which the materials are sourced, as well as data relating to specific commodities. Forecast figures are used if data is publicly available, otherwise past actual material price movements are used as an indicator of future price movement.

- Growth rate - The long-term rate used to extrapolate future cash flows excludes expansions and potential improvements in the future. Management also recognized the possibility of new entrants, which may have significant impact on existing growth rate assumptions. Management however, believes that new entrants will not have a significant adverse impact on the forecasts included in the financial budget.

The impairment test calculation has not resulted to any recognition of an impairment loss in 2018.

In 2018 and 2017, additions to power plant equipment and steam field assets include asset retirement obligation amounting to ₱560 million and ₱1.06 billion, respectively (see Note 21).

In 2018 and 2017, additions to "Construction in progress" include capitalized borrowing costs, net of interest income earned from short-term deposits, amounting to ₱2.51 billion and ₱2.62 billion, respectively (see Note 19). The rate used to determine the amount of borrowing costs eligible for capitalization ranged from 4.9% to 9.4% and 4.9% to 7.79% which are the effective interest rate of the specific borrowings in 2018 and 2017, respectively.

Property, plant and equipment with carrying amounts of ₱126.9 billion and ₱125.41 billion as of December 31, 2018 and 2017, respectively, are used to secure the Group's long-term debts (see Note 19).

Fully depreciated property, plant and equipment with cost amounting to ₱5.0 billion and ₱4.8 billion as of December 31, 2018 and 2017, respectively, are still in use.

A significant portion of the Group's property, plant and equipment relates to various projects under "Construction-in-progress" as of December 31, 2018 and 2017, as shown below:

	Estimated Cost to Complete (in millions Php)		% of Completion	
Project Company	**2018**	2017	**2018**	2017
TVI	**₱7,246**	₱10,375	**81%**	73%
Hedcor Bukidnon	**–**	2,858	**100%**	75%
PEC (see Note 10)	**–**	2,294	**100%**	87%

As of December 31, 2018, the Group classifies its transmission assets as property held for sale as an ongoing negotiation for the sale of these assets with NGCP which is expected to be consummated in 2019. The property held for sale was recorded at its recoverable amount of ₱675.8 million and the related impairment loss amounting to ₱282.3 million presented as part of "Other income (expense) - net" (see Note 29).

Property held for sale of ₱675.8 million as of December 31, 2018 pertains to transmission assets that will be transferred and sold to NGCP.

14. Investment Properties

December 31, 2018

	Land	Land Improvements	Buildings	Construction-in-Progress	Total
At January 1	**₱4,895,188**	**₱245,690**	**₱895,258**	**₱808,497**	**₱6,844,633**
Additions	**5,301**	**6,034**	**559,123**	**–**	**570,458**
Gain on fair valuation	**–**	**–**	**511,820**		**511,820**
Transfers/ adjustments	**257,593**	**(1,364)**	**850,024**	**(808,497)**	**297,756**
At December 31	**₱5,158,082**	**₱250,360**	**₱2,816,225**	**₱–**	**₱8,224,667**

December 31, 2017

	Land	Land Improvements	Buildings	Construction-In-Progress	Total
At January 1	₱3,999,741	₱238,843	₱1,133,806	₱–	₱5,372,390
Additions	186	6,996	14	–	7,196
Gain (loss) on fair valuation	948,543	–	(86,325)	–	862,218
Disposals	–	–	(136,650)	–	(136,650)
Transfers/ adjustments	(53,282)	(149)	(15,587)	808,497	739,479
At December 31	₱4,895,188	₱245,690	₱895,258	₱808,497	₱6,844,633

Rental income earned from and direct operating expenses of investment properties amounted to ₱475.4 million and ₱68.9 million, respectively, in 2018; ₱445.6 million and ₱64.0 million, respectively, in 2017; and ₱419.3 million and ₱193.4 million, respectively, in 2016 (see Note 25).

As at December 31, 2018 and 2017, the fair values of the properties are based on valuations performed by an accredited independent valuer. The valuation model in accordance with that recommended by the International Valuation Standards Committee has been applied.

The fair values of the Group's investment properties were determined as follows:

- In valuing the land, the Group used the Sales Comparison Approach. This is a comparative approach to value that considers the sales of similar or substitute properties and related market data and establishes a value estimate by processes involving comparison.

- The appraiser gathers data on actual sales and/or listings, offers, and renewal options, and identifies the similarities and differences in the data, ranks the data according to their relevance, adjusts the sales prices of the comparable to account for the dissimilarities with the unit being appraised, and forms a conclusion as to the most reasonable and probable market value of the subject property.

  The elements of comparison include location, physical characteristics, available utilities, zoning, and highest and best use. The most variable elements of comparison are the site's physical characteristics, which include its size and shape, frontage, topography and location.

  Reproduction cost is the current cost of constructing a replica of the existing structures, employing the same design and similar building materials. The current cost of an identical new item.

- In valuing the land improvements and buildings, the Group used the Cost Approach. This is a comparative approach to the value of property or another asset that considers as a substitute for the purchase of a given property, the possibility of constructing another property that is a replica of, or equivalent to, the original or one that could furnish equal utility with no undue cost resulting from delay. It is based on the reproduction or replacement cost of the subject property or asset, less total (accrued) depreciation. In the context of asset valuation, depreciation refers to the adjustments made to the cost of reproducing or replacing the asset to reflect physical deterioration, functional (technical) obsolescence and economic (external) obsolescence in order to estimate the value of the asset in a hypothetical exchange in the market when there is no direct sales evidence available. Sound value of an asset is determined by applying the two types of depreciation such as physical deterioration and functional obsolescence. Market Value reflects all the three types of depreciation.

Fair value investment properties are estimated under Level 3 inputs.

The Group has no restrictions on the realizability of its investment properties and no contractual obligations to either purchase, construct or develop investment properties or for repairs, maintenance and enhancements.

	Fair value at December 31, 2018	**Valuation technique**	**Significant unobservable inputs**	**Range (weighted average)**
Land	**₱5,158,082**	**Sales Comparison Approach**	**Price per square meter**	₱480 - ₱270,000
Buildings and land Improvements	**3,066,585**	**Cost Approach**	**Estimated cost, remaining economic life**	15 - 38 years

	Fair value at December 31, 2017	Valuation technique	Significant unobservable inputs	Range (weighted average)
Land	₱4,895,188	Sales Comparison Approach	Price per square meter	₱280 - ₱184,768
Buildings and land Improvements	1,140,948	Cost Approach	Estimated cost, remaining economic life	15 - 35 years

For land, significant increases (decreases) in price per square meter would result in a significantly higher (lower) fair value of the properties.

For buildings and land improvements, significant increases (decreases) in estimated replacement cost and remaining economic life would result in a significantly higher (lower) fair value of the properties.

15. **Intangible Asset - Service Concession Rights**

	2018	2017
Cost:		
At January 1	**₱5,389,820**	₱5,199,074
Additions from internal development	**961,827**	175,607
Effect of translation	**128,727**	15,139
	6,480,374	5,389,820
Accumulated amortization:		
At January 1	**2,327,513**	1,976,951
Amortization (see Note 27)	**361,484**	351,541
Reclassifications	**–**	(979)
	2,688,997	2,327,513
	₱3,791,377	₱3,062,307

The amortization of intangible asset is included in “Depreciation and amortization” under “Operating Expenses” in the consolidated statements of income (see Note 27).

Service concession arrangements entered into by the Group are as follows:

- On November 24, 1996, LHC entered into a PPA with NPC, its sole customer, for the construction and operation of a 70-megawatt hydroelectric power generating facility (the Power Station) in Bakun River in Benguet and Ilocos Sur Provinces on a build-operate-transfer scheme. Under the PPA, LHC shall deliver to NPC all electricity generated over a cooperation period of 25 years until February 5, 2026.
-

  On the Transfer Date, as defined in the PPA, LHC shall transfer to NPC, free from any lien or encumbrance, all its rights, title and interest in and to the Power Station and all such data as operating manuals, operation summaries/transfer notes, design drawings and other information as may reasonably be required by NPC to enable it to operate the Power Station.

  Since NPC controls the ownership of any significant residual interest of the Power Station at the end of the PPA, the PPA is accounted for under the intangible asset model as LHC has the right to charge users for the public service under the service concession arrangement.

  The Power Station is treated as intangible asset and is amortized over a period of 25 years, which is the service concession period. The intangible asset with a carrying value of ₱1.97 billion and ₱2.13 billion as of December 31, 2018 and 2017 was used as collateral to secure LHC's long-term debt (see Note 19).

- On May 15, 2003, the SBMA, AEV and DLP entered into a DMSA to privatize SBMA Power Distribution System (PDS) on a rehabilitate-operate-and-transfer arrangement; and to develop, construct, lease, lease out, operate and maintain property, structures, and machineries in the Subic Bay Freeport Zone (SBFZ).

  Under the terms of the DMSA, SEZ was created to undertake the rehabilitation, operation and maintenance of the PDS (the Project), including the provision of electric power service to the customers within the Subic Bay Freeport Secured Areas of the SBFZ as well as the collection of the relevant fees from them for its services and the payment by SBMA of the service fees throughout the service period pursuant to the terms of the DMSA. The DMSA shall be effective for a 25-year period commencing on the turnover date.

  For and in consideration of the services and expenditures of SEZ, it shall be paid by the SBMA the service fees equivalent to all the earnings of the Project, provided, however, that SEZ shall remit the amount of ₱40.0 million to the SBMA at the start of every 12-month period throughout the service period, regardless of the earnings of the Project. The said remittances may be reduced by the outstanding power receivables from SBMA, including streetlights power consumption and maintenance, for the immediate preceding year.

  Since SBMA controls ownership of the equipment at the end of the agreement, the PDS are treated as intangible assets and are amortized over a period of 25 years up to year 2028, in accordance with Philippine Interpretation IFRIC 12.

The carrying value of the intangible asset arising from the service concession arrangement amounted to ₱720.3 million and ₱736.4 million as of December 31, 2018 and 2017, respectively.

- The transmission and distribution equipment of MEZ are located within Mactan Export Processing Zone (MEPZ) II. Since MCIAA controls ownership of the equipment at the end of the agreement, the equipment are treated as intangible assets and amortized over a period of 21 years up to year 2028, in accordance with Philippine Interpretation IFRIC 12.

  The carrying amount of the intangible asset arising from the service concession arrangement amounted to ₱97.2 million and ₱105.3 million as of December 31, 2018 and 2017, respectively.

- Intangible asset - service concession rights consist of the costs of construction of the treated bulk water supply facility, required for the delivery of treated bulk water to the Davao City Water District, pursuant to the concession agreement.

  The carrying amount of the intangible asset arising from the service concession arrangement amounted to ₱1.0 billion and ₱90.4 million as of December 31, 2018 and 2017, respectively.

16. Other Noncurrent Assets

	2018	2017
Input VAT and tax credit receivable, net of allowance for impairment loss of ₱253.2 million (see Note 29)	**₱5,462,983**	₱6,765,238
PSALM deferred adjustment - net of current portion (see Notes 5 and 41k)	**3,183,089**	–
Intangible assets:		
Franchise	**2,648,732**	2,725,693
Project development costs	**583,095**	395,419
Software and licenses	**365,007**	171,644
Customer contracts	**27,429**	42,838
Prepaid rent and other deposits (see Note 39)	**3,226,895**	1,171,570
Advances to contractors and projects	**1,098,747**	2,215,456
Biological assets (see Note 8)	**134,144**	144,263
Others	**1,184,846**	1,005,830
	₱17,914,967	₱14,637,951

“Others” include pre-operating costs and certain nonfinancial assets acquired (see Note 9).

The amortization of intangible assets is included in “Depreciation and amortization” under “Operating Expenses” in the consolidated statements of income.

Rollforward of intangible assets follow:

December 31, 2018

	Franchise	Project development costs	Software and licenses	Customer contracts
Balances at beginning of year	**₱2,725,693**	**₱395,419**	**₱171,644**	**₱42,838**
Additions	**–**	**594,315**	**86,948**	**–**
Acquisition of a subsidiary (see Note 9)	**–**	**–**	**208,867**	**–**
Transfer from property and equipment	**–**	**(1,036)**	**(6,928)**	**–**
Write-off - net of reversal	**–**	**(405,603)**	**(861)**	**–**
Amortization	**(76,961)**	**–**	**(93,596)**	**(15,409)**
Effect of translation	**–**	**–**	**(1,067)**	**–**
Balances at end of year	**₱2,648,732**	**₱583,095**	**₱365,007**	**₱27,429**

December 31, 2017

	Franchise	Project development costs	Software and licenses	Customer contracts
Balances at beginning of year	₱2,802,654	₱411,499	₱168,712	₱63,968
Additions	–	127,655	60,097	–
Acquisition of a subsidiary (see Note 9)	–	–	141	24,468
Transfer from property and equipment	–	–	59	–
Write-off - net of reversal	–	(143,735)	–	(24,468)
Amortization	(76,961)	–	(57,365)	(21,130)
Balances at end of year	₱2,725,693	₱395,419	₱171,644	₱42,838

The amortization of intangible assets amounting to ₱214,353, ₱157,968 and ₱135,100 in 2018, 2017 and 2016, respectively, is included in "Depreciation and amortization" under "Operating Expenses" in the consolidated statements of income (see Note 27).

17. Bank Loans

	2018	2017
Philippine peso loans	**₱24,567,200**	₱23,112,700
Chinese yuan loans	**906,726**	–
Vietnamese dong loans	**726,187**	463,615
US dollar loans	**341,770**	124,825
Indonesia rupia loans	**250,591**	–
Other foreign currency-denominated loans	**186,112**	–
	₱26,978,586	₱23,701,140

The bank loans are unsecured short-term notes payable obtained from local banks with annual interest rates ranging from 2.4% to 13.5% and 2.0% to 7.0% in 2018 and 2017, respectively. These loans will mature on various dates in 2019.

The loans are covered by the respective borrower's existing credit lines with the banks and are not subject to any significant covenants and warranties.

The Chinese yuan, Indonesia rupia and a portion of the Vietnamese dong loans are loans of GCMH which was acquired by Pilmico International on July 27, 2018.

Total interest expense on bank loans recognized in 2018, 2017 and 2016 amounted to ₱765.3 million, ₱246.8 million and ₱137.7 million, respectively (see Note 35).

18. **Trade and Other Payables**

	2018	2017
Trade payables (see Notes 20 and 39)	**₱19,628,410**	₱11,508,221
Nontrade and other payables	**6,217,417**	4,595,565
Accrued expenses	**5,941,747**	4,295,309
Output VAT	**2,924,074**	3,003,191
Amounts due to contractors and other third parties	**2,626,792**	1,979,367
PSALM deferred adjustment (see Note 41k)	**1,042,861**	–
Unearned revenue	**39,770**	35,874
	38,421,071	25,417,527
Less noncurrent portion (see Note 34)	**3,695,261**	880,943
	₱34,725,810	₱24,536,584

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

Nontrade payables include amounts due to PSALM pertaining to Generation Rate Adjustment Mechanism (GRAM), Incremental Currency Exchange Rate Adjustment (ICERA), and Universal Charges. Other payables represent withholding taxes, insurance liabilities and other accrual of expenses arising in the ordinary course of business and are generally payable within 12 months from the balance sheet date.

Accrued expenses include interest on borrowings, fuel and lubricant costs, taxes and licenses, freight expense, materials and supplies, and energy fees that are due within 12 months. These represent ₱4.4 billion and ₱4.0 billion of the total accrued expenses as of December 31, 2018 and 2017, respectively.

Amounts due to contractors and other third parties include liabilities arising from the power plant construction (see Note 13).

19. **Long-term Debts**

	2018		2017	
	Annual Interest Rate	**Amount**	Annual Interest Rate	Amount
Company:				
Financial and non-financial institutions - unsecured	**4.41% - 6.02%**	**₱32,000,000**	4.41% - 6.02%	₱32,000,000
Subsidiaries:				
GMCP				
Financial institutions - secured	**LIBOR + 1.7% - 4.85%**	**41,375,202**	LIBOR + 1.7% - 4.00%	30,706,949
TVI				
Financial institutions - secured	**5.50% - 9.00%**	**31,520,000**	5.50% - 6.91%	29,890,000
AP				
Financial and non-financial institutions - unsecured	**5.21% - 8.51%**	**23,200,000**	5.21% - 6.10%	13,000,000
TSI				
Financial institutions - secured	**5.05% - 5.69%**	**21,349,704**	4.50% - 5.15%	22,660,043
TPI				
Financial institutions - unsecured	**LIBOR + 1.10%**	**–**	LIBOR + 1.10%	15,153,755
APRI				
Financial institutions - secured	**4.48% to 5.20%**	**9,374,400**	4.53% to 5.20%	10,624,640
Hedcor Bukidnon				
Financial institutions - secured	**4.75% - 6.78%**	**9,327,700**	4.75% - 6.78%	9,327,700
Hedcor Sibulan				
Fixed rate corporate notes - unsecured	**4.11% to 5.42%**	**3,900,400**	4.11% to 5.32%	4,097,000
PILMICO				
Financial institutions - secured	**4.18% - 4.50%**	**2,808,500**	4.50% - 4.75%	2,830,000
PANC				
Financial institutions - secured	**4.50%**	**2,680,000**	4.50% - 4.75%	2,690,000
VECO				
Financial institution - unsecured	**4.58% - 4.81%**	**975,000**	4.49% - 4.81%	1,176,000
LHC				
Financial institutions - secured	**2.00% to 2.75%**	**875,458**	2.00% to 2.75%	1,105,950
DLP				
Financial institution - unsecured	**4.58% - 4.81%**	**731,250**	4.49% - 4.81%	882,000
HI				
Financial institution - secured	**5.25%-7.41%**	**1,840,000**	5.25%	540,000
Financial institution - secured	**7.87%**	**1,390,000**	–	–
SEZ				
Financial institution - unsecured	**5.00%**	**169,500**	5.00%	226,000
CLP				
Financial institution - unsecured	**4.58% - 4.81%**	**146,250**	4.49% - 4.81%	176,400
Apo Agua				
Financial institutions:				
Philippine peso - secured	**8.26%**	**2,848,227**	–	–
AEV International				
Financial institutions:				
Foreign currency - secured	**3.26% - 3.72%**	**11,725,340**	–	–
GCMH and Subsidiaries				
Financial institutions:				
Foreign currency - unsecured	**LIBOR + 2.55%-3.50%**	**2,034,835**	–	–
PAN JSC				
Financial institutions:				
Foreign currency - secured	**–**	**–**	10.50%	18,560
Joint Operation:				
PEC				
Financial institution - secured	**5.50% - 8.31%**	**14,473,052**	5.50% - 7.38%	14,066,500
Total		**213,354,818**		192,411,209
Deferred financing costs		**(1,922,451)**		(3,324,162)
		211,432,367		189,087,047
Less current portion		**10,702,974**		20,722,330
Noncurrent portion		**₱200,729,393**		₱168,364,717

The Company

In August 2015, the Company issued a total of ₱24.0 billion bonds, broken down into ₱10.5 billion 5-year, ₱8.5 billion 7-year and ₱5.0 billion 12-year bonds at annual fixed interest rates ranging from 4.47% to 6.02%.

In November 2013, the Company issued a total of ₱8.0 billion bonds, broken down into ₱6.2 billion 7-year and ₱1.8 billion 10-year bonds at fixed interest rates ranging from 4.41% to 4.62%.

The 2015- and 2013-issued retail bonds have been rated PRS Aaa by the Philippine Rating Services Corporation (PhilRatings).

The principal amount of the above bonds shall be payable on a lump sum basis on the respective maturity date at its face value. These bonds may be redeemed in advance by the Company based on stipulated early redemption option dates and on agreed early redemption price.

GMCP

On January 18, 2010, GMCP entered into offshore and onshore facility agreements with China Development Bank Corporation (Offshore Loan) as well as BDO, Bank of the Philippine Islands (BPI), China Banking Corporation, Security Bank Corporation, and Standard Chartered Bank - Singapore (collectively for the Onshore Loan) which was fully drawn in 2012. The proceeds of the loan were used solely for the payment of Project Costs.

On August 29, 2017, GMCP entered into a Notes Facility Agreement (NFA) with local banks with BDO Capital and Investment Corporation as Lead Arranger, with the maximum principal amount of US$800.0 million, the proceeds of which will be used to refinance GMCP's existing loan obligation and for other general corporate purposes.

On September 29, 2017, US$600.0 million was drawn from the NFA, out of which US$462.4 million was used to prepay the outstanding loans. In February 2018, the remaining principal amount of $200.0 million was drawn from the NFA.

GMCP also has an existing facility agreement with BDO to finance GMCP's working capital requirements.

Loans payable consist of the following dollar denominated loans as of December 31, 2018 and 2017 (in thousands):

	2018	2017	Interest Rate Per Annum	Payment Schedule
NFA				
Fixed Rate Loan	**$483,450**	$300,000	(i) Fixed rates of 2.5514% and 3.4049% plus 1.45% margin for the first seven-year period and (ii) Fixed Rate Loan Benchmark plus 1.45% margin for the subsequent five-year period	24 semi-annual payments starting from the first Interest Payment Date
LIBOR Loan	**288,450**	300,000	Six-month LIBOR plus 1.70% margin	24 semi-annual payments starting from the first Interest Payment Date
Working Capital				
BDO	**15,000**	15,000	LIBOR plus 1.7% applicable margin	Payable within three months
Total borrowings	**786,900**	615,000		
Less unamortized portion of deferred financing costs	**(4,049)**	(5,712)		
	782,851	609,288		
Less current portion	**70,229**	37,451		
Loans payable - net of current portion	**$712,622**	$571,837		

TVI

On June 18, 2015, TVI entered into an omnibus agreement with local banks for a project loan facility with an aggregate principal amount of ₱31.97 billion. As of December 31, 2018, ₱31.52 billion has been drawn from the loan facility.

The loan is available in two tranches, as follows:

- Tranche A, in the amount of ₱25.97 billion, with interest rate fixed for the first eight years and will be repriced and fixed for another seven years.
- Tranche B, in the amount of ₱6.00 billion, with a fixed interest rate for fifteen years.

70% of the principal amount of the loan is payable in 22 equal semi-annual installments, with the remaining 30% payable in full on the final maturity date. TVI may prepay the loan in part or in full beginning on the end of the fourth year from the initial advance or on the project completion date, whichever is earlier. Any prepayment shall be subject to a certain percentage of prepayment penalty on the principal to be prepaid.

The loan is secured by a mortgage of all its assets with carrying amount of ₱42.77 billion and ₱34.01 billion as of December 31, 2018 and 2017, respectively, and a pledge of TVI's shares of stock held by its shareholders.

AP

In September 2014, AP issued a total of ₱10.0 billion bonds, broken down into a ₱6.6 billion 7-year bond due 2021 at an annual fixed rate equivalent to 5.21% and a ₱3.4 billion 12-year bond due 2026 at an annual fixed rate equivalent to 6.10%. The bonds have been rated PRS Aaa by PhilRatings.

In July 2017, AP issued a ₱3.00 billion 10-year bond due 2027 at an annual fixed rate equivalent to 5.34%. The bonds have been rated PRS Aaa by PhilRatings.

In October 2018, the Company issued a total of ₱10.20 billion bonds, broken down into a ₱7.70 billion 5.25-year bond due 2024 at an annual fixed rate equivalent to 7.51% and a ₱2.50 billion 7-year bond due 2028 at an annual fixed rate equivalent to 8.51%. The bonds have been rated PRS Aaa by PhilRatings.

The principal amount of the bonds shall be payable on a lump sum basis on the respective maturity date at its face value. These bonds may be redeemed in advance by AP based on stipulated early redemption option dates and on agreed early redemption price.

TSI

On October 14, 2013, TSI entered into an omnibus agreement with local banks for a project loan facility with an aggregate principal amount of ₱24.0 billion, which was fully drawn in 2014.

On October 28, 2015, TSI entered into an additional loan agreement with principal amount of ₱1.68 billion, which was fully drawn in 2016.

The loan is secured by a mortgage of all its assets with carrying amount of ₱36.41 billion and ₱36.14 billion as of December 31, 2018 and 2017, respectively, and a pledge of TSI's shares of stock held by AP and TPI.

Interest rate ranging from 4.50% - 5.15% is fixed for the first seven years and will be repriced and fixed for another five years. In 2018, upon release of AP guarantee, interest was increased by 0.5%.

Fifty percent of the principal amount of the loan is payable at semi-annual installments within 12 years with a two-year grace period, with the remaining 50% payable in full on the final maturity date.

TSI may prepay the loan in part or in full beginning on the end of the third year from the initial advance or on the project completion date, whichever is earlier. Any prepayment shall be subject to a certain percentage of prepayment penalty on the principal to be prepaid.

TPI

In December 2016, TPI executed and availed a US$623.5 million syndicated bridge loan facility to partially finance the GNPower acquisition. The loan bears a floating interest rate based on a credit spread over applicable LIBOR, repriced every 30 days. The balance of the loan was fully paid in August 2018.

APRI

On February 29, 2016, APRI entered into an omnibus agreement with BPI, Asian Development Bank (ADB) and Credit Guarantee and Investment Facility (CGIF). This has been certified to have met the requirements of the Climate Bond Standard. The loan proceeds were used for return of equity to shareholders and to fund necessary operating and capital expenditures.

The loan is available in two tranches, as follows:

a. The Notes Facility Agreement, in the amount of ₱10.7 billion, with interest rate already fixed for ten years. 41.6% of the principal amount is payable in ten equal semi-annual installments and the balance payable in another ten semi-annual installments;
b. The ADB Facility Agreement, in the amount of ₱1.8 billion, with interest rate fixed for five years and principal repayments made in ten equal semi-annual installments.

The loan is secured by mortgage of its assets with carrying amount of ₱26.14 billion and ₱25.64 billion as of December 31, 2018 and 2017, respectively, and pledge of APRI's shares of stock held by shareholders and assignment of Project Agreements and Project Accounts.

Hedcor Bukidnon

On September 22, 2015, Hedcor Bukidnon entered into an omnibus agreement with local banks for a project loan facility with an aggregate principal amount of up to ₱10.0 billion. As of December 31, 2018, ₱9.3 billion has been drawn from the loan facility based on the agreed schedule.

The term of the loan is 15 years, and the first principal repayment will take place 42 months after the financial close, or six months after project completion. Principal repayments shall be made in equal semi-annual installments, with a balloon payment not to exceed 30% of the loan amount. Interest rate on the loan is computed at the time of each drawdown, as designated under the agreement.

The loan is secured by an assignment of trade receivables, a pledge of all issued share capital of Hedcor Bukidnon, and corporate suretyship from AP to guarantee the debt service until (a) project completion and (b) receipt of Feed-In-Tariff payments or contracting power supply agreements equivalent to at least the break-even capacity.

HSI

On November 17, 2016, Hedcor Sibulan entered into a NFA with various institutions with Metrobank - Trust Banking Group as the Notes Facility Agent, for a loan facility with an aggregate principal amount of up to ₱4.10 billion to return equity to shareholders, and for other general corporate purposes.

The unsecured notes were issued in ten tranches with interest payable semi-annually at annual fixed rates ranging from 4.05% - 5.42% with principal maturity as follows:

Tranche	Maturity Date	Principal Amount
1	Fifteen months from issue date	₱96.8 million
2	Two (2) years from issue date	₱96.8 million
3	Three (3) years from issue date	₱84.0 million
4	Four (4) years from issue date	₱84.0 million
5	Five (5) years from issue date	₱284.0 million
6 (Series A&B)	Six (6) years from issue date	₱388.4 million
7 (Series A&B)	Seven (7) years from issue date	₱445.8 million
8	Eight (8) years from issue date	₱451.4 million
9	Nine (9) years from issue date	₱508.1 million
10 (Series A&B)	Ten (10) years from issue date	₱1,660.7 million

Prior to maturity date, HSI may redeem in whole or in part the relevant outstanding notes on any interest payment date plus a one percent prepayment penalty.

PILMICO

PILMICO availed ₱1.0 billion and ₱500 million loans from the NFA it signed on May 5, 2015, with Land Bank of the Philippines as the Note Holder on May 11, 2015 and July 13, 2015, respectively. As provided for in the NFA, the 12-year corporate notes are issued as an exempt security pursuant to Section 9.2 of RA No. 8799 and Rule 9.2(2)(B) of the amended implementing rules of the Securities Regulation Code (SRC). On February 21, 2017, the Company availed of the Repricing Option under the NFA, thereby amending the interest rate from 5.19% to 4.50%.

On October 4, 2012, PILMICO availed ₱1.4 billion loan from the NFA it signed on September 25, 2012, with LBP as the Note Holder. The NFA provided for the issuance of 5-year corporate notes issued as an exempt security pursuant to Section 9.2 of RA No. 8799 and Rule 9.2(2)(B) of the amended implementing rules of the SRC Rules. On February 21, 2017, the Company availed of the Repricing Option under the NFA, thereby amending the interest rate from 4.18% to 4.75%.

PILMICO may early redeem in whole or in part the relevant outstanding notes on any interest payment date without premium or penalty. If prepayment is made on a different date, a certain fee shall be charged on the principal to be prepaid.

PANC

On December 28, 2016, PANC availed of a total of ₱700 million loan from NFA signed on December 28, 2016 with Security Bank Corporation as Note Holder.

On September 17, 2014, PANC availed of a total of ₱2.0 billion loan from NFA signed on September 17, 2014 with LBP as Note Holder.

The 2016 and 2014 notes are redeemable on a lump sum basis on their respective maturity dates at December 29, 2029 and September 27, 2026, respectively, at its face value. PANC may early redeem in whole or in part the relevant outstanding notes on any interest payment date without premium or penalty. If prepayment is made on a different date, a certain fee shall be charged on the principal to be prepaid.

VECO

On December 20, 2013, VECO availed of a ₱2.0 billion loan from the NFA it signed on December 17, 2013 with the Land Bank of the Philippines (LBP). The unsecured notes were issued in ten tranches of ₱200 million with interest payable semi-annually at fixed annual rates ranging from 3.50% - 4.81% and principal amortized as follows:

Tranche	Maturity Date	Principal Repayment Amount
A, B	December 20, 2014 and 2015	₱200M balloon payment on maturity date
C	December 20, 2016	₱1M each on first 2 years; ₱198M on maturity date
D	December 20, 2017	₱1M each on first 3 years; ₱197M on maturity date
E	December 20, 2018	₱1M each on first 4 years; ₱196M on maturity date
F	December 20, 2019	₱1M each on first 5 years; ₱195M on maturity date
G	December 20, 2020	₱1M each on first 6 years; ₱194M on maturity date
H	December 20, 2021	₱1M each on first 7 years; ₱193M on maturity date
I	December 20, 2022	₱1M each on first 8 years; ₱192M on maturity date
J	December 20, 2023	₱1M each on first 9 years; ₱191M on maturity date

Prior to maturity date, VECO may redeem in whole or in part the relevant outstanding notes on any interest payment date without premium or penalty. If it redeems the notes on a date other than an interest payment date, then a certain percentage of prepayment penalty on the principal amount to be prepaid shall be imposed.

LHC

On April 24, 2012, LHC entered into an omnibus agreement with Philippine National Bank and Banco De Oro to borrow US$43.1 million with maturity on April 26, 2022 and payable in 20 semi-annual installments. Interest is repriced and paid semi-annually. Annual interest rate ranges from 2.00% to 2.75%.

Intangible asset arising from service concession arrangement with carrying value of ₱1.97 billion as of December 31, 2018, was used as collateral to secure LHC's long-term debts (see Note 15).

DLP

On December 20, 2013, DLP availed of a ₱1.5 billion loan from the NFA it signed on December 17, 2013 with LBP. The unsecured notes were issued in ten tranches of ₱150 million with interest payable semi-annually at annual fixed rates ranging from 3.50% - 4.81% and principal amortized as follows:

Tranche	Maturity Date	Principal Repayment Amount
A, B	December 20, 2014 and 2015	₱150M balloon payment on maturity date
C	December 20, 2016	₱0.75M each on first 2 years; ₱148.5M on maturity date
D	December 20, 2017	₱0.75M each on first 3 years; ₱147.8M on maturity date
E	December 20, 2018	₱0.75M each on first 4 years; ₱147M on maturity date
F	December 20, 2019	₱0.75M each on first 5 years; ₱146.2M on maturity date
G	December 20, 2020	₱0.75M each on first 6 years; ₱145.5M on maturity date
H	December 20, 2021	₱0.75M each on first 7 years; ₱144.8M on maturity date
I	December 20, 2022	₱0.75M each on first 8 years; ₱144M on maturity date
J	December 20, 2023	₱0.75M each on first 9 years; ₱143.2M on maturity date

Prior to maturity date, DLP may redeem in whole or in part the relevant outstanding notes on any interest payment date without premium or penalty. If it redeems the notes on a date other than an interest payment date, then a certain percentage of prepayment penalty on the principal amount to be prepaid shall be imposed.

HI

On August 6, 2013, HI availed of a ten-year ₱900 million loan from a local bank. This loan is subject to a semi-annual principal payment with annual interest fixed at 5.25% for the first 5 years. For the remaining five years, interest rate will be repriced and fixed on the fifth anniversary from the drawdown date. The debt is secured by a pledge of HI's shares of stock held by ARI.

On December 14, 2018, HI entered into a Notes Facility Agreement with a local bank to borrow ₱1.39 billion, which will mature on August 31, 2033, to finance the rehabilitation and/or expansion of the Bineng hydropower plant, refinance its short-term loans and for other general corporate purposes. This loan is subject to a semi-annual principal payment with annual interest fixed at 7.8747% for the first 5 years. For the next five years, interest rate will be repriced and fixed one banking day prior to August 31, 2023. For the remaining five years, interest rate will be repriced and fixed one banking day prior to August 31, 2028. The debt is secured by a continuing suretyship from ARI.

SEZ
On July 7, 2011, SEZ issued ₱565.0 million worth of fixed-rate notes to Metropolitan Bank and Trust Company. Interest on the notes is subject to quarterly payment at 5% annual fixed interest rate. Principal is payable annually over 10 years at an equal amortization of ₱56.5 million.

CLP
On December 20, 2013, CLP availed of ₱300.0 million notes from the NFA it signed on December 17, 2013 with LBP. The unsecured notes were issued in ten tranches of ₱30.0 million with interest payable semi-annually at annual fixed rates ranging from 3.50% - 4.81% and principal amortized as follows:

Tranche	Maturity Date	Principal Repayment Amount
A, B	December 20, 2014 and 2015	₱30M balloon payment on maturity date
C	December 20, 2016	₱0.15M each on first 2 years; ₱29.7M on maturity date
D	December 20, 2017	₱0.15M each on first 3 years; ₱29.6M on maturity date
E	December 20, 2018	₱0.15M each on first 4 years; ₱29.4M on maturity date
F	December 20, 2019	₱0.15M each on first 5 years; ₱29.2M on maturity date
G	December 20, 2020	₱0.15M each on first 6 years; ₱29.1M on maturity date
H	December 20, 2021	₱0.15M each on first 7 years; ₱29M on maturity date
I	December 20, 2022	₱0.15M each on first 8 years; ₱28.8M on maturity date
J	December 20, 2023	₱0.15M each on first 9 years; ₱28.62M on maturity date

Prior to maturity date, CLP may redeem in whole or in part the relevant outstanding notes on any interest payment date without premium or penalty. If it redeems the notes on a date other than an interest payment date, then a certain percentage of prepayment penalty on the principal amount to be prepaid shall be imposed.

Apo Agua
On November 29, 2018, Apo Agua entered into an Omnibus Notes Facility and Security Agreement with various banks for a project loan facility in the aggregate principal amount of up to ₱9.0 billion to design, develop, procure, construct, operate and maintain a water treatment plant facility at Brgy. Gumalang, Davao City. Apo Agua had its first loan drawdown last December 4, 2018 amounting to ₱2.8 billion. The loan drawdown mode is staggered based on an agreed schedule.

The loan is secured by a mortgage of all the assets of Apo Agua and a pledge of Apo Agua's shares held by its pledgors: AEV, the Parent Company, JVACC and JVAGHC. The term of the loan is 15 years and the first principal payment will be made at the earlier of fifty-four (54) months after the date of issuance of the agreement or six (6) months after commercial operation date whichever comes earlier. The remaining principal balance shall be paid in semi-annual equal installments. No payment shall be made to the principal during the grace period.

AEV International
On July 20, 2018, AEV International availed of a syndicated loan facility with the amount of USD338 million (₱18.6 billion). The loan bears a floating interest rate computed based on applicable spread over libor and will mature in five (5) years.

On December 28, 2018, the loan was partially prepaid in the amount of USD 115 million (₱6.3 billion).

GCMH and Subsidiaries
GCMH obtained loans from various lenders with floating interest rates ranging from 2.55% to 3.50%.

PAN JSC
On December 11, 2014, Pilmico Animal Nutrition Joint Stock Company availed a loan from Joint Stock Commercial Bank for Foreign Trade of Vietnam - Song Than Branch amounting to VND 19.22 billion (₱43.6 million). On March 21, 2018, the loan was fully paid.

Long-term debt of Joint Operation
This pertains to TPI's share of the outstanding project debt of its joint operation.

In May 2014, PEC entered into an omnibus agreement with various local banks for a loan facility in the aggregate principal amount of up to ₱33.31 billion with maturity period of 15 years.

The loan facility is subject to a semi-annual interest payment with annual fixed interest ranging from 5.50% - 8.31%. The loans may be voluntarily prepaid in full or in part commencing on and from the third year of the date of initial drawdown with a prepayment penalty.

The loans are secured by a mortgage of substantially all its assets with carrying amount of ₱41.32 billion as of December 31, 2018 and 2017, and a pledge of the shares of stock held by the joint operators.

Loan covenants
The loan agreements on long-term debts of the Group provide for certain restrictions with respect to, among others, mergers or consolidations or other material changes in their ownership, corporate set-up or management, investment and guaranties, incurrence of additional debt, disposition of mortgage of assets, payment of dividends, and maintenance of financial ratios at certain levels.

These restrictions and requirements were complied with by the Group as of December 31, 2018 and 2017.

20. Customers' Deposits

	2018	2017
Bill and load	**₱3,862,663**	₱3,663,917
Lines and poles	**1,101,664**	1,115,646
Transformers	**1,044,037**	1,315,127
Others	**119,424**	174,693
	₱6,127,788	₱6,269,383

Bill deposit serves to guarantee payment of bills by a customer which is estimated to equal one month's consumption or bill of the customer.

Both the Magna Carta and Distribution Services and Open Access Rules (DSOAR) also provide that residential and non-residential customers, respectively, must pay a bill deposit to guarantee payment of bills equivalent to their estimated monthly billing. The amount of deposit shall be adjusted after one year to approximate the actual average monthly bills. A customer who has paid his electric bills on or before due date for three consecutive years, may apply for the full refund of the bill deposit, together with the accrued interests, prior to the termination of his service; otherwise, bill deposits and accrued interests shall be refunded within one month from termination of service, provided all bills have been paid.

In cases where the customer has previously received the refund of his bill deposit pursuant to Article 7 of the Magna Carta, and later defaults in the payment of his monthly bills, the customer shall be required to post another bill deposit with the distribution utility and lose his right to avail of the right to refund his bill deposit in the future until termination of service. Failure to pay the required bill deposit shall be a ground for disconnection of electric service.

Effective April 1, 2010, the Amended Distribution Services and Open Access Rules (Amended DSOAR), increased the refund rate from 25% to 75% of the gross distribution revenue generated from the extension lines and facilities until such amounts are fully refunded.

Transformers and lines and poles deposits are obtained from certain customers principally as cash bond for their proper maintenance and care of the said facilities while under their exclusive use and responsibility.

Interest expense on customers' deposits amounted to ₱2.1 million in 2018, ₱3.2 million in 2017, and ₱2.5 million in 2016 (see Note 35).

The Group classified customers' deposits under noncurrent liabilities due to the expected long-term nature of these accounts. The portion of customers' deposit to be refunded amounted to ₱6.6 million and ₱52.1 million as of December 31, 2018 and 2017, respectively, and are presented as part of "Trade and other payables" (see Note 18).

Other customer deposits pertain mainly to deposits from real estate buyers.

21. **Asset Retirement Obligation**

Asset retirement obligation includes the estimated costs to decommission, abandon and perform surface rehabilitation on a subsidiary's steam field assets at the end of their useful lives, and the best estimate of the expenditure required to settle the obligation to decommission power plant at the end of its lease term (see Note 13).

	2018	2017
Balances at beginning of year	**₱2,959,060**	₱1,821,577
Change in accounting estimate (see Note 13)	**559,996**	1,056,396
Accretion of decommissioning liability (see Note 35)	**159,754**	81,087
Balances at end of year	**₱3,678,810**	₱2,959,060

The actual dismantling and removal cost could vary substantially from the above estimate because of new regulatory requirements, changes in technology, increased cost of labor, materials, and equipment or actual time required to complete all dismantling and removal activities. Adjustment, if any, to the estimated amount will be recognized prospectively as they become known and reliably estimable.

22. **Finance Lease**

TLI was appointed by PSALM as Administrator of the coal-fired power plant in Pagbilao, Quezon under the IPP Administration Agreement, giving TLI the right to receive, manage and control the capacity of the power plant for its own account and at its own cost and risk; and the right to receive the transfer of the power plant at the end of the IPP Administration Agreement for no consideration.

In view of the nature of the IPP Administration Agreement, the arrangement has been accounted for as a finance lease. Accordingly, TLI recognized the capitalized asset and related liability of ₱44.79 billion (equivalent to the present value of the minimum lease payments using TLI's incremental borrowing rates of 10% and 12% for dollar and peso payments, respectively) in the financial statement as "Power plant" and "Finance lease obligation" accounts, respectively (see Notes 3 and 13). The discount determined at inception of the agreement is amortized over the period of the IPP Administration Agreement and is recognized as interest expense in the consolidated statement of income. Interest expense in 2018, 2017 and 2016 amounted to ₱4.8 billion (see Note 35).

Future minimum monthly dollar and peso payments under the IPP Administration Agreement and their present values as of December 31, 2018 and 2017 are as follows:

December 31, 2018

	US dollar payments	**Philippine peso equivalent of dollar payments[1]**	**Philippine peso payments**	**Total**
Within one year	**$90,000**	**₱4,732,200**	**₱4,320,000**	**₱9,052,200**
After one year but not more than five years	**415,500**	**21,846,990**	**19,944,000**	**41,790,990**
More than five years	**155,000**	**8,149,900**	**7,440,000**	**15,589,900**
Total contractual payments	**660,500**	**34,729,090**	**31,704,000**	**66,433,090**
Unamortized discount	**193,770**	**9,516,320**	**10,022,415**	**19,538,735**
Present value	**466,730**	**25,212,770**	**21,681,585**	**46,894,355**
Less current portion				**4,131,059**
Noncurrent portion of finance lease obligation				**₱42,763,296**

December 31, 2017

	US dollar payments	Philippine peso equivalent of dollar payments[2]	Philippine peso payments	Total
Within one year	$90,000	₱4,493,700	₱4,320,000	₱8,813,700
After one year but not more than five years	397,500	19,847,175	19,080,000	38,927,175
More than five years	263,000	13,131,590	12,624,000	25,755,590
Total contractual payments	750,500	37,472,465	36,024,000	73,496,465
Unamortized discount	231,130	11,540,344	12,730,867	24,271,211
Present value	519,370	25,932,121	23,293,133	49,225,254
Less current portion				3,316,165
Noncurrent portion of finance lease obligation				₱45,909,089

[1]*USD1= ₱52.58*

[2]*USD1= ₱49.93*

23. **Capital Stock**

Information on the Company's authorized capital stock follows:

	Number of Shares
Authorized capital stock:	
Common shares, ₱1 par value	9,600,000,000
Preferred shares, ₱1 par value	400,000,000

Outstanding capital stock are as follows:

	Number of Shares	
	2018	2017
Common shares issued	**5,694,599,621**	5,694,599,621
Less treasury shares	**61,807,064**	60,807,064
Balance at end of year	**5,632,792,557**	5,633,792,557

On November 16, 1994, the Company listed with the Philippine Securities Exchange its 3,650,385,204 common shares with a par value of ₱1.00 per share to cover the initial public offering (IPO) of 821,486,204 common shares at an offer price of ₱5.70 per share. Gross proceeds from this issuance of new shares amounted to ₱4.6 billion. Transaction costs incidental to the IPO totaling ₱528.0 million were charged against "Additional paid-in capital" in the consolidated balance sheet.

On May 23, 1995 and August 30, 1996, the Company distributed 20% stock dividend equivalent to 730.08 million shares and 30% stock dividend equivalent to 1.31 billion shares, respectively. Both stock dividends were issued at ₱1.00 per share. At the end of 1996, common shares issued totaled 5.69 billion.

The preferred shares are non-voting, non-participating, non-convertible, cumulative re-issuable and redeemable and may be issued from time to time by the BOD in one or more series and fixed before issuance thereof, the number of shares in each series, and all designations, relative rights, preferences and limitations of the shares in each series. Preferred shares that are redeemed by the Company may be re-issued.

There were no preferred shares issued as of December 31, 2018 and 2017.

As of December 31, 2018, and 2017, the Company has 8,921 and 9,002 shareholders, respectively.

Treasury Shares

In November 2018, AEV purchased 1 million treasury shares amounting to ₱44.1 million. As of December 31, 2018 and 2017, treasury shares held by AEV totaled 61.8 million and 60.8 million, respectively with corresponding acquisition cost of ₱565.2 million and ₱521.1 million, respectively.

24. **Retained Earnings**

On March 8, 2018, the BOD approved the following:

a. Declaration of a regular cash dividend of ₱1.28 per share (₱7.21 billion) to all stockholders of record as of March 22, 2018. These dividends were taken out of the unrestricted retained earnings as of December 31, 2017, and were paid on April 12, 2018.

b. Appropriation of ₱4.20 billion of the retained earnings as of December 31, 2017 for the additional capital infusion into Aboitiz Infracapital, Inc. to finance its capital infusion into Apo Agua Infrastructura, Inc. for the funding of the construction of a bulk water treatment facility, as follows:

Investee	Project to be Funded	Board Approval Date	Estimated Project Start Date	Estimated Project Completion Date	Appropriation (in thousands)
Apo Agua Infrastructura, Inc.	Plant Construction	January 2018	2nd quarter of 2018	1st quarter of 2021	₱4,200,000

c. Reversal of ₱1.62 billion retained earnings appropriation that was set up in 2016 for the funding of the ₱1.0 billion purchase price adjustment for the acquisition of the Philippine business of Lafarge S.A. and the ₱622 million capital infusion into Apo Agua.

On March 7, 2017, the BOD approved the following:

a. Declaration of a regular cash dividend of ₱1.33 per share (₱7.49 billion) to all stockholders of record as of March 21, 2017. These dividends were paid on April 10, 2017.

b. Reversal of ₱1.095 billion retained earnings appropriations for funding of additional capital infusions into the following investees (amounts in thousand pesos):

Investee	Project to be Funded	Board Approval Date	Estimated Project Start Date	Estimated Project Completion Date	Appropriation (in thousands)
AboitizLand, Inc. and Subsidiaries	Land acquisition	July 2013	First quarter of 2014	End of fourth quarter of 2017	₱500,000
Aseagas, Inc.	Plant construction	March 2015	August 2014	Start of third quarter of 2016	345,000
PETNET, Inc.	Business expansion	May 2015	June 2015	December 2016	250,000
Total					₱1,095,000

On March 8, 2016, the BOD approved the following:

a. Declaration of a regular cash dividend of ₱1.06 per share (₱5.89 billion) to all stockholders of record as of March 22, 2016. These dividends were paid on April 19, 2016.

b. Appropriation of ₱2.72 billion of the retained earnings as of December 31, 2015 for the funding of the estimated ₱1.0 billion purchase price adjustment on the acquisition of the Philippine business of Lafarge S.A. and for additional capital infusion into the following investees to finance their respective business expansion projects or ongoing plant construction (amounts in thousand pesos):

Investee	Project to be Funded	Board Approval Date	Estimated Project Start Date	Estimated Project Completion Date	Appropriation (in thousands)
AboitizLand, Inc. and Subsidiaries	Land acquisition	July 2013	First quarter of 2014	End of fourth quarter of 2017	₱500,000
Apo Agua Infrastructura, Inc.	Plant construction	December 2015	July 2016	Start of first quarter of 2019	622,000
Aseagas, Inc.	Plant construction	March 2015	August 2014	Start of third quarter of 2016	345,000
PETNET, Inc.	Business expansion	May 2015	June 2015	December 2016	250,000
Total					₱1,717,000

As mentioned in Note 19, the Company shall not permit its DE ratio to exceed 3:1 calculated based on the Company's year-end debt and consolidated equity.

The balance of retained earnings includes the accumulated equity in net earnings of subsidiaries, associates and joint arrangements amounting to ₱122.4 billion and ₱108.9 billion as at December 31, 2018 and 2017, respectively. Such amounts are not available for distribution until such time that the Company receives the dividends from the respective subsidiaries, associates and joint arrangements (see Note 10).

25. **Revenues**

a. Power

Sale from Distribution of Power

The Uniform Rate Filing Requirements (UFR) on the rate unbundling released by the ERC on October 30, 2001 specified that the billing for sale and distribution of power and electricity will have the following components: Generation Charge, Transmission Charge, System Loss Charge, Distribution Charge, Supply Charge, Metering Charge, the Currency Exchange Rate Adjustment and Interclass and Lifeline Subsidies. National and local franchise taxes, the Power Act Reduction (for residential customers) and the Universal Charge are also separately indicated in the customer's billing statements.

Pursuant to Section 43(f) of Republic Act (R.A.) No. 9136, otherwise known as the Electric Power Industry Reform Act of 2001 (EPIRA), and Rule 15, section 5(a) of its Implementing Rules and Regulations (IRR), the ERC promulgated the Distribution Wheeling Rates Guidelines on December 10, 2004. These were subsequently updated and released on July 26, 2006 as the Rules for Setting Distribution Wheeling Rates (RDWR) for Privately Owned Utilities entering Performance Based Regulation (PBR).

Details of the PBR regulatory period and the date of implementation of the approved rates are as follows:

	CLP	DLP	VECO	SEZ
Current regulatory period	April 1, 2009 to March 31, 2013	July 1, 2010 to June 30, 2014	July 1, 2010 to June 30, 2014	October 1, 2011 to September 30, 2015
Date of implementation of approved distribution supply and metering charges	May 1, 2009	August 1, 2010	August 1, 2010	November 26, 2011

The reset process for the Third Regulatory Period to adjust the previously approved distribution supply and metering charges were deferred due to the changes on PBR rules.
Through ERC Resolution No. 25 Series of 2016 dated July 12, 2016, the ERC adopted the Resolution Modifying the RDWR. Based on this Resolution, the Fourth Regulatory Period shall be as follows:

i. CLP: April 1, 2017 to March 31, 2021
ii. DLP and VECO: July 1, 2018 to June 30, 2022
iii. SEZ: October 1, 2019 to September 30, 2023

The reset process for the Fourth Regulatory Period has not started for all private DUs as the above-mentioned ERC rules have not been published, which is a condition for their effectivity.

Total sale from distribution of power amounted to ₱44.88 billion, ₱43.53 billion and ₱44.59 billion in 2018, 2017 and 2016, respectively.

Sale from Generation of Power and Retail Electricity
Certain subsidiaries are trading participants and direct members under the generator sector of the Wholesale Electricity Spot Market (WESM). These companies are allowed to access the WESM Market Management System through its Market Participant Interface (MPI). The MPI is the facility that allows the trading participants to submit and cancel bids and offers, and to view market results and reports. Under its price determination methodology as approved by the ERC, locational marginal price method is used in computing prices for energy bought and sold in the market on a per node, per hour basis. In the case of bilateral power supply contracts, however, the involved trading participants settle directly with their contracting parties.

Total sale of power to WESM amounted to ₱6.77 billion, ₱3.80 billion and ₱2.88 billion in 2018, 2017 and 2016, respectively.

Revenue recognition for customers under the power supply contracts assumed under the APA and IPP Administration Agreements are billed based on the contract price which is calculated based on the pricing structure approved by the ERC. Rates are calculated based on the time-of-use pricing schedule with corresponding adjustments using the GRAM and the ICERA.

Certain subsidiaries have negotiated contracts with NPC, Private Distribution Utilities, Electric Cooperatives and Commercial and Industrial Consumers referred to as PPA/PSA or ESA. These contracts provide a tariff that allows these companies to charge for capacity fees, fixed operating fees and energy fees.

Certain subsidiaries were issued a FIT Certificate of Compliance from the ERC which entitles them to avail the FIT rate. These subsidiaries also signed agreements with the National Transmission Corporation (NTC), the FIT administrator. These agreements enumerate the rights and obligations under the FIT rules and FIT-All guidelines, in respect to the full payment of the actual energy generation of the generator, at a price equivalent to the applicable FIT rate, for the entire duration of its FIT eligibility period.

Total sale of power under power supply agreements amounted to ₱54.94 billion in 2018, ₱53.40 billion in 2017 and ₱32.64 billion in 2016.

Certain subsidiaries have negotiated contracts with contestable customers. These contracts provide supply and delivery of electricity where capacity fees, fixed operating fees and energy fees are at fixed price/kwh or time of use.

Total sale of power under retail electricity supply agreements amounted to ₱24.14 billion, ₱18.03 billion and ₱8.48 billion in 2018, 2017 and 2016, respectively.

b. Real estate revenues consist of the following:

	2018	2017	2016
Real estate sales	**₱3,219,565**	₱2,915,830	₱1,700,479
Rental income	**475,429**	445,558	419,297
Service fees and others	**230,314**	252,000	321,078
	₱3,925,308	₱3,613,388	₱2,440,854

26. **Purchased Power**

Distribution

DLP and CLP entered into contracts with NPC/PSALM for the purchase of electricity. The material terms of the contract are as follows:

	Term of Agreement with NPC/PSALM	Contract Energy (megawatt hours/year)
DLP	3 years; 2018 - 2021	815,666
CLP	3 years; 2018 - 2021	106,986

The Group’s distribution utilities also entered into Transmission Service Agreements with NGCP for the transmission of electricity.

Total power purchases from the NPC/PSALM and NGCP, net of discounts, amounted to ₱8.82 billion in 2018, ₱9.08 billion in 2017 and ₱7.52 billion in 2016. The outstanding payable to the NPC/PSALM and NGCP on purchased power, presented as part of the “Trade and other payables” account in the consolidated balance sheets amounted to ₱736.3 million and ₱755.7 million as of December 31, 2018 and 2017, respectively (see Note 18).

Generation

Purchased power takes place during periods when power generated from power plants are not sufficient to meet customers’ required power as stated in the power supply contracts. Insufficient supply of generated energy results from the shutdowns due to scheduled maintenance or an emergency situation. The Group purchases power from WESM to ensure uninterrupted supply of power and meet the requirements in the power supply contracts. Total purchases from WESM amounted to ₱5.05 billion in 2018, ₱6.26 billion in 2017 and ₱1.42 billion in 2016.

The Group entered into Replacement Power Contracts with certain related parties (see Note 34). Under these contracts, the Group supplies power to counterparties when additional power is needed. Correspondingly, when faced with energy shortfalls, the Group purchases power from counterparties.

Retail Electricity Supply
AESI pays PSALM monthly generation payments using the formula specified in the IPP Administration Agreement. Total generation payments to PSALM amounted to ₱2.05 billion, ₱1.82 billion and ₱1.90 billion in 2018, 2017 and 2016, respectively.

27. Costs and Expenses

Cost of generated power consists of:

	2018	2017	2016
Fuel costs (see Note 6)	**₱29,423,013**	₱22,324,825	₱12,211,477
Steam supply costs (see Note 39)	**5,227,807**	4,981,187	4,108,576
Energy fees	**646,317**	668,558	627,751
Ancillary charges	**355,260**	547,291	340,869
Wheeling expenses	**21,821**	35,895	27,599
	₱35,674,218	₱28,557,756	₱17,316,272

Cost of goods sold consists of:

	2018	2017	2016
Raw materials used, purchases and changes in biological assets and inventories (see Notes 6 and 8)	**₱41,184,394**	₱19,406,752	₱17,065,443
Direct labor (see Note 28)	**302,993**	238,647	194,453
Manufacturing overhead			
Depreciation (see Note 13)	**763,488**	524,660	427,462
Power	**517,010**	344,656	299,942
Indirect labor (see Note 28)	**494,370**	240,484	203,257
Repairs and maintenance	**380,606**	254,772	216,502
Fuel and lubricants	**193,061**	94,775	80,142
Outside services	**185,932**	99,817	76,686
Employees' benefits (see Notes 28 and 30)	**86,863**	11,687	14,817
Taxes and licenses	**69,866**	55,253	35,547
Rental	**66,012**	33,931	9,992
Freight and handling	**60,075**	61,005	48,004
Insurance	**59,697**	29,859	32,178
Office and general supplies	**57,092**	35,506	9,476

(Forward)

	2018	2017	2016
Medicines and vaccines	**₱43,553**	₱39,707	₱28,397
Toll milling expenses	**26,873**	–	54,406
Pest control	**21,658**	21,026	15,342
Royalty fee	**11,472**	9,711	13,565
Others	**118,516**	153,164	114,778
	3,156,144	2,010,013	1,680,493
Cost of goods manufactured	**44,643,531**	21,655,412	18,940,389
Finished goods inventory (see Note 6)			
Beginning of year	**317,007**	361,857	307,657
Acquisition of subsidiaries	**486,098**	–	–
End of year	**(1,752,729)**	(317,007)	(361,857)
	₱43,693,907	₱21,700,262	₱18,886,189

Operating expenses consist of:

	2018	2017	2016
Depreciation and amortization (see Notes 13, 15 and 16)	**₱9,021,735**	₱7,869,255	₱6,357,313
Personnel costs (see Notes 28 and 30)	**7,183,608**	6,279,900	5,206,478
Taxes and licenses	**2,546,058**	2,196,046	1,613,411
Repairs and maintenance	**2,170,396**	1,704,853	954,531
Outside services (see Note 34)	**1,770,689**	2,383,152	1,736,952
Freight and handling	**1,143,709**	834,893	660,208
Insurance	**1,015,790**	1,058,377	876,943
Management and professional fees (see Note 34)	**724,422**	288,343	320,176
Transportation and travel	**562,220**	467,606	416,030
Rent	**548,715**	444,262	295,615
Advertising	**460,933**	425,617	349,366
Provision for impairment of trade receivables (see Note 5)	**309,820**	101,155	22,284
Utilities	**190,536**	149,682	116,685
Training and development	**172,237**	160,953	163,375
Fuel and lubricants	**86,437**	73,751	312,044
Commissions	**76,998**	145,140	132,469
Others	**2,414,391**	1,672,930	1,653,302
	₱30,398,694	₱26,255,915	₱21,187,182

Other operating expenses consist of miscellaneous items, the most significant of which are materials and supplies.

Overhead expenses consist of:

	2018	2017	2016
Personnel costs (see Notes 28 and 30)	**₱54,037**	₱41,061	₱38,143
Depreciation and amortization (see Notes 13, 15 and 16)	**33,208**	40,837	44,615
Repairs and maintenance	**23,557**	16,986	9,630
Rent	**16,114**	2,042	1,940
Fuel	**4,893**	6,680	8,918
Insurance	**3,425**	4,049	4,106
Others	**1,359**	2,209	2,319
	₱136,593	₱113,864	₱109,671

Other overhead expenses include training costs for aircraft personnel.

Sources of depreciation and amortization are as follows:

	2018	2017	2016
Property, plant and equipment (see Note 13)	**₱9,242,594**	₱7,946,469	₱6,431,339
Intangible asset - service concession rights (see Note 15)	**361,484**	351,541	199,342
Bearer biological assets (see Notes 8 and 16)	**–**	–	63,614
Other intangible assets (see Note 16)	**214,353**	157,968	135,100
	₱9,818,431	₱8,455,978	₱6,829,395

28. **Personnel Costs**

	2018	2017	2016
Salaries and wages	**₱6,640,098**	₱5,041,341	₱4,107,494
Employee benefits (see Note 30)	**827,960**	1,296,940	1,160,292
	₱7,468,058	₱6,338,281	₱5,267,786

29. **Other Income (Expense) - Net**

	2018	2017	2016
Increase in fair value of biological assets (see Note 8)	**₱752,560**	₱942,131	₱388,218
Surcharges	**508,492**	435,428	403,730
Net unrealized fair valuation gains (see Note 14)	**295,294**	862,218	166,476
Non-utility operating income	**142,363**	145,948	94,916
Rental income (see Note 34)	**70,967**	10,617	1,499
Dividend income	**19,060**	5,946	250
Gain (loss) on sale of:			
Investment in a subsidiary (see Note 9)	**166,891**	–	–
Property, plant and equipment	**(292,194)**	(52,164)	(50,125)
AFS investments	**(8,550)**	289	25,105
Write off of project costs and other assets	**(179,225)**	(143,613)	(221,959)
Impairment loss on property, plant and equipment, goodwill and other assets (see Notes 13, 15 and 16)	**(847,620)**	(3,191,786)	(320,328)
Net foreign exchange gains (losses) (see Note 35)	**(1,252,608)**	70,221	(40,877)
Gain on redemption of shares (see Note 10)	**–**	–	16,051
Bargain purchase gain (see Note 9)	**–**	310,198	350,939
Others - net	**2,035,396**	578,433	1,687,131
	₱1,410,826	(₱26,134)	₱2,501,026

Included in "Net foreign exchange gains (losses)" are the net gains and losses relating to currency forward transactions (see Note 35).

Impairment losses on property, plant and equipment, goodwill and other assets:

(a) This includes the ₱486.5 million net book value of the Bajada Power Plant which was fully impaired when it ceased operations in 2018 and the loss of ₱282.3 million from recognizing the recoverable amount of transmission assets which were classified as property held for sale.

(b) This includes the ₱2.64 billion impairment loss of Aseagas biomas plant which temporarily ceased its operation to unavailability of the supply of organic effluent wastewater from source and in January 2018, Aseagas decided to make the plant shutdown permanent. As of December 31, 2017, the recoverable amount of Aseagas' property, plant and equipment was determined based on their fair value less costs of disposal. The fair value of the property, plant and equipment was based on valuation performed by an accredited independent appraiser (see Note 13).

"Others" comprise non-recurring items like sale of scrap and sludge oil, and reversal of provisions. In 2018, "Others" also include income arising from the proceeds from claims of liquidating damages from contractor due to the delay of the completion of PEC's and TSI's power plant amounting to ₱340.7 million and ₱785.4 million in 2018 and 2016, respectively.

30. **Pension Benefit Plans**

Under the existing regulatory framework, Republic Act 7641, otherwise known as *The Retirement Pay Law*, requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity. It further states that the employees' retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan.

The Company and its subsidiaries have funded, noncontributory, pension benefit plans ("Plan") covering all regular and full-time employees and requiring contributions to be made to separately administered funds. The retirement benefit fund ("Fund") of each subsidiary is in the form of a trust being maintained and managed by AEV, under the supervision of the Board of Trustees (BOT) of the Plan. The BOT, whose members are also corporate officers, is responsible for the investment of the Fund assets. Taking into account the Plan's objectives, benefit obligations and risk capacity, the BOT periodically defines the investment strategy in the form of a long-term target structure.

The following tables summarize the components of net benefit expense recognized in the consolidated statements of income and the funded status and amounts recognized in the consolidated balance sheets for the respective plans.

Net benefit expense (recognized as part of personnel costs under operations)

	2018	2017	2016
Retirement expense recognized in the consolidated statements of income:			
Service cost	**₱297,480**	₱338,596	₱287,743
Net interest cost	**26,015**	12,257	32,725
Remeasurement of other long-term employee benefits	**(4,842)**	–	–
	₱318,653	₱350,853	₱320,468

	2018	2017	2016
Remeasurement gains (losses) recognized in the consolidated statements of comprehensive income:			
Actuarial gains (losses) on defined benefit plan	**₱221,199**	₱53,381	(₱54,403)
Return (loss) on assets excluding amount included in net interest cost	**(197,855)**	65,865	77,411
	₱23,344	₱119,246	₱23,008

Net pension liabilities

	2018	2017
Present value of obligation	**₱3,577,859**	₱3,609,366
Fair value of plan assets	**(3,250,202)**	(3,386,012)
Pension liability	**₱327,657**	₱223,354

Changes in the present value of the defined benefit obligation are as follows:

	2018	2017
At January 1	**₱3,609,366**	₱3,386,386
Net benefit costs in the consolidated statements of income		
Current service costs	**306,434**	323,277
Interest cost	**192,498**	178,630
Transfers and others	**13,508**	(47,065)
Past service costs	**(8,954)**	15,319
Remeasurement of other long-term employee benefits	**(4,842)**	–
Benefits paid	**(412,283)**	(183,060)
Remeasurements in other comprehensive income:		
Actuarial losses (gain) due to experience adjustments	**(39,791)**	246,357
Actuarial gains due to changes in financial assumptions	**(181,408)**	(299,738)
	3,474,528	3,620,106
Acquisition of subsidiaries (see Note 9)	**103,331**	(10,740)
At December 31	**₱3,577,859**	₱3,609,366

Changes in the fair value of plan assets are as follows:

	2018	2017
At January 1	**₱3,386,012**	₱3,153,951
Actual contributions	**430,721**	256,329
Interest income included in net interest cost	**166,483**	166,373
Transfers and others	**13,500**	(47,062)
Disposal of a subsidiary (see Note 9)	**(142,336)**	–
Actual return excluding amount included in net interest cost	**(197,855)**	65,865
Benefits paid	**(406,323)**	(209,444)
At December 31	**₱3,250,202**	₱3,386,012

Changes in net pension liability recognized in the consolidated balance sheets are as follows:

	2018	2017
At January 1	**₱223,354**	₱232,435
Contribution to retirement fund	**(430,721)**	(256,329)
Retirement expense for the year	**318,653**	350,853
Actuarial gain recognized for the year	**(23,344)**	(119,246)
Transfers and others	**7**	(3)
Benefits paid from Group operating funds	**(5,959)**	26,384
Acquisition and disposal of subsidiaries (see Note 9)	**245,667**	(10,740)
At December 31	**₱327,657**	₱223,354

The fair value of plan assets by each class as at the end of the reporting period are as follows:

	2018	2017
Cash and fixed-income investments	**₱1,909,787**	₱1,612,044
Equity instruments:		
Power	**409,991**	302,223
Holding	**295,117**	77,839
Financial institution	**59,325**	4,661
Others	**575,982**	1,389,245
Fair value of plan assets	**₱3,250,202**	₱3,386,012

All equity and debt instruments held have quoted prices in active market. The remaining plan assets do not have quoted market prices in active market.

The plan assets have diverse investments and do not have any concentration risk.

The principal assumptions used as of December 31, 2018, 2017 and 2016 in determining pension benefit obligations for the Group's plans are shown below:

	2018	2017	2016
Discount rate	**4.87% - 8.31%**	5.01% - 5.31%	3.61% - 5.60%
Salary increase rate	**6% - 7%**	6%	6%

The sensitivity analysis below has been determined based on reasonable possible changes of each significant assumption on the defined benefit obligation as of December 31, 2018 and 2017, assuming all other assumptions were held constant:

December 31, 2018

	Increase (decrease) in basis points	**Effect on defined benefit obligation**
Discount rates	**100**	**(176,522)**
	(100)	**217,264**
Future salary increases	**100**	**254,503**
	(100)	**(212,771)**

December 31, 2017

	Increase (decrease) in basis points	Effect on defined benefit obligation
Discount rates	100	(₱206,159)
	(100)	240,006
Future salary increases	100	231,623
	(100)	(222,457)

The pension benefit plans are funded by the Company and its subsidiaries. The Group expects to contribute approximately ₱284.9 million to the retirement benefit funds in 2019.

The average durations of the defined benefit obligation as of December 31, 2018 and 2017 are 2.70 - 28.76 years and 7.78 - 28.76 years, respectively.

The Board of Trustees reviews the performance of the plans on a regular basis. It assesses whether the retirement plans will achieve investment returns which, together with contributions, will be sufficient to pay retirement benefits as they fall due. The Group also reviews the solvency position of the different member companies on an annual basis and estimates, through the actuary, the expected contribution to the Plan in the subsequent year.

31. **Income Taxes**

The provision for (benefit from) income tax consists of:

	2018	2017	2016
Current			
Corporate income tax	**₱4,312,349**	₱4,346,711	₱4,518,530
Final tax	**237,483**	159,077	240,238
	4,549,832	4,505,788	4,758,768
Deferred	**(650,634)**	77,267	(469,105)
	₱3,899,198	₱4,583,055	₱4,289,663

A reconciliation between the statutory income tax rate and the Group's effective income tax rates follows:

	2018	2017	2016
Statutory income tax rate	**30.00%**	30.00%	30.00%
Tax effects of:			
Non-deductible interest expense	**4.77**	5.19	5.48
Non-deductible depreciation expense	**0.95**	0.97	1.00
Non-deductible impairment provisions	**0.03**	0.11	(0.07)
Gain on sale of investments already subjected to final tax	**(0.14)**	–	(0.12)
Interest income subjected to final tax at lower rates - net	**(0.91)**	(0.82)	(1.06)
Nontaxable share in net earnings of associates and joint ventures	**(6.60)**	(8.02)	(8.79)
Deductible lease payments	**(7.72)**	(7.84)	(7.84)
Income under ITH	**(10.04)**	(7.87)	(5.33)
Others	**0.75**	1.81	(0.25)
	11.09%	13.53%	13.02%

Net deferred income tax assets at December 31 relate to the following:

	2018	2017
Deferred income tax assets:		
Tax effects of items in other comprehensive income	**₱152,129**	₱238,357
Unrealized foreign exchange losses	**1,326,013**	708,160
Allowances for impairment and probable losses	**350,689**	283,709
NOLCO	**298,477**	–
Unamortized contributions for past service	**118,810**	143,797
MCIT	**20,754**	–
Accrued retirement benefits	**(40,158)**	(108,489)
Others	**122,405**	426,091
	2,349,119	1,691,625
Deferred income tax liabilities:		
Pension asset	**22,064**	68,797
Consumable biological assets	**–**	90,971
Others	**2,282**	6,227
	24,346	165,995
	₱2,324,773	₱1,525,630

Net deferred income tax liabilities at December 31 relate to the following:

	2018	2017
Deferred income tax liabilities:		
Unrealized gain on investment property	**₱978,246**	₱826,254
Unamortized franchise	**794,620**	817,708
Percentage-of-completion recognition of real estate sales and related costs	**175,573**	245,893
Consumable biological assets	**96,400**	–
Unamortized customs duties and taxes capitalized	**9,008**	30,915
Unrealized foreign exchange gains	**2,749**	26,957
Pension asset	**(55,633)**	–
Others	**857,697**	11,374
	2,858,660	1,959,101
Deferred income tax assets:		
Tax effects of items in other comprehensive income	**(114,135)**	(156,367)
NOLCO	**117,018**	179,572
Allowances for:		
Inventory obsolescence	**153,896**	20,050
Impairment and probable losses	**47,359**	47,376
Unrealized foreign exchange losses	**9,389**	8,835
MCIT	**6,157**	13,076
Unamortized past service cost	**–**	23,173
Others	**243,776**	199,471
	463,460	335,186
	₱2,395,200	₱1,623,915

In computing for deferred income tax assets and liabilities, the tax rates used were 30% and 10%, which are the rates expected to apply to taxable income in the years in which the deferred income tax assets and liabilities are expected to be recovered or settled and considering the tax rate for renewable energy developers as allowed by the Renewable Energy Act of 2008.

The Company did not recognize its deferred income tax assets on NOLCO generated in 2018 and 2017 amounting to ₱802.8 million and ₱966 million, respectively, and on MCIT paid in 2018 and 2017 amounting to ₱31.9 million and ₱25.2 million, respectively. Likewise, AP parent company did not recognize its deferred income tax assets on NOLCO amounting to ₱1.05 billion and ₱647.9 million as of December 31, 2018 and 2017, respectively, and on MCIT amounting to ₱49.1 million and ₱44.4 million as of December 31, 2018 and 2017, respectively.

Management of both entities expect that no sufficient taxable income will be generated in the future to allow all of the corresponding deferred income tax assets to be utilized.

There are no income tax consequences to the Group attaching to the payment of dividends to its shareholders.

32. Earnings per Common Share

Earnings per common share amounts were computed as follows:

	2018	2017	2016
a. Net income attributable to equity holders of the parent	**₱22,232,977**	₱21,608,695	₱22,473,458
b. Weighted average number of common shares issued and outstanding	**5,633,543**	5,633,793	5,595,028
c. Earnings per common share (a/b)	**₱3.947**	₱3.836	₱4.017

There are no dilutive potential common shares as of December 31, 2018, 2017 and 2016.

33. **Operating Segment Information**

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

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

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

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

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

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

Segment assets do not include deferred income tax assets, pension asset and other noncurrent assets. Segment liabilities do not include deferred income tax liabilities, income tax payable and pension liability. Capital expenditures consist of additions of property, plant and equipment and intangible asset - service concession rights. Adjustments as shown below include items not presented as part of segment assets and liabilities.

Revenue is recognized to the extent that it is probable that economic benefits will flow to the Group, and that the revenue can be reliably measured. Sale of power to Manila Electric Company accounted for 22%, 24% and 36% of the power generation revenues of the Group in 2018, 2017, and 2016, respectively.

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

	2018							
	Power	Financial Services	Food Manufacturing	Real Estate	Infrastructure	Parent Company and Others	Eliminations	Consolidated
REVENUES								
Third parties	₱131,354,643	₱644,566	₱50,252,875	₱3,925,308	₱96,021	₱669,407	₱–	₱186,942,820
Inter-segment	217,441	–	–	76,047	–	1,149,283	(1,442,771)	–
Total revenue	₱131,572,084	₱644,566	₱50,252,875	₱4,001,355	₱96,021	₱1,818,690	(₱1,442,771)	₱186,942,820
RESULTS								
Segment results	₱36,496,682	(₱38,554)	₱1,568,078	₱958,534	(₱60,669)	(₱42,613)	₱280,485	₱39,161,943
Unallocated corporate income (expenses) - net	(1,292,311)	5,973	1,545,976	(56,446)	(2,673)	1,490,792	(280,485)	1,410,826
INCOME FROM OPERATIONS								40,572,769
Interest expense	(12,082,158)	(8,135)	(974,879)	(76,019)	–	(1,553,542)	56,145	(14,638,588)
Interest income	880,085	1,588	173,102	13,703	3,312	466,420	(62,059)	1,476,151
Share in net earnings of associates and joint ventures	4,356,825	3,599,941	2,850	(11,928)	(218,399)	19,313,421	(19,315,048)	7,727,663
Provision for income tax	(2,925,623)	6,531	(532,076)	(123,380)	(4,096)	(320,554)	–	(3,899,198)
NET INCOME	₱25,433,500	₱3,567,344	₱1,783,052	₱704,463	(₱282,525)	₱19,353,925	(₱19,320,962)	₱31,238,797
OTHER INFORMATION								
Segment assets	₱91,891,697	₱–	₱24,346,718	₱12,535,860	₱1,657,628	₱8,978,434	(₱218,893)	₱139,191,444
Investments and advances	34,334,126	46,025,202	55,807	1,464,124	25,238,659	125,271,699	(125,430,060)	106,959,557
Unallocated corporate assets	263,436,354	–	31,453,948	6,066,913	1,901,742	6,178,277	(600,001)	308,437,233
Consolidated total assets								₱554,588,234
Segment liabilities	₱251,543,579	₱–	₱39,768,325	₱7,673,226	₱3,031,839	₱32,684,202	(₱793,134)	₱333,908,037
Unallocated corporate liabilities	1,541,930	–	855,594	655,099	745	363,298	–	3,416,666
Consolidated total liabilities								₱337,324,703
Capital expenditures	₱8,607,781	₱–	₱1,216,702	₱647,354	₱68,234	₱147,608	₱–	₱10,687,679
Depreciation and amortization	₱8,681,403	₱–	₱896,710	₱82,313	₱13,917	₱144,089	₱–	₱9,818,432

	2017 (As restated)							
	Power	Financial Services	Food Manufacturing	Real Estate	Infrastructure	Parent Company and Others	Eliminations	Consolidated
REVENUES								
Third parties	₱119,134,091	₱742,182	₱26,229,792	₱3,613,388	₱34,061	₱668,091	₱–	₱150,421,605
Inter-segment	257,212	–	–	60,608	–	978,922	(1,296,742)	–
Total revenue	₱119,391,303	₱742,182	₱26,229,792	₱3,673,996	₱34,061	₱1,647,013	(₱1,296,742)	₱150,421,605
RESULTS								
Segment results	₱34,173,729	₱59,705	₱1,520,218	₱618,070	(₱87,498)	₱20,598	₱271,322	₱36,576,144
Unallocated corporate income (expenses) - net	(1,704,000)	4,265	868,042	748,030	304	328,546	(271,322)	(26,135)
INCOME FROM OPERATIONS								36,550,009
Interest expense	(11,247,780)	(6,147)	(337,471)	(34,473)	–	(1,553,541)	62,050	(13,117,362)
Interest income	927,012	1,515	86,019	5,973	4,472	431,106	(80,402)	1,375,695
Share in net earnings of associates and joint ventures	4,697,864	4,103,964	–	(11,227)	274,517	18,284,670	(18,296,056)	9,053,732
Provision for income tax	(3,858,398)	(20,033)	(438,889)	(220,287)	(913)	(44,533)	–	(4,583,053)
NET INCOME	₱22,988,427	₱4,143,269	₱1,697,919	₱1,106,086	₱190,882	₱17,466,846	(₱18,314,408)	₱29,279,021
OTHER INFORMATION								
Segment assets	₱67,961,596	₱1,201,961	₱19,534,202	₱7,045,980	₱239,620	₱18,482,290	(₱278,155)	₱114,187,494
Investments and advances	31,248,595	33,658,023	–	1,476,052	25,463,872	108,095,256	(108,332,207)	91,609,592
Unallocated corporate assets	262,266,808	184,640	8,205,912	9,636,511	260,661	5,476,211	103,868	286,134,611
Consolidated total assets								₱491,931,697
Segment liabilities	₱235,578,591	₱363,199	₱22,592,698	₱6,395,724	₱29,590	₱32,645,631	(₱672,374)	₱296,933,059
Unallocated corporate liabilities	1,919,944	371,414	61,084	620,745	3,066	(248,543)	–	2,727,710
Consolidated total liabilities								₱299,660,769
Capital expenditures	₱16,068,050	₱17,934	₱1,218,793	₱897,635	₱9,573	₱105,460	₱–	₱18,317,445
Depreciation and amortization	₱7,596,268	₱35,289	₱576,980	₱94,648	₱6,481	₱146,312	₱–	₱8,455,978

	2016 (As restated)							
	Power	Financial Services	Food Manufacturing	Real Estate	Infrastructure	Parent Company and Others	Eliminations	Consolidated
REVENUES								
Third parties	₱88,992,097	₱550,347	₱23,702,446	₱2,440,854	₱–	₱729,336	₱–	₱116,415,080
Inter-segment	171,172	–	–	–	–	851,413	(1,022,585)	–
Total revenue	₱89,163,269	₱550,347	₱23,702,446	₱2,440,854	₱–	₱1,580,749	(₱1,022,585)	₱116,415,080
RESULTS								
Segment results	₱26,310,300	(₱67,207)	₱2,101,337	₱245,577	(₱10,565)	₱88,458	₱253,139	₱28,921,039
Unallocated corporate income (expenses) - net	1,669,212	85,684	493,150	6,245	1	499,874	(253,139)	2,501,027
INCOME FROM OPERATIONS								31,422,066
Interest expense	(7,704,011)	(7,046)	(296,344)	(5,366)	–	(1,571,520)	16,290	(9,567,997)
Interest income	1,083,535	1,526	64,393	22,668	662	285,424	(21,276)	1,436,932
Share in net earnings of associates and joint ventures	3,641,210	4,913,926	–	(3,232)	1,101,394	17,384,303	(17,385,813)	9,651,787
Provision for income tax	(3,496,140)	(16,250)	(626,833)	(25,464)	(132)	(124,844)	–	(4,289,663)
NET INCOME	₱21,504,105	₱4,910,633	₱1,735,703	₱240,428	₱1,091,360	₱16,561,695	(₱17,390,799)	₱28,653,125
OTHER INFORMATION								
Segment assets	₱73,649,187	₱1,044,046	₱7,863,363	₱5,777,703	₱106,810	₱18,062,204	(₱924,487)	₱105,578,826
Investments and advances	30,595,989	30,183,220	–	1,487,299	24,919,655	97,268,613	(97,817,099)	86,637,677
Unallocated corporate Assets	252,761,718	181,305	7,165,361	8,042,819	108,058	5,355,296	163,865	273,778,422
Consolidated total assets								₱465,994,925
Segment liabilities	₱242,851,899	₱226,242	₱10,689,191	₱5,074,129	₱23,772	₱32,125,426	(₱1,258,683)	₱289,731,976
Unallocated corporate Liabilities	1,945,775	243,259	68,830	446,523	–	(104,062)	–	2,600,325
Consolidated tota Liabilities								₱292,332,301
Capital expenditures	₱28,203,292	₱35,693	₱1,792,762	₱593,616	₱83,358	₱316,078	₱–	₱31,024,799
Depreciation and amortization	₱6,043,527	₱31,253	₱534,042	₱66,845	₱355	₱153,373	₱–	₱6,829,395

34. **Related Party Disclosures**

Parties are considered to be related if one party has the ability to control, directly or indirectly, the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

In the normal course of business, the Group enters into transactions with related parties, principally consisting of the following:

a. Service contracts of certain associates with AEV or AP at fees based on agreed rates. Professional and technical fees paid by these associates and joint ventures to AEV and AP totaled ₱745.2 million, ₱650.0 million and ₱655.1 million in 2018, 2017 and 2016, respectively.

b. Cash deposits and placements with UBP. At prevailing rates, the deposits and money market placements earned interest income amounting to ₱636.5 million, ₱316.4 million and ₱308.5 million in 2018, 2017 and 2016, respectively.

c. Aviation services rendered by AEV Aviation to ACO and certain associates. Total aviation service income generated from these related parties amounted to ₱18.4 million in 2018, ₱11.2 million in 2017 and ₱10.7 million in 2016.

d. Lease of commercial office units by ACO and certain associates from CPDC for a period of three years. Rental income amounted to ₱8.5 million in 2018, ₱8.1 million in 2017 and ₱6.7 million in 2016.

e. Purchase of lots for residential and commercial project development by AboitizLand from ACO in 2012. The purchase was for a total consideration of ₱595.8 million, a portion of which was paid upon execution of the Contract to Sell. The remaining balance is payable on quarterly installments for the next 10 years. The current and noncurrent portion of the related liability amounted to ₱47.8 million and ₱139.5 million, respectively, as at December 31, 2018, and to ₱36.2 million and ₱210.8 million, respectively, as at December 31, 2017 (see Note 18).

f. Power sales to and purchases from certain associates and joint ventures based on the Group's power supply and purchase agreements, respectively (see Note 39).

g. Services rendered by Aboitiz Construction, Inc. (ACI), a wholly owned subsidiary of ACO, to the Group for various construction projects.

h. Interest-bearing advances from AEV availed by the Group. The annual interest rates are determined on arm's length basis.

The above transactions are settled in cash.

Significant outstanding account balances with related parties as of December 31, 2017 and 2016 are as follows:

a. Revenue - Management, Professional and Technical Fees

	Revenue			Accounts Receivable			
	2018	2017	2016	**2018**	2017	Terms	Conditions
Ultimate Parent							
ACO	**₱19,913**	₱10,966	₱19,145	**₱126**	₱227	30-day; interest-free	Unsecured; no impairment
Associates and Joint Ventures							
CBM (see Note 10)	**339,201**	298,612	327,203	**108,954**	67,193	30-day; Interest-free	Unsecured; no impairment
SFELAPCO	**132,623**	72,158	58,119	**36,851**	41,266	30-day; interest-free	Unsecured; no impairment
CEDC	**71,880**	101,367	103,945	**–**	7,978	30-day; interest-free	Unsecured; no impairment
RCMI (see Note 10)	**75,312**	69,780	76,462	**25,457**	15,701	30-day; interest-free	Unsecured; no impairment
RCII (see Note 10)	**49,019**	45,418	49,767	**16,569**	10,219	30-day; interest-free	Unsecured; no impairment
GNPD	**42,360**	40,556	–	**3,960**	40,556	30-day; interest-free	Unsecured; no impairment
SNAP-Magat	**5,137**	3,653	5,806	**1,050**	326	30-day; interest-free	Unsecured; no impairment
SNAP-Benguet	**5,414**	2,027	5,630	**1,071**	308	30-day; interest-free	Unsecured; no impairment
MORE	**2,527**	2,825	2,863	**122**	445	30-day; interest-free	Unsecured; no impairment
UBP	**1,493**	1,050	67	**10**	613	30-day; interest-free	Unsecured; no impairment
SNAP-Generation	**278**	1,394	206	**8**	14	30-day; interest-free	Unsecured; no impairment
RP Energy	**–**	–	5,882	**–**	–	30-day; Interest-free	Unsecured; no impairment
RCSI	**–**	120	–	**30**	159	30-day; interest-free	Unsecured; no impairment
Total	**₱745,157**	₱649,926	₱655,095	**₱194,208**	₱185,005		

b. Cash Deposits and Placements with UBP

	Interest Income			Outstanding Balance			
	2018	2017	2016	**2018**	2017	Terms	Conditions
AP	**₱442,344**	₱195,457	₱251,694	**₱18,753,283**	₱12,366,610	90 days or less; interest-bearing	No impairment
AEV	**146,938**	90,082	33,942	**2,702,526**	8,789,407	90 days or less; interest-bearing	No impairment
PILMICO	**42,687**	14,380	11,935	**1,052,045**	6,530,729	90 days or less; interest-bearing	No impairment
AboitizLand	**2,099**	2,785	2,680	**434,613**	351,324	90 days or less; interest-bearing	No impairment
Aboitiz Infracapital	**1,628**	3,795	166	**234,865**	163,055	90 days or less; interest-bearing	No impairment
CPDC	**648**	1,099	439	**48,157**	38,857	90 days or less; interest-bearing	No impairment
AEV AVIATION	**189**	1,632	621	**29.437**	309,006	90 days or less; interest-bearing	No impairment
AIPL	**12**	6,982	4,728	**11,906**	141,960	90 days or less; interest-bearing	No impairment
Weather Solutions, Inc.	**3**	–	–	**513**	2,500	90 days or less; interest-bearing	No impairment
Petnet	–	214	319	–	74,014	90 days or less; interest-bearing	No impairment
APO Agua	–	–	231	–	–	90 days or less; interest-bearing	No impairment
ASEAGAS	–	–	1,718	–	–	90 days or less; interest-bearing	No impairment
	₱636,548	₱316,426	₱308,473	**₱23,267,345**	₱28,767,462		

c. Revenue - Aviation Services

	Revenue			Accounts Receivable			
	2018	2017	2016	**2018**	2017	Terms	Conditions
Associates and Joint Ventures							
SNAP-Magat	**₱14,280**	₱5,735	₱6,511	**₱5,228**	₱–	30-day; interest-free	Unsecured; no impairment
SNAP-Benguet	**2,356**	1,234	2,363	–	–	30-day; interest-free	Unsecured; no impairment
UBP	**1,500**	1,500	1,633	–	–	30-day; interest-free	Unsecured; no impairment
SNAP-Generation	**285**	2,719	98	**147**	–	30-day; interest-free	Unsecured; no impairment
	₱18,421	₱11,188	₱10,605	**₱5,375**	₱–		

d. Revenue - Rental

	Revenue			Accounts Receivable			
	2018	2017	2016	**2018**	2017	Terms	Conditions
Ultimate Parent							
ACO	**₱4,218**	₱3,488	₱3,405	**₱805**	₱378	30-day; interest-free	Unsecured; no impairment
Associates							
UBP	**4,330**	3,507	3,340	**29**	13	30-day; interest-free	Unsecured; no impairment
RCSI	**–**	1,116	–	**15**	823	30-day; interest-free	Unsecured; no impairment
EAUC (see Note 10)	**–**	–	–	–	–	30-day; interest-free	Unsecured; no impairment
	₱8,548	₱8,111	₱6,745	**₱849**	₱1,214		

e. Land Acquisition

	Purchase			Payable			
	2018	2017	2016	**2018**	2017	Terms	Conditions
Ultimate Parent							
ACO	**₱–**	₱–	₱–	**₱187,305**	₱246,930	Quarterly installment	Unsecured

f. Revenue - Sale of Power

	Revenue (see Note 26)			Receivable			
	2018	2017	2016	**2018**	2017	Terms	Conditions
Associate and Joint Ventures							
SFELAPCO	**₱2,290,390**	₱2,487,557	₱2,669,036	**₱160,375**	₱150,888	30-day; interest-free	Unsecured; no impairment
RCBM	**1,341,456**	101,092	–	**129,905**	20,114	30-day; interest-free	Unsecured; no impairment
SNAP-RES	**19,442**	14,209	–	**1,583**	–	30-day; Interest-free	Unsecured; no impairment
SNAP-Magat	**9,193**	–	13,868	**–**	–	30-day; interest-free	Unsecured; no impairment
SNAP-Benguet	**–**	–	18,291	**–**	–	30-day; Interest-free	Unsecured; no impairment
Investees of ACO							
Tsuneishi Heavy Industries (Cebu), Inc.	**351,946**	406,366	545,344	**39,478**	41,200	30-day; interest-free	Unsecured; no impairment
Metaphil International, Inc.	**11,218**	2,410	10,868	**1,263**	261	30-day; interest-free	Unsecured; no impairment
	₱4,023,645	₱3,011,634	₱3,257,407	**₱332,604**	₱212,463		

Cost of Purchased Power

	Purchases (see Note 26)			Payable			
	2018	2017	2016	**2018**	2017	Terms	Conditions
Associates and Joint Ventures							
CEDC	**₱4,196,052**	₱4,540,798	₱4,552,650	**₱303,563**	₱383,308	30-day; interest-free	Unsecured
SPPC	**–**	–	219,272	**–**	–	30-day; interest-free	Unsecured
SNAP-Magat	**110,432**	158,015	–	**8,722**	8,252	30-day; interest-free	Unsecured
SFELAPCO	**14,287**	23,592	–	**–**	5,237	30-day; interest-free	Unsecured
WMPC	**–**	–	328,000	**–**	–	30-day; interest-free	Unsecured
SNAP-Benguet	**–**	126,731	136,500	**–**	–	30-day; interest-free	Unsecured
	₱4,320,771	₱4,849,136	₱5,236,422	**₱312,285**	₱396,797		

g. Capitalized Construction and Rehabilitation Costs

	Purchases			Payable			
	2018	2017	2016	**2018**	2017	Terms	Conditions
Fellow Subsidiary							
Aboitiz Construction, Inc.	**₱399,105**	₱727,378	₱388,172	**₱–**	₱1,735	30-day; interest-free	Unsecured

h. Notes Receivable

	Interest Income			Receivable			
	2018	2017	2016	**2018**	2017	Terms	Conditions
Joint venture							
SACASUN (see Note 16)	**₱–**	₱151,040	₱847	**₱–**	₱–	Loan agreement; interest-bearing	Unsecured

Retirement Benefit Fund

The Company's retirement benefit fund is in the form of a trust being maintained and managed by ACO under the supervision of the BOT of the plan.

The Fund has a carrying amount and a fair value of ₱643.0 million and ₱771.8 million as of December 31, 2018 and 2017, respectively. The assets and investments of the Fund are as follows:

	2018	2017
Equity investments at FVTPL	**₱601,262**	₱–
Financial assets at amortized cost	**26,100**	–
Debt investments at FVOCI	**15,594**	–
Cash and fixed-income investments	**–**	292,490
AFS investments	**–**	479,344
	₱642,956	₱771,834

Fixed-income investments represent money market placements with maturities ranging from less than a year up to five years. AFS investments mainly comprise quoted equity securities which are carried at their fair values.

The Company's retirement benefit fund for its employees has investments in the equities of the Company and one of its subsidiaries. The carrying values of these investments as of

December 31, 2018 and 2017 and the gains of the Fund arising from such investments for the years then ended are as follows:

	2018		2017	
	Carrying Value	**Loss**	Carrying Value	Gains
AEV common shares	**₱75,135**	**(₱19,724)**	₱77,795	₱20,959
AP common shares	**300,436**	**(43,461)**	192,261	12,506

The above investments of the Fund were approved by the BOT. The voting rights over these equity securities are exercised by the chairman of the BOT.

Compensation of Key Management Personnel

	2018	2017	2016
Short-term benefits	**₱332,370**	₱305,642	₱239,477
Post-employment benefits	**17,658**	20,261	15,436
	₱350,028	₱325,903	₱254,913

35. **Financial Risk Management Objectives and Policies**

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

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

Risk Management Structure

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

Financial risk committee

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

Treasury service group

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

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

Market Risk

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

Interest rate risk

The Group's exposure to market risk for changes in interest rates relates primarily to its long-term debt obligations. To manage this risk, the Group determines the mix of its debt portfolio as a function of the level of current interest rates, the required tenor of the loan, and the general use of the proceeds of its various fund raising activities. As of December 31, 2018, 14.1% of the Group's long-term debt had annual floating interest rates ranging from 2.6% to 4.3%, and 85.9% are with fixed rates ranging from 4.0% to 9.0%. As of December 31, 2017, 16.5% of the Group's long-term debt had annual floating interest rates ranging from 2.0% to 10.5%, and 83.50% are with fixed rates ranging from 4.0% to 6.91%.

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

December 31, 2018

	Less than 1 year	**1-5 years**	**More than 5 years**	**Total**
Long-term debts				
Floating rate	**₱2,779,079**	**₱22,686,231**	**₱4,352,737**	**₱29,818,047**

December 31, 2017

	Less than 1 year	1-5 years	More than 5 years	Total
Long-term debts				
Floating rate	₱15,376,379	₱4,836,681	₱10,993,807	₱31,206,867

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

The interest expense recognized during the period is as follows:

	2018	2017	2016
Long-term debts (see Note 19)	**₱8,998,958**	₱8,059,734	₱4,583,953
Finance lease obligations (see Note 22)	**4,797,898**	4,757,379	4,794,801
Bank loans (see Note 17)	**765,276**	246,789	137,683
Long-term obligation on PDS and others	**74,313**	50,229	49,066
Customers' deposits (see Note 20)	**2,143**	3,231	2,494
	₱14,638,588	₱13,117,362	₱9,567,997

The interest income recognized during the period is as follows:

	2018	2017	2016
Cash and cash equivalents (see Note 4)	**₱1,451,344**	₱1,348,935	₱1,419,681
Others	**24,807**	26,760	17,252
	₱1,476,151	₱1,375,695	₱1,436,933

The following table demonstrates the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings) as of December 31, 2018, 2017 and 2016:

	Increase (decrease) in basis points	Effect on income before tax
2018	**200**	**(₱596,361)**
	(100)	**298,180**
2017	200	(₱624,137)
	(100)	312,069
2016	200	(₱800,284)
	(100)	400,142

The Group's sensitivity to an increase/decrease in interest rates pertaining to derivative instruments is expected to be insignificant in 2018, 2017 and 2016 due to their short-term maturities and immateriality relative to the total assets and liabilities of the Group.

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

Commodity Price Risk
Commodity price risk of the Group arises from transactions on the world commodity markets to secure the supply of fuel, particularly coal, which is necessary for the generation of electricity.

The Group's objective is to minimize the impact of commodity price fluctuations and this exposure is hedged in accordance with the Group's commodity price risk management strategy.

Based on a 36-month forecast of the required coal supply, the Group hedges the purchase price of coal using commodity swap contracts. The commodity swap contracts do not result in physical delivery of coal, but are designated as cash flow hedges to offset the effect of price changes in coal.

Foreign exchange risk
The foreign exchange risk of the Group pertains significantly to its foreign currency denominated borrowings, including obligations under finance lease. To mitigate the risk of incurring foreign exchange losses, foreign currency holdings are matched against the potential need for foreign currency in financing equity investments and new projects. As of December 31, 2018 and 2017, foreign currency denominated borrowings account for 29.17% and 27.84%, respectively, of total consolidated borrowings.

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

	2018		2017	
	US dollar	**Philippine peso Equivalent[1]**	US dollar	Philippine peso Equivalent[2]
Financial assets				
Cash and cash equivalents	**$342,461**	**₱18,006,600**	$572,576	₱28,588,732
Trade and other receivables	**120,235**	**6,321,968**	49,715	2,482,288
Investments in FVTPL, FVOCI and HTM securities	**11,131**	**585,272**	–	–
AFS Investments	**–**	**–**	5,863	292,740
Total financial assets	**473,827**	**24,913,840**	628,154	31,363,760
Financial liabilities				
Bank loans	**57,861**	**3,042,346**	11,785	588,440
Trade and other payables	**164,911**	**8,671,016**	62,033	3,097,290
Long-term debts	**257,956**	**13,563,350**	303,872	15,172,315
Finance lease obligations	**479,512**	**25,212,741**	519,370	25,932,144
Total financial liabilities	**960,240**	**50,489,453**	897,060	44,790,189
Net foreign currency denominated liabilities	**($486,413)**	**(₱25,575,613)**	($268,906)	(₱13,426,429)

[1]$1= ₱52.58
[2]$1= ₱49.93

The following table demonstrates the sensitivity to a reasonable possible change in the US dollar exchange rates, with all other variables held constant, of the Group's profit before tax as of December 31, 2018, 2017 and 2016.

Increase (decrease) in US dollar rate against the Philippine peso	Effect on income before income tax
US dollar strengthens by 5%	**(₱1,245,676)**
US dollar weakens by 5%	**1,245,676**
US dollar strengthens by 5%	(₱671,321)
US dollar weakens by 5%	671,321
US dollar strengthens by 5%	(₱2,894,587)
US dollar weakens by 5%	2,894,587

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

The following table presents LHC's and GMCP's foreign currency denominated assets and liabilities:

	2018		2017	
	Philippine Peso	**US Dollar Equivalent[1]**	Philippine Peso	US Dollar Equivalent[2]
Financial assets:				
Cash and cash equivalents	**₱1,212,747**	**$23,065**	₱784,566	$15,713
Trade and other receivables	**801,466**	**15,243**	383,606	7,683
	2,014,213	**38,308**	1,168,172	23,396
Financial liabilities:				
Trade and other payables	**608,306**	**11,569**	487,004	9,754
Net foreign currency denominated assets (liabilities)	**₱1,405,907**	**$26,739**	₱681,168	$13,642

[1]US$1 = ₱52.58
[2]US$1 = ₱49.93

The following tables demonstrate the sensitivity to a reasonable possible change in the US dollar exchange rate in relation to Philippine peso, with all variables held constant, of the Group's income before tax as of December 31:

2018	Effect on income before tax
US dollar appreciates against Philippine peso by 5.0%	**($1,337)**
US dollar depreciates against Philippine peso by 5.0%	**1,337**
2017	
US dollar appreciates against Philippine peso by 5.0%	($682)
US dollar depreciates against Philippine peso by 5.0%	682

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

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

As of December 31, 2018 and 2017, the Group's exposure to equity price risk is minimal.

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

Concentration risk
Credit risk concentration of the Group's receivables according to the customer category as of December 31, 2018 and 2017 is summarized in the following table:

	2018	2017
Power distribution:		
Industrial	**₱5,133,950**	₱4,573,703
Residential	**1,676,935**	1,083,524
Commercial	**778,623**	1,198,568
City street lighting	**30,006**	31,680
Power generation:		
Power supply contracts	**4,567,683**	7,815,795
Spot market	**2,533,211**	1,676,552
	₱14,720,408	₱16,379,822

The above receivables were provided with allowance for doubtful accounts amounting to ₱1.75 billion and ₱1.77 billion as of December 31, 2018 and 2017, respectively (see Note 5).

Maximum exposure to credit risk after collateral and other credit enhancements
The maximum exposure of the Group's financial instruments is equivalent to the carrying values as reflected in the consolidated balance sheets and related notes, except that the credit risk associated with the receivables from customers is mitigated because some of these receivables have collaterals.

Maximum exposure to credit risk for collateralized loans is shown below:

	2018			2017		
	Carrying Value	**Financial Effect of Collateral in Mitigating Credit Risk**	**Maximum Exposure to Credit Risk**	Carrying Value	Financial Effect of Collateral in Mitigating Credit Risk	Maximum Exposure to Credit Risk
Trade receivables:						
Power distribution	**₱7,619,514**	**₱7,619,514**	**₱–**	₱6,887,475	₱6,887,475	₱–

Financial effect of collateral in mitigating credit risk is equivalent to the fair value of the collateral or the carrying value of the loan, whichever is lower.

Credit quality

The credit quality per class of financial assets that are neither past due nor impaired is as follows:

December 31, 2018

	Neither past due nor impaired			**Past due or individually impaired**	
	High grade	**Standard grade**	**Sub-standard grade**		**Total**
Cash and cash equivalents	**₱59,033,029**	**₱–**	**₱–**	**₱–**	**₱59,033,029**
Restricted cash	**5,289,145**	**–**	**–**	**–**	**5,289,145**
Trade and other receivables					
Trade receivables					
Power	**10,327,887**	**8,857**	**162**	**4,380,668**	**14,717,574**
Food manufacturing	**180,251**	**662,935**	**748,507**	**1,322,266**	**2,913,959**
Real estate	**1,707,695**	**258,809**	**–**	**2,015,920**	**3,982,424**
Holding and others	**638,742**	**3,663,119**	**11,172**	**1,299,223**	**5,612,256**
Other receivables	**12,313,635**	**14,864**	**–**	**137,894**	**12,466,393**
Debt investments at amortized cost	**453,871**	**–**	**–**	**–**	**453,871**
Financial assets at FVTPL					
Quoted shares of stock	**341,664**	**–**	**–**	**–**	**341,664**
Unquoted shares of stock	**12,070**	**–**	**–**	**–**	**12,070**
Financial assets at FVOCI	**225,552**	**–**	**–**	**–**	**225,552**
Derivative asset	**292,828**	**–**	**–**	**–**	**292,828**
	₱90,816,369	**₱4,608,584**	**₱759,841**	**₱9,155,971**	**₱105,340,765**

December 31, 2017

	Neither past due nor impaired			Past due or individually impaired	
	High grade	Standard grade	Sub-standard grade		Total
Cash and cash equivalents	₱64,870,214	₱–	₱–	₱–	₱64,870,214
Restricted cash	2,642,327	–	–	–	2,642,327
Trade and other receivables					
Trade receivables					
Power	11,991,483	44,623	–	4,302,516	16,338,622
Food manufacturing	133,135	854,686	369,852	986,634	2,344,307
Real estate	1,491,846	505,713	–	1,656,740	3,654,299
Holding and others	605,144	169,196	14,456	123,884	912,680
Other receivables	3,179,071	58,876	–	242,029	3,479,976
AFS investments					
Quoted shares of stock	760,724	–	–	–	760,724
Unquoted shares of stock	12,070	–	–	–	12,070
HTM investments	189,216	–	–	–	189,216
Derivative asset	341,941	–	–	–	341,941
	₱86,217,171	₱1,633,094	₱384,308	₱7,311,803	₱95,546,376

	2018				2017
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total	Total
High grade	₱90,816,369	₱–	₱–	₱90,816,369	₱86,217,171
Standard grade	–	4,608,584	–	4,608,584	1,633,094
Substandard grade	–	759,841	–	759,841	384,308
Default	–	7,655,159	1,500,812	9,155,971	7,311,803
Gross carrying amount	90,816,369	13,023,584	1,500,812	105,340,765	95,546,376
Loss allowance	–	964,584	1,500,812	2,455,396	(1,956,174)
Carrying amount	₱90,816,369	₱12,059,000	₱–	₱102,885,369	₱93,590,202

High grade - pertain to receivables from customers with good favorable credit standing and have no history of default.

Standard grade - pertain to those customers with history of sliding beyond the credit terms but pay a week after being past due.

Sub-standard grade - pertain to those customers with payment habits that normally extend beyond the approved credit terms, and has high probability of being impaired.

The Group evaluated its cash and cash equivalents as high quality financial assets since these are placed in financial institutions of high credit standing.

With respect to AFS investments and derivative asset, the Group evaluates the counterparty's external credit rating in establishing credit quality.

The aging analysis per class of financial assets that are past due but not impaired is as follows:

December 31, 2018

			Past due but not impaired				
	Total	Neither past due nor impaired	Less than 30 days	31 days to 1 year	Over 1 year up to 3 years	Over 3 years	Impaired
Debt financial assets at amortized cost:							
Cash and cash equivalents	**₱59,033,029**	**₱59,033,029**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**
Restricted cash	**5,289,145**	**5,289,145**	**–**	**–**	**–**	**–**	**–**
Trade and other receivables							
Trade receivables							
Power	**14,717,574**	**10,336,906**	**949,185**	**1,681,492**	**–**	**–**	**1,749,991**
Food manufacturing	**2,913,959**	**1,591,693**	**621,213**	**601,622**	**–**	**–**	**99,431**
Real estate	**3,982,424**	**1,966,504**	**117,075**	**1,796,010**	**–**	**–**	**102,835**
Holding and others	**5,612,256**	**4,313,033**	**449,289**	**346,795**	**–**	**–**	**503,139**
Other receivables	**12,466,393**	**12,328,499**	**–**	**137,894**	**–**	**–**	**–**
Debt investments at amortized cost	**453,871**	**453,871**	**–**	**–**	**–**	**–**	**–**
Financial assets at FVTPL:							
Quoted shares of stock	**341,664**	**341,664**	**–**	**–**	**–**	**–**	**–**
Unquoted shares of stock	**12,070**	**12,070**	**–**	**–**	**–**	**–**	**–**
Financial assets at FVOCI	**225,552**	**225,552**	**–**	**–**	**–**	**–**	**–**
Derivative asset	**292,828**	**292,828**	**–**	**–**	**–**	**–**	**–**
	₱105,340,765	**₱96,184,794**	**₱2,136,762**	**₱4,563,813**	**₱–**	**₱–**	**₱2,455,396**

December 31, 2017

	Total	Neither past due nor impaired	Past due but not impaired: Less than 30 days	31 days to 1 year	Over 1 year up to 3 years	Over 3 years	Impaired
Loans and receivables							
Cash and cash equivalents	₱64,870,214	₱64,870,214	₱–	₱–	₱–	₱–	₱–
Restricted cash	2,642,327	2,642,327	–	–	–	–	–
Trade and other receivables							
Trade receivables							
Power	16,338,622	12,036,106	1,038,459	1,489,219	–	–	1,774,838
Food manufacturing	2,344,307	1,357,673	577,815	306,459	–	–	102,360
Real estate	3,654,299	1,997,559	255,975	1,338,732	–	–	62,033
Holding and others	912,680	788,796	–	107,264	–	–	16,620
Other receivables	3,479,976	3,237,947	127,831	113,875	–	–	323
AFS investments							
Quoted shares of stock	760,724	760,724	–	–	–	–	–
Unquoted shares of stock	12,070	12,070	–	–	–	–	–
HTM investments	189,216	189,216	–	–	–	–	–
Derivative asset	341,941	341,941	–	–	–	–	–
	₱95,546,376	₱88,234,573	₱2,000,080	₱3,355,549	₱–	₱–	₱1,956,174

Trade and other receivables that are individually determined to be impaired at the balance sheet date relate to debtors that are in significant financial difficulties and have defaulted on payments and accounts under dispute and legal proceedings.

Liquidity Risk

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

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

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

In managing its long-term financial requirements, the policy of the Group is that not more than 25% of long-term borrowings should mature in any twelve-month period. As of December 31, 2018 and 2017, the portion of the total long-term debt, inclusive of customers' deposits, that will mature in less than one year is 5.61% and 9.83%, respectively. For its short-term funding, the policy of the Group is to ensure that there are sufficient working capital inflows to match repayments of short-term debt.

Cash and cash equivalents and trade and other receivables, which are all short-term in nature, have balances of ₱59.0 billion and ₱33.8 billion as of December 31, 2018, respectively and of ₱64.9 billion and ₱24.2 billion as of December 31, 2017, respectively (see Notes 4 and 5). These financial assets will be used to fund short-term and operational liquidity needs of the Group.

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

December 31, 2018

	Total carrying value	**Contractual undiscounted payments**				
		Total	**On demand**	**Less than 1 year**	**1-5 years**	**> 5 years**
Financial liabilities:						
Operating						
Trade and other payables*	**₱34,578,483**	**₱34,578,483**	**₱2,472,160**	**₱31,966,847**	**₱139,476**	**₱–**
Customers' deposits	**6,127,788**	**6,127,788**	**–**	**24,546**	**99,408**	**6,003,834**
Financing						
Bank loans	**26,978,586**	**27,027,903**	**–**	**27,027,903**	**–**	**–**
Long-term debts	**211,432,367**	**309,677,645**	**–**	**42,126,194**	**129,514,140**	**138,037,311**
Obligations under finance lease	**46,894,355**	**66,433,090**	**–**	**9,052,200**	**41,790,990**	**15,589,900**
Long-term obligation on PDS	**213,496**	**400,000**	**–**	**40,000**	**200,000**	**160,000**
Others						
Derivative liabilities	**161,565**	**159,926**	**–**	**159,926**	**–**	**–**
	₱326,386,640	**₱444,404,835**	**₱2,472,160**	**₱110,397,616**	**₱171,744,014**	**₱159,791,045**

**Excludes statutory liabilities*

December 31, 2017

	Total carrying value	Contractual undiscounted payments				
		Total	On demand	Less than 1 year	1-5 years	> 5 years
Financial liabilities:						
Operating						
Trade and other payables*	₱21,636,503	₱21,636,503	₱1,573,803	₱19,465,764	₱596,936	₱–
Customers' deposits	6,269,383	6,269,383	–	600	89,703	6,179,080
Financing						
Bank loans	23,701,140	23,711,309	–	23,711,309	–	–
Long-term debts	189,087,047	240,997,376	–	26,867,224	117,503,925	96,626,227
Obligations under finance lease	49,225,254	73,496,465	–	8,813,700	38,927,175	25,755,590
Long-term obligation on PDS	226,071	440,000	–	40,000	200,000	200,000
Others						
Derivative liabilities	47,577	47,577	–	47,577	–	–
	₱290,192,975	₱366,598,613	₱1,573,803	₱78,946,174	₱157,317,739	₱128,760,897

**Excludes statutory liabilities*

Capital Management

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

Certain entities within the Group that are registered with the Board of Investments (BOI) are required to raise a minimum amount of capital in order to avail of their registration incentives. As of December 31, 2018 and 2017, these entities have complied with this requirement as applicable (see Note 38).

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

Gearing ratios of the Group as of December 31, 2018 and 2017 are as follows:

	2018	2017 (As restated)
Bank loans	**₱26,978,586**	₱23,701,140
Long-term obligations	**258,326,722**	238,312,301
Cash and cash equivalents (including restricted cash)	**(64,322,174)**	(67,512,541)
Net debt (a)	**220,983,134**	194,500,900
Equity	**217,263,531**	192,270,928
Equity and net debt (b)	**₱438,246,665**	₱386,771,828
Gearing ratio (a/b)	**50.42%**	50.29%

Part of the Group's capital management is to ensure that it meets financial covenants attached to long-term borrowings. Breaces in meeting the financial covenants would permit the banks to immediately call loans and borrowings. The Group is in compliance with the financial covenants attached to its long-term debt as of December 31, 2018 and 2017 (see Note 19).

No changes were made in the objectives, policies or processes during the years ended December 31, 2018 and 2017.

Financial and Other Risk Relating to Livestock

The Group is exposed to financial risks arising from the change in cost and supply of feed ingredients and the selling price of hogs, all of which are determined by constantly changing market forces of supply and demand, and other factors. The other factors include environmental regulations, weather conditions and livestock diseases which the Group has little control. The mitigating factors are listed below:

- The Group is subject to risks relating to its ability to maintain animal health status considering that it has no control over neighboring livestock farms. Livestock health problems could adversely impact production and consumer confidence. However, the Group monitors the health of its livestock on a daily basis and proper procedures are put in place.

- The livestock industry is exposed to risk associated with the supply and price of raw materials, mainly grain prices. Grain prices fluctuate depending on the harvest results. The shortage in the supply of grain will result in adverse fluctuation in the price of grain and will ultimately increase production cost. The Group monitors the prices of grains regularly. The formulation of feeds at a least cost being done by the Group considers the appropriate nutrients the hogs need. It is the Group's policy not to enter into forward contracts until a firm commitment is in place.

36. **Financial Instruments**

Fair Value of Financial Instruments

Fair value is defined as the amount at which the financial instrument could be sold in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in a forced liquidation or sale. Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models, as appropriate.

A financial instrument is regarded as quoted in an active market if quoted prices are readily available from an exchange, dealer, broker, pricing services or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis. For a financial instrument with an active market, the quoted market price is used as its fair value. On the other hand, if transactions are no longer regularly occurring even if prices might be available and the only observed transactions are forced transactions or distressed sales, then the market is considered inactive. For a financial instrument with no active market, its fair value is determined using a valuation technique (e.g. discounted cash flow approach) that incorporates all factors that market participants would consider in setting a price.

Set out below is a comparison by category of carrying amounts and fair values of the Group's financial instruments whose fair values are different from their carrying amounts.

	2018		2017	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial asset:				
PSALM deferred adjustment	**₱4,225,900**	**₱3,889,099**	₱–	₱–
Financial liabilities				
Obligations under finance lease	**₱46,894,355**	**₱40,495,647**	₱49,225,254	₱43,462,850
Long-term debt - fixed rate	**181,614,320**	**174,822,840**	157,880,180	151,225,731
PSALM deferred adjustment	**4,225,950**	**3,889,099**	–	–
Long-term obligation on PDS	**213,496**	**278,801**	226,071	326,655
	₱232,948,121	**₱219,486,387**	₱207,331,505	₱195,015,236

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

Cash and cash equivalents, trade and other receivables and trade and other payables

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

Finance lease obligations

The fair value of the finance lease obligation was calculated by discounting future cash flows using discount rates of 2.33% to 2.73% for dollar payments and 5.26% to 6.67% for peso payments in 2018; and 1.48% to 2.42% for dollar payments and 3.28% to 4.25% for peso payments in 2017.

Fixed-rate borrowings
The fair value of fixed rate interest-bearing loans is based on the discounted value of future cash flows using the applicable rates for similar types of loans. Interest-bearing loans were discounted using credit-adjusted interest rates ranging from 3.15% to 7.53% in 2018 and 3.10% to 6.17% in 2017. The disclosed fair value is determined using Level 3 inputs.

Variable-rate borrowings
Where the repricing of the variable-rate interest-bearing instruments is frequent (i.e., three-month repricing), the carrying value approximates the fair value. Otherwise, the fair value is determined by discounting the principal plus the known interest payment using current market rates.

Long-term obligation on PDS and PSALM deferred adjustment
The fair value of the long-term obligations on PDS is calculated by discounting expected future cash flows at prevailing market rates. Discount rates used in discounting the obligation ranges from 4.32% to 7.49% in 2018 and 2.70% to 4.66% in 2017.

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

AFS investments in 2017
These are carried at cost less impairment because fair value cannot be determined reliably due to the unpredictable nature of cash flows and lack of suitable methods of arriving at reliable fair value.

Financial assets at FVTPL in 2018
These equity securities are carried at fair value.

Derivative asset and liabilities
The fair value is calculated by reference to prevailing interest rate differential and spot exchange rate as of valuation date, taking into account its remaining term to maturity. The Group enters into derivative financial instruments with financial institutions with investment grade credit ratings. Derivative valued using a valuation technique with market observable inputs pertains to a foreign exchange forward contract. The most applied valuation technique is forward pricing. The model incorporates various inputs including the credit quality of counterparty and foreign exchange spot and forward rates.

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

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

Interest rate swaps (IRS)
In August 2012, LHC entered into an interest rate swap agreement effective October 31, 2012 to fully hedge its floating rate exposure on its US dollar denominated loan. Under the interest rate

swap agreement, LHC, on a semi-annual basis, pays a fixed rate of 1.505% per annum and receives variable interest at 6-month LIBOR plus margin. The interest payments and receipts are based on

the outstanding USD notional amount simultaneous with the interest payments on the hedged loan. Similar with the hedged loan, the interest rate swap has amortizing notional amounts which cover a period up to final maturity. LHC designated the swap as a cash flow hedge.

As of December 31, 2018, the outstanding notional amount and derivative asset as a result of the swap amounted to US$16.6 million and ₱19.6 million respectively. As of December 31, 2017, the outstanding notional amount and derivative asset as a result of the swap amounted to US$22.2 million and ₱15.8 million, respectively.

GMCP (see Note 9), has an interest rate swap agreement to hedge the variability in the interest cash flows on the entire amount of its Onshore - Tranche B loans (see Note 19). Under the swap agreement, GMCP pays a fixed rate of 4.37% and receives 6-month LIBOR rate, semi-annually from January 29, 2010 until March 29, 2021. GMCP designated the swap as a cash flow hedge. On September 29, 2017, the IRS agreement was terminated following the prepayment of the loan (see Note 19). As a result of the termination, the outstanding value of the derivative liability amounting to US$4.5 million was derecognized in cumulative translation adjustments.

On September 29, 2017, GMCP entered into an IRS agreement to hedge the variability in the interest cash flows on the entire amount of its LIBOR Loan (see Note 19), which bears interest based on six-month US LIBOR. Under the swap agreement, GMCP pays a fixed rate of 2.18% and receives six-month US LIBOR rate, semi-annually from March 29, 2018 until September 27, 2024. The interest rate swap settlement dates coincide with the semi-annual interest payment dates of the NFA. GMCP designated the swap as a cash flow hedge.
As of December 31, 2018, the outstanding notional amount and derivative asset as a result of the swap amounted to US$288.5 million and ₱272.2 million, respectively. As of December 31, 2017, the outstanding notional amount and derivative asset as a result of the swap amounted to US$300.0 million and ₱49.9 million, respectively.

Interest rate cap (IRC)
GMCP (see Note 9), has an interest rate cap to hedge the variability in the interest cash flows above a certain maximum interest rate on the outstanding amount of its Onshore - Tranche A loans (see Note 19). The IRC has an outstanding notional amount of US$34.4 million, and a derivative liability amount of ₱19.5 million, as of December 31, 2016. Under the IRC agreement, GMCP will receive an amount based upon the outstanding notional amount and the excess of the 6-month LIBOR over the 2.00% cap rate and pays a fixed interest of 0.69% as a premium for the IRC on each settlement date. If the 6-month LIBOR is below 2.00%, no payment will be received by GMCP. The settlement dates shall be on semi-annual basis from March 29, 2015 until March 29, 2021. GMCP designated the swap as a cash flow hedge. On September 29, 2017, the IRC agreement was terminated following the prepayment of the loan (see Note 19). As a result of the termination, the outstanding value of the derivative asset was derecognized in cumulative translation adjustments.

Foreign currency forward contracts
On November 26, 2015, Hedcor Bukidnon entered into a deliverable forward contract to manage its foreign currency risks associated with its Euro denominated purchases. As of December 31, 2017 and 2016, the outstanding sell U.S. Dollar buy Euro forward contract has an aggregate notional of €2.5 million and €6.4 million, respectively. The maturity of the derivatives begins on December 21, 2015 until April 25, 2018.

On November 26, 2015, Hedcor Bukidnon also entered into a non-deliverable forward contract to manage its exposure to exchange rate fluctuations associated with US dollar denominated purchases. As of December 31, 2017, the contract has an aggregate notional amount of US$2.6 million, respectively that will be fully settled within 2018.

Hedcor Bukidnon designated these foreign currency hedging transactions as cash flow hedges.

Par forward contracts
TLI entered into short-term forward contracts with counterparty banks to manage foreign currency risks associated with foreign currency-denominated liabilities and purchases. As of December 31, 2018 the aggregate notional amount of the par forward contract is US$ 4.83 million.

In 2015, TVI entered into par forward contracts to hedge the foreign currency risk arising from the forecasted US Dollar denominated payments under the Engineering, Procurement Construction (EPC) contract related to the construction of a power plant. As of December 31, 2018 and 2017, the aggregate notional amount of the par forward contracts is US$16.8 million and US$23.7 million, respectively.

In 2014, the Group's Joint Operation entered into par forward contracts to hedge the foreign currency risk arising from the forecasted US Dollar denominated payments under the EPC contract related to the construction of a power plant. The par forward contracts were designated as cash flow hedges. As of December 31, 2017, the aggregate notional amount of the par forward contracts is ₱254.3 million, these were fully settled in 2018.

AP enters into short-term forward contracts with counterparty banks to manage foreign currency risks associated with foreign currency-denominated liabilities and purchases. As of December 31, 2017, the aggregate notional amount of the par forward contract is US$39.0 million, these were fully settled in 2018.

Commodity swap contracts
TLI entered into commodity swap contracts to hedge the price volatility of forecasted coal purchases. The commodity swaps do not result in physical delivery of coal, but are designated as cash flow hedges to offset the effect of price changes in coal. TLI hedges approximately 30% of its expected coal purchases considered to be highly probable. There is an economic relationship between the hedged items and the hedging instruments as the terms of the foreign currency forward and commodity swap contracts match the terms of the expected highly probable forecasted transactions.

There is an economic relationship between the hedged items and the hedging instruments as the terms of the foreign currency forward, IRS and commodity swap contracts match the terms of the expected highly probable foreign currency denominated forecasted purchases and floating rate loans. The Group has established a hedge ration of 1:1 for the hedging relationships as the underlying risk of the foreign currency forward, IRS and commodity swap contracts are identical to the hedged risk components. To test the hedge effectiveness, the Group uses the hypothetical derivative technique and compares the changes in the fair value of the hedging instruments against the changes in fair value of the hedged items attributable to the hedged risks.

The hedge ineffectiveness can arise from:

- Different reference prices linked to the hedged risk of the hedged items and hedging instruments
- Differences in the timing of the cash flows of the hedged items and the hedging instruments
- The counterparties' credit risk differently impacting the fair value movements of the hedging instruments and hedged items
- Changes to the forecasted amount of cash flows of hedged items and hedging instruments

The Company is holding the following hedging instruments designated as cash flow hedges as of December 31, 2018:

	Maturity					
	Less than 3 months	**3 to 6 months**	**6 to 12 months**	**1 to 2 years**	**More than 2 years**	**Total**
As at 31 December 2018						
IRS - Derivative Assets						
Notional amount (in PHP)	552,090	115,676	725,604	1,144,930	13,503,858	16,042,158
Average fixed interest rate (%)	2.18%	1.51%-2.18%	1.51%-2.18%	1.51%-2.18%	1.51%-2.18%	
Foreign Currency Forward Contracts - Derivative Assets						
Notional amount (in PHP)	–	61,118	–	–	–	61,118
Average forward rate (in PHP)	54	55	55	56	57	
Foreign Currency Forward Contracts - Derivative Liability						
Notional amount (in PHP)	975,740	752,345	933,916	1,372,435	798,837	4,833,273
Average forward rate (in PHP)	54	55	55	56	57	
Commodity swaps - Derivative Asset						
Notional amount (in metric tonnes)	47,000	103,000	161,000	150,000	70,000	531,000
Notional amount (in PHP)	212,949	484,425	749,278	695,381	330,607	2,472,640
Average hedged rate (in PHP per metric tonne)	4,531	4,703	4,654	4,636	4,723	
Commodity swaps - Derivative Liability						
Notional amount (in metric tonnes)	86,000	44,000	289,000	150,000	151,000	720,000
Notional amount (in PHP)	486,652	248,709	1,608,393	800,799	775,024	3,919,577
Average hedged rate (in PHP per metric tonne)	5,659	5,652	5,565	5,339	5,133	

The impact of the hedging instruments on the consolidated balance sheet as of December 31, 2018 is, as follows:

	As at 31 December 2018			
	Notional amount	**Carrying amount**	**Line Item in the consolidated balance sheet**	**Change in fair value used for measuring ineffectiveness for the period**
IRS	₱16,042,158	₱291,763	Derivative asset	₱272,185
Forward exchange currency forwards	61,118	210	Derivative asset	(539)
Forward exchange currency forwards	4,833,273	(118,596)	Derivative liability	(228,658)
Commodity swaps	2,472,640	1,200	Derivative asset	22,141
Commodity swaps	3,919,576	(40,311)	Derivative liability	(154,829)

The impact of the hedged item on the consolidated balance sheet as at December 31, 2018 is as follows:

	31 December 2018	
	Change in fair value used for measuring ineffectiveness	**Derivative asset (liability)**
Highly probable forecasted purchases		
Foreign currency hedge	(₱229,658)	₱117,304
Commodity price hedge	(132,688)	39,923
Purchases		
Foreign currency hedge	(539)	–
Floating rate loans		
IRS	272,185	168,841

The effect of the cash flow hedge in the consolidated statement of income and other comprehensive income for the year ended December 31, 2018 is, as follows:

	Year ended 31 December 2018		
	Total hedging gain/(loss) recognized in other comprehensive income	Ineffectiveness recognized in profit or loss	Line item in the consolidated statement of income
Highly probable forecasted purchases			
Foreign currency hedge	(₱117,304)	(₱1,291)	Other income (expense) - net
Commodity price hedge	(39,923)	(7,138)	Other income (expense) - net
Highly probable forecasted purchases			
Foreign currency hedge	–	(539)	Other income (expense) - net
Floating rate loans			
IRS	168,841	2,095	Other income (expense) - net

The movements in fair value changes of all derivative instruments for the year ended December 31, 2018 and 2017 are as follows:

	2018	2017
At beginning of year	**₱294,364**	(₱69,016)
Net changes in fair value of derivatives designated as cash flow hedges	**(125,642)**	105,483
Net changes in fair value of derivatives not designated as accounting hedges	**(72,252)**	5,339
Derecognition recognized in cumulative translation adjustments	**–**	240,960
Fair value of settled instruments	**36,432**	11,598
At end of year	**₱132,902**	₱294,364

The net gains and losses from the net fair value changes of derivatives not designated as accounting hedges are included as “Net foreign exchange gain (losses)” under “Other income (expense) - net”.

The changes in the fair value of derivatives designated as accounting hedges were deferred in equity under “Cumulative translation adjustments.”

The net movement of changes to cumulative translation adjustment relating to revaluation of derivatives is as follows:

	2018	2017
Balance at beginning of year (net of tax)	**₱139,879**	(₱176,936)
Changes in fair value recorded in equity	**203,751**	75,935
	343,630	(101,001)
Derecognition	**–**	147,881
Transfers to construction in progress	**(77,180)**	(57,959)
Changes in fair value transferred to profit or loss	**(7,579)**	127,328
Balance at end of year before deferred tax effect	**258,871**	116,249
Deferred tax effect	**2,507**	23,630
Balance at end of year (net of tax)	**₱261,378**	₱139,879

The Group has not bifurcated any embedded derivatives as of December 31, 2018 and 2017.

Fair Value Hierarchy

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

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

As of December 31, 2018 and 2017, the Group held the following financial instruments that are measured and carried or disclosed at fair value:

December 31, 2018

	Total	**Level 1**	**Level 2**	**Level 3**
Carried at fair value:				
Investments in financial assets:				
At FVTPL	**₱353,734**	**₱353,734**	**₱–**	**₱–**
At FVOCI	**225,552**	**225,552**	**–**	**–**
Derivative asset	**292,828**	**–**	**292,828**	**–**
Derivative liability	**161,565**	**–**	**161,565**	**–**
Disclosed at fair value:				
Finance lease obligations	**33,469,188**	**–**	**–**	**33,469,188**
Long-term debt - fixed rate	**174,822,840**	**–**	**–**	**174,822,840**
Long-term obligation on PDS	**326,655**	**–**	**–**	**326,655**

December 31, 2017

	Total	Level 1	Level 2	Level 3
Carried at fair value:				
AFS investments	₱760,724	₱760,724	₱–	₱–
Derivative asset	341,941	–	341,941	–
Derivative liability	47,577	–	47,577	–
Disclosed at fair value:				
Finance lease obligations	43,462,850	–	–	43,462,850
Long-term debt - fixed rate	151,225,731	–	–	151,225,731
Long-term obligation on PDS	326,655	–	–	326,655

During the years ended December 31, 2018 and 2017, there were no transfers between level 1 and level 2 fair value measurements and transfers into and out of level 3 fair value measurement.

37. Notes to Consolidated Statement of Cash Flows

The following are the cash flow movements of the Group's financing liabilities in 2018 and 2017:

			Non-cash Changes						
	January 1, 2018	**Net cash flows**	**Amortized deferred financing costs**	**Foreign exchange movement**	**Changes in fair values**	**Accreted interest**	**First-time consolidated liabilities**	**Others**	**December 31, 2018**
Current interest-bearing loans and borrowings, excluding obligations under finance leases	**₱44,463,470**	**(₱20,333,648)**	**₱258,968**	**(₱48,560)**	**₱–**	**₱–**	**₱2,228,136**	**₱11,153,195**	**₱37,721,561**
Current obligations under finance leases	**3,316,165**	**(7,804,460)**	**–**	**–**	**–**	**–**	**–**	**8,619,354**	**4,131,059**
Non-current interest-bearing loans and borrowings, excluding obligations under finance leases	**168,550,788**	**39,157,476**	**198,372**	**1,800,851**	**–**	**–**	**2,366,786**	**(11,171,384)**	**200,902,889**
Non-current obligations under finance leases	**45,909,089**	**–**	**–**	**873,546**	**–**	**4,600,015**	**–**	**(8,619,354)**	**42,763,296**
Derivatives	**47,577**	**–**	**–**	**–**	**113,988**	**–**	**–**	**–**	**161,565**
Total liabilities from financing activities	**₱262,287,089**	**₱11,019,368**	**₱457,340**	**₱2,625,837**	**₱113,988**	**₱4,600,015**	**₱4,594,922**	**(₱18,189)**	**₱285,680,369**

			Non-cash Changes					
	January 1, 2017	Net cash flows	Amortized deferred financing costs	Foreign exchange movement	Changes in fair values	Accreted interest	Others	December 31, 2017
Current interest-bearing loans and borrowings, excluding obligations under finance leases	₱15,997,289	(₱36,121,212)	₱38,913	₱97,555	₱–	₱–	₱64,450,925	₱44,463,470
Current obligations under finance leases	2,968,491	(7,877,292)	–	–	–	–	8,224,966	3,316,165
Non-current interest-bearing loans and borrowings, excluding obligations under finance leases	189,381,881	43,968,605	504,732	727,105	(6,776)	28,823	(66,053,583)	168,550,787
Non-current obligations under finance leases	49,371,713	–	–	97,139	–	4,665,203	(8,224,966)	45,909,089
Derivatives	360,877	–	–	–	(313,300)	–	–	47,577
Total liabilities from financing Activities	₱258,080,251	(₱29,899)	₱543,645	₱921,799	(₱320,076)	₱4,694,026	(₱1,602,658)	₱262,287,088

38. Registrations with the Board of Investments (BOI)

a. Power Segment

Certain power generation companies in the Group have been registered with the BOI. Accordingly, they are entitled to, among others, ITH incentives covering four (4) to seven (7) years. The ITH shall be limited only to sales/revenue generated from sales of electricity of the power plant and revenues generated from the sales of carbon emission reduction credits. To be able to avail of the incentives, the companies are required to maintain a minimum equity level. As of December 31, 2018 and 2017, these companies have complied with the requirements.

b. Food Manufacturing Segment

- *PILMICO*

  On October 9, 2015, the BOI approved the registration of Pilmico's feedmill plant expansion as "Expanding Producer of Animal Feeds" (2015-210) on a nonpioneer status under the Omnibus Investment Code of 1987. Among others, said registration entitles PILMICO to three-year ITH from January 2016 or actual start of commercial operations, whichever is earlier, and importation of capital equipment at zero duty for a period of five years.

- *PANC*

  PANC has been registered with the BOI and granted the following incentives:
  - ITH for a period of three to four years;

Type of Registration	BOI Approval Date	Start of ITH Period	ITH Period
Expanding producer of hogs	March 19, 2014	July 2014[1]	3 years
Expanding Producer of Animal Feeds	June 24, 2016	July 2016[1]	3 years
New Producer of Table Eggs and By- Products	April 7, 2015	October 2015[1]	4 years
New Producer of Hogs and Pork Meat	July 16, 2017	July 2017[1]	3years

[1] *Or actual start of commercial operations, whichever is earlier, but not earlier than registration date,*

  - Importation of capital equipment at zero duty for a period of five years from date of registration;
  - Other tax and duty exemptions on purchase of certain inventories.

  As of December 31, 2018, PANC has complied with the terms and conditions indicated in the above BOI registrations.

c. Infrastructure Segment

On January 24, 2018, the BOI approved Apo Agua's application for registration as new operator of Bulk Water Supply (Davao City Bulk Water Project) under the 2017 IPP on a non-pioneer status under Omnibus Investments Code of 1987. The BOI issued the Certificate of Registration on April 12, 2018 which entitles Apo Agua to an ITH of four years from February 2022 or actual start of commercial operations, whichever is earlier but availment shall in no case be earlier than the date of registration.

39. **Rate Regulation, Power Supply and Other Agreements**

a. Certain subsidiaries are subject to the ratemaking regulations and regulatory policies by the ERC.

b. Steam Supply Agreement

On May 26, 2013, APRI's steam supply contract with Chevron Geothermal Philippines Holdings, Inc. (CGPHI) shifted to a Geothermal Resource Sales Contract (GRSC). The change is due to an existing provision under the government's existing contract with CGPHI when the Tiwi-Makban facilities were bidded out under the former's privatization program. Under the GRSC, the effective steam price of APRI payable to CGPHI will be at a premium to coal.

To ensure that APRI will continue to remain competitive in the market, a two-month interim agreement supplementing the GRSC was implemented on August 4, 2013 and extended until August 25, 2018. On August 24, 2018, a new contract was signed by the Company and Philippine Geothermal Production Company, Inc. which aims to ensure long-term operations of both parties. The Geothermal Resources Supply and Services Agreement took effect August 26, 2018.

Total steam supply cost incurred by APRI, reported as part of "Cost of generated power" amounted to ₱5.23 billion in 2018, ₱4.98 billion in 2017 and ₱4.11 billion in 2016.

b. Coal Supply Agreements (CSA)

TLI enters into short-term CSA. Outstanding coal supply agreements as of December 31, 2018 have aggregate supply amounts of 1,840,000 MT (equivalent dollar value is estimated to be at US$210 million) which are due for delivery from January 2019 to December 2019. Terms of payment are by letter of credit where payment is due at sight against presentation of documents, and by telegraphic transfer where payment is due within 7 days from receipt of original invoice.

GMCP has a current coal supply agreement with PT Arutmin Indonesia (Seller) for the delivery of coal, which is effective until November 2, 2019. In addition, a supply backstop deed was included in the CSA wherein PT Kaltim Prima Coal (Obligor) irrevocably and unconditionally undertakes for the benefit of GMCP the due and punctual performance of the Seller of each and all of their obligations, duties and undertakings pursuant to the coal supply agreement, when and such obligations, duties and undertakings shall become due and performable according to the terms of the CSA; provided that the undertaking of the Obligor hereunder shall be limited to 1,000,000 tonnes of substitute coal per delivery year.

d. Lease Agreements

- *APRI*

  On May 25, 2009, APRI entered into a lease agreement with PSALM for a parcel of land owned by the latter on which a portion of the assets purchased under the Asset Purchase Agreement (APA) is situated. The lease term is for a period of twenty-five (25) years commencing from the Closing Date as defined in the APA which falls on May 25, 2009. The rental fees for the whole term of 25 years amounting to ₱492.0 million were paid in full after the receipt by APRI of the Certificate of Effectivity on the lease. Total land lease charged to operations amounted to ₱19.7 million in 2018, 2017 and 2016.

- *GMCP*

  In August 2007, a 25-year lease agreement with Authority of the Freeport Area of Bataan for land at Bataan Economic Zone, used as an access road and right of way for electric power transmission lines.

  In January 2010, a 50-year land lease agreement with PMR Group Retirement Plan, Inc. (PGRPI), used for its power plant facilities. GMCP, upon mutual agreement of PGRPI, has the right and option to extend the lease for a period of twenty-five years. In August 2016, GMCP entered into another lease agreement with PGRPI for land to be used for staff house.

- *Sacasun*

  Sacasun entered into a contract for lease of land where the power plant is located. The contract pertains to rent for 25 years renewable upon mutual agreement by the parties. Prepaid rent amounts to ₱51.5 million and ₱50.8 million as of December 31, 2018 and 2017, respectively (see Note 7).

- *HI, HTI and HSI*

  HI, HTI and HSI entered into contracts with various lot owners for lease of land where their power plants arelocated. Terms of contract are for a period of 1 to 50 years renewable upon mutual agreement by the parties.

- *Therma Mobile*
  On April 26, 2014, a 10-year lease for portions of the breakwater area of the Navotas Fishport Complex (NFPC), including the mooring facility, marine and land transmission lines.

- *EAUC*
  Lease agreement with PEZA for a piece of land located inside Mactan Economic Zone for its power plant facilities.

- *TPVI*
  TPVI entered into a contract for lease of land where the power plant is located. The contract pertains to rent for 25 years renewable upon mutual agreement by the parties. Prepaid rent amounts to ₱516.0 million as of December 31, 2018 (see Notes 7, 16 and 41g).

Future minimum lease payments under the non-cancellable operating leases of GMCP, Sacasun, HI, HTI, HSI, Therma Mobile, EAUC and TPVI are as follows (amounts in millions):

	2018	2017
Not later than 1 year	**₱292.9**	₱252.3
Later than 1 year but not later than 5 years	**749.5**	736.7
Later than 5 years	**6,039.2**	5,619.7

Total lease charged to operations related to these contracts amounted to in ₱263.5 million in 2018, ₱163.7 million in 2017 and ₱38.5 million in 2016 (see Note 27).

e. Joint Venture Agreement
On March 17, 2015, Apo Agua entered into a Joint Venture Agreement (JVA) with the Davao City Water District (DCWD) in accordance with the Guidelines and Procedures for Entering into JVAs between Government and Private Entities issued by the National Economic Development Authority. Based on the JVA, Apo Agua shall undertake the development and operations of a treated bulk water supply facility while the DCWD shall assign a water permit to Apo Agua to enable it to operate the treated bulk water supply facility that shall generate revenues, primarily from the supply of treated bulk water to the DCWD. The principal place of business of the joint venture shall be in Davao City.

Pursuant to the JVA, Apo Agua entered into a Bulk Water Purchase Agreement (BWPA) with the DCWD for the supply and delivery of treated bulk water to the latter.

Under the BWPA, Apo Agua shall supply and deliver to the DCWD an agreed volume of Treated Bulk Water sourced from the Tamuga River, for a delivery period of thirty (30) years beginning on the first day of the operations of the Facility. Under the BWPA, the Apo Agua shall be entitled to a fixed rate per cubic meter of water delivered, subject to an annual rate adjustment that is based on the Annual Inflation Rate as determined by the National Statistical Coordination Board. The ownership, commissioning, operation, and management of the Facility required for the delivery of the Treated Bulk Water to the DCWD shall be vested in Apo Agua. Although the legal title to these assets shall remain with Apo Agua at the end of the concession period, the concession period is for the entire estimated useful life of the assets.

40. **Contingencies**

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

AP obtained standby letters of credit (SBLC) and is acting as surety for the benefit of certain associates and a subsidiary in connection with loans and credit accommodations. It provided SBLC for STEAG, SNAP-Magat, SNAP-Benguet, and CEDC in the amount of ₱1.02 billion in 2018, ₱1.04 billion in 2017 and ₱1.15 billion in 2016.

41. **Other Matters**

a. Renewable Energy Act of 2008
On January 30, 2009, R.A. No. 9513, *An Act Promoting the Development, Utilization and Commercialization of Renewable Energy Resources and for Other Purposes*, which shall be known as the "Renewable Energy Act of 2008" (the Act), became effective. The Act aims to (a) accelerate the exploration and development of renewable energy resources such as, but not limited to, biomass, solar, wind, hydro, geothermal and ocean energy sources, including hybrid systems, to achieve energy self-reliance, through the adoption of sustainable energy development strategies to reduce the country's dependence on fossil fuels and thereby minimize the country's exposure to price fluctuations in the international markets, the effects of which spiral down to almost all sectors of the economy; (b) increase the utilization of renewable energy by institutionalizing the development of national and local capabilities in the use of renewable energy systems, and promoting its efficient and cost-effective commercial application by providing fiscal and non-fiscal incentives; (c) encourage the development and utilization of renewable energy resources as tools to effectively prevent or reduce harmful emissions and thereby balance the goals of economic growth and development with the protection of health and environment; and (d) establish the necessary infrastructure and mechanism to carry out mandates specified in the Act and other laws.

As provided for in the Act, renewable energy (RE) developers of RE facilities, including hybrid systems, in proportion to and to the extent of the RE component, for both power and non-power applications, as duly certified by the DOE, in consultation with the BOI, shall be entitled to incentives, such as, ITH, duty-free importation of RE machinery, equipment and materials, zero percent VAT rate on sale of power from RE sources, and tax exemption of carbon credits, among others.

b. EPIRA of 2001
RA No. 9136 was signed into law on June 8, 2001 and took effect on June 26, 2001. The law provides for the privatization of NPC and the restructuring of the electric power industry. The Implementing Rules and Regulations (IRR) were approved by the Joint Congressional Power Commission on February 27, 2002.

R.A. No. 9136 and the IRR impact the industry as a whole. The law also empowers the ERC to enforce rules to encourage competition and penalize anti-competitive behavior.

R.A. No. 9136, the EPIRA, and the covering IRR provides for significant changes in the power sector, which include among others:

i. The unbundling of the generation, transmission, distribution and supply and other disposable assets of a company, including its contracts with IPPs and electricity rates;
ii. Creation of a WESM; and
iii. Open and non-discriminatory access to transmission and distribution systems.

The law also requires public listing of not less than 15% of common shares of generation and distribution companies within 5 years from the effectivity date of the EPIRA. It provides cross ownership restrictions between transmission and generation companies and a cap of 50% of its demand that a distribution utility is allowed to source from an associated company engaged in generation except for contracts entered into prior to the effectivity of the EPIRA.

There are also certain sections of the EPIRA, specifically relating to generation companies, which provide for a cap on the concentration of ownership to only 30% of the installed capacity of the grid and/or 25% of the national installed generating capacity.

c. Temporary Restraining Order (TRO) affecting Power Generation Companies trading in WESM

On December 19, 2013, Bayan Muna representatives filed a Petition for Certiorari against the ERC and the Manila Electric Company (MERALCO) with the Supreme Court (SC). On December 20, 2013, National Association of Electricity Consumers for Reforms filed a Petition for Certiorari and/or Prohibition against MERALCO, ERC and DOE. These cases raised and questioned, among others, the alleged substantial increase in MERALCO's power rates for the billing period of November 2013, the legality of Sections 6, 29 and 45 of the EPIRA, the failure of ERC to protect consumers from the high energy prices and the perceived market collusion of the generation companies.

These cases were consolidated by the SC which issued a TRO for a period of 60 days from December 23, 2013 to February 21, 2014, preventing MERALCO from collecting the increase in power rates for the billing period of November 2013. The TRO was subsequently extended for another 60 days ending April 22, 2014 by the SC. Thereafter, the TRO was extended indefinitely.

MERALCO, in turn, filed a counter-petition impleading generation companies supplying power to the WESM. The SC also ordered all the parties in the consolidated cases to file their respective pleadings in response to MERALCO's counter-petition. The Supreme Court set the consolidated cases for oral arguments last January 21, February 4 and 11, 2014. After hearing, all parties were ordered to file their comments and/or memorandum. The case is now submitted for resolution.

As a result of the TRO, Meralco has not been able to fully bill its consumers for the generation costs for the supply month of November 2013; and in turn, it has not been able to fully pay its suppliers of generation costs. As of December 31, 2018, the SC has not lifted the TRO.

d. <u>Imposition of financial penalties on Therma Mobile by the Philippine Electricity Market Corporation (PEMC)</u>

This case involves an investigation of Therma Mobile in the dispatch of its power barges during the November and December 2013 supply period. As a result of the Meralco price hike case brought before the SC, the SC ordered the ERC to investigate anti-competitive behavior and abuse of market power allegedly committed by some WESM participants.

PEMC conducted the investigation under the "Must-Offer" rules of the WESM Rules.

PEMC initially found that Therma Mobile violated the "Must-Offer Rule" during the period under investigation. In its letter dated January 30, 2015, the PEM Board imposed financial penalties amounting to ₱234.9 million on Therma Mobile. According to the PEM Board, the penalties will be collected from Therma Mobile through the WESM settlement process.

Therma Mobile maintains that there is no basis for the PEMC decision. It did not violate the Must-Offer Rule, for the period ended, as it was physically impossible for Therma Mobile to transmit more than 100MW to Meralco. Although Therma Mobile's rated capacity is 234 MW (Net), it could only safely, reliably and consistently deliver 100MW during the November and December 2013 supply period because of transmission constraints. Therma Mobile's engines and transmission lines were still undergoing major repairs to address issues on post rehabilitation.

Last February 13, 2015, Therma Mobile filed a notice of dispute with the PEMC to refer the matter to dispute resolution under the WEM Rules and the WESM Dispute Resolution Market Manual.

Therma Mobile also filed a Petition for the Issuance of Interim Measures of Protection with the Regional Trial Court (RTC) of Pasig to hold off enforcement of the payment of the penalties during the pendency of the Therma Mobile and PEMC dispute resolution proceedings. Last February 24, 2015, the RTC issued in favor of Therma Mobile an ex parte 20-day Temporary Order of Protection directing PEMC to refrain from (a) demanding and collecting from Therma Mobile the ₱234.9 million financial penalty; (b) charging and accruing interest on the financial penalty; and (c) transmitting the PEMC-ECO investigation report to the ERC.

On April 1, 2015, the RTC granted the prayer for the issuance of Writ of Preliminary Injunction, which ruling was assailed by the PEMC and elevated to the Court of Appeals (CA) via Petition for Review. On December 15, 2015, the CA issued a Decision confirming the RTC's findings.

On June 6, 2016, PEMC filed a petition before the SC questioning the CA's Decision. TMO also filed its Comment on the Petition on November 14, 2016. On June 1, 2017, TMO received the SC Notice dated March 29, 2017. In the Resolution, the SC noted TMO's Comment and PEMC's Reply. As of December 31, 2018, the petition is still pending resolution with the SC.

e. <u>Therma Marine Case</u>

In 2013, ERC issued Final Approval of various ESAs of Therma Marine with some modifications on ERC's provisionally approved rates which directed both parties to devise a scheme for the refund of the difference between the final and the provisionally approved rates.
On November 25, 2013, ERC issued its order for Therma Marine to refund the amount of ₱180.0 million to its customers for a period of 6 months with equal installments per month.

On August 27, 2014, ERC issued an order directing NGCP to refund its customers the amount of ₱12.7 million and the corresponding VAT for a period of twelve months. As such, Therma Marine will refund the said amount to NGCP and the latter will refund the same to its customers.

In 2015, ERC issued Provisional Approvals (PA) on ESA contracts extensions with capacity fees lower than the previously approved rates. Therma Marine filed MRs on these PAs. During the last quarter of 2015, ERC issued Final Approvals on some of these ESA's sustaining the decision in the PA's, thus Therma Marine filed MRs on the final decisions. As of December 31, 2018, there has been no resolution on the MRs on the Final Approvals.

f. ERC Case No. 2013-077 MC

On August 29, 2013, MERALCO filed a petition for dispute resolution against TLI/APRI, among other Successor Generating Companies ("SGCs") under ERC Case No. 2013-077 MC. The case arose from a claim of refund of the alleged over charging of transmission line losses pursuant to the ERC Order dated March 4, 2013 and July 1, 2013 in ERC Case No. 2008-083 MC.

On September 20, 2013, TLI, together with the other SGCs, filed a Joint Motion to Dismiss arguing that MERALCO's petition should be dismissed for failure to state a cause of action and ERC's lack of jurisdiction over the subject matter of the case. The SGCs and Meralco have filed their respective comments, reply, rejoinder and sur-rejoinder after the filing of the Joint Motion to Dismiss. The Joint Motion to Dismiss has since then been submitted for resolution with the ERC. As of December 31, 2018, the ERC has yet to render its decision on the Joint Motion to Dismiss.

g. Sergio Osmeña III vs. PSALM, Emmanuel R. Ledesma, Jr., SPC Power Corporation (SPC) and Therma Power Visayas, Inc. (TPVI)

In 2009, SPC acquired through a negotiated bid the 153.1MW Naga Land-Based Gas Turbine Power Plant ("Naga Plant") in Naga, Cebu. In the same year, it entered into a Land Lease Agreement (LLA) with PSALM, which includes SPC's right to top (RTT) the price of a winning bidder for the sale of any property in the vicinity of the leased premises.

PSALM subsequently bid out the Naga Plant located in the leased premises. On April 30, 2014 and after two failed biddings, PSALM issued a Notice of Award to TPVI for submitting the highest bid for the Naga Plant. SPC wrote PSALM of its intent to exercise its RTT the winning bid, on the condition that the LLA would be for a term of 25 years from closing date.

Senator Sergio Osmeña III filed with the Supreme Court (SC) a Petition for Certiorari and Prohibition with prayer for issuance of a TRO and/or Writ of Preliminary Injunction dated June 16, 2014 (the "Case") with PSALM, Emmanuel R. Ledesma, SPC and TPVI as respondents to enjoin PSALM from making the award of the Naga Plant to SPC. In his petition, Sen. Osmeña argued that the RTT should be held invalid as it defeats the purpose of a fair and transparent bidding for a government asset and it discourages interested bidders considering the unfair advantage given to SPC.

On July 25, 2014, PSALM awarded the contract to SPC, despite TPVI's objection on the ground that SPC did not validly exercise its right to top because of its qualified offer. Thereafter, an APA for the Naga Plant was executed between PSALM and SPC.

On September 28, 2015, the SC declared in the Case that the RTT and the APA executed in favor of SPC are null and void. The parties thereafter filed various motions for reconsideration which the SC subsequently denied.

On March 16, 2016, TPVI filed its Manifestation/Motion praying that the Notice of Award dated April 30, 2014 be reinstated and that respondent PSALM be ordered to execute the Asset Purchase Agreement ("NPPC-APA"), Land Lease Agreement ("NPPC-LLA") and other documents to implement TPVI's acquisition of the Naga Plant.

On April 6, 2016, the SC issued a Resolution that required PSALM and SPC to comment on TPVI's Manifestation/Motion. In the same Resolution, the SC denied the motion for leave to file and admit SPC's second motion for reconsideration and referral to the SC en banc.

On July 19, 2016, TPVI filed its Manifestation with Omnibus Motion to clarify the motion dated March 16, 2016 and for early resolution. TPVI prayed that the SC Decision dated September 28, 2015 be clarified, and if necessary, be amended to include in its "fallo" that the Notice of Award in favor of TPVI be reinstated.

In response to various motions, the SC issued a Notice of Judgment and Resolution dated October 5, 2016 clarifying that the nullification of SPC's right to top did not invalidate the entire bidding process. Thus, the SC ordered the reinstatement of the Notice of Award dated April 30, 2014 in favor of TPVI. Further, the SC annulled and set aside the APA and the LLA executed between SPC and PSALM and directed PSALM to execute with dispatch the NPPC-APA and the NPPC-LLA in favor of TPVI.

On October 26, 2016, SPC filed an Urgent Motion for Reconsideration with Alternative Motion to Refer to the En Banc of the SC. SPC reiterated its prayer for the reversal of the October 5, 2016 Resolution, denial of TPVI's Manifestation/Motion and for the conduct of a new round of bidding for the Naga Plant. PSALM also filed its Motion for Reconsideration with Leave and prayed that the SC's October 5, 2016 Resolution be re-examined and/or reconsidered.

In its Resolution dated November 28, 2016, the SC denied SPC's and PSALM's motions for reconsideration (of the October 5, 2016 Resolution) with finality. The SC ordered that no further pleadings, motions, letters, or other communications shall be entertained in the Case, and it ordered the issuance of Entry of Judgment.

Notwithstanding the above SC Resolution, SPC filed its Motion for Leave to File and Admit (Motion for Reconsideration dated 9 December 2016) with attached Motion for Reconsideration dated December 9, 2016. Thereafter, SPC filed its Supplemental Motion/Petition for Referral to the Banc dated January 16, 2017.

On February 14, 2017, TPVI received a copy of the Entry of Judgment which states that the October 5, 2016 Resolution of the SC has become final and executory on November 28, 2016.

In May 2018, TPVI received the Certificate of Effectivity (COE) from PSALM initiating the purchase of the facility. The COE implements the September 28, 2015 decision of the SC, which upheld the April 30, 2014 award of the facility to TPVI. Pursuant to the NPPC-APA, on

July 16, 2018 ("Closing date"), the Joint Certificate of Turn-Over was signed and issued and the facility was formally turned-over to TPVI.

TPVI paid a total amount of ₱1.03 billion for the NPPC-APA and NPPC-LLA and ₱495.97 million for the inventories upon implementation of the acquisition of the Naga Power Plant.

h. <u>DLP Case</u>
On December 7, 1990, certain customers of DLP filed before the then Energy Regulatory Board (ERB) a letter-petition for recovery claiming that with the SC's decision reducing the sound appraisal value of DLP's properties, DLP exceeded the 12% Return on Rate Base (RORB). The ERB's order dated June 4, 1998, limited the computation coverage of the refund from January 19, 1984 to December 14, 1984. No amount was indicated in the ERB order as this has yet to be recomputed.

The CA, in Court of Appeals General Register Special Proceeding (CA-GR SP) No. 50771, promulgated a decision dated February 23, 2001 which reversed the order of the then ERB, and expanded the computation coverage period from January 19, 1984 to September 18, 1989.

The SC in its decision dated November 30, 2006 per GR150253 reversed the CA's decision CA-GR SP No. 50771 by limiting the period covered for the refund from January 19, 1984 to December 14, 1984, approximately 11 months. The respondent/customers filed a Motion for Reconsideration with the SC, which was denied with finality by the SC in its Order dated July 4, 2007.

The SC, following its decision dated November 30, 2006, ordered the ERC to proceed with the refund proceedings instituted by the respondents with reasonable dispatch.
On March 17, 2010, the ERC directed DLP to submit its proposed scheme in implementing the refund to its customers. In compliance with the order, the DLP filed its compliance stating that DLP cannot propose a scheme for implementing a refund as its computation resulted to no refund.

A clarificatory meeting was held where DLP was ordered to submit its memoranda.

On October 4, 2010, in compliance with the ERC directive, DLP submitted its memoranda reiterating that no refund can be made. After which, no resolution has been received by DLP from the ERC as of December 31, 2018.

i. <u>LHC Franchise Tax Assessment</u>
In 2007, the Provincial Treasurer of Benguet issued a franchise tax assessment against LHC, requiring LHC to pay franchise tax amounting to approximately ₱40.4 million, inclusive of surcharges and penalties covering the years 2002 to 2007. In 2008, LHC has filed for a petition for the annulment of the franchise tax assessment, based primarily on the fact that LHC is not liable for franchise tax because it does not have a franchise to operate the business. Section 6 of R.A. No. 9136 provides that power generation shall not be considered a public utility operation. As such, an entity engaged or which shall engage in power generation and supply of electricity shall not be required to secure a national franchise. Accordingly, no provision has been made in the consolidated financial statements. The case remains pending as of December 31, 2018.

j. Retail Competition and Open Access

The EPIRA mandates the implementation of Retail Competition and Open Access (RCOA) subject to the fulfilment of the conditions as provided in the EPIRA. The ERC was tasked under the EPIRA Implementing Rules and Regulations to declare, after due notice and public hearing, the initial implementation of RCOA. Through the RCOA, eligible customers will have the option to source their electricity from eligible suppliers that have secured Retail Electricity Supplier (RES) licenses from the ERC. End users with a monthly average peak demand of at least 1 Megawatt (MW) for the preceding 12 months are eligible to be contestable customers. The 1 MW qualification would gradually be reduced upon evaluation of the ERC.

In June 2011, after due notice and public hearings, the ERC declared December 26, 2011 as the date to mark the commencement of the full operation of RCOA in Luzon and Visayas. However, due to deficiencies in the rules and guidelines governing the RCOA at that time, the December 26, 2011 commencement date was deferred several times until an interim system commenced on July 26, 2013.

The DOE and ERC have issued and revised several circulars, rules and resolutions on the implementation of the RCOA and the issuance of RES licences, including a Code of Conduct, Rules on Contestability, and Rules on RES Licencing.

On February 21, 2017, the SC issued a TRO enjoining the DOE and ERC from implementing the following issuances:

1. DOE Circular No. DC-2015-06-0010 or the DOE Circular Providing Policies to Facilitate the Full Implementation of RCOA in the Philippine Electric Power Industry;
2. ERC Resolution No. 5, Series of 2016 or the Rules Governing the Issuance of Licenses to RES and Prescribing the Requirements and Conditions Therefor;
3. ERC Resolution No. 10, Series of 2016 or a Resolution adopting the Revised Rules for Contestability;
4. ERC Resolution No. 11, Series of 2016 or a Resolution Imposing Restrictions on the Operations of DUs and RES in the Competitive Retail Electricity Market; and
5. ERC Resolution No. 28, Series of 2016 or the Revised Timeframe for Mandatory Contestability, Amending Resolution No. 10, Series of 2016, entitled Revised Rules of Contestability.

The TRO effectively enjoined the DOE and the ERC from imposing the mandatory migration of end-users with average monthly peak demand of at least 1MW and 750 kW on 26 February 2017 and 26 June 2017, respectively, and barring Local RESs and DUs from supplying electricity to the Contestable Market.

Due to the TRO, no new or renewed RES licenses were issued by the ERC due to the perceived risk of being declared in contempt by the SC. The renewal of PEI, AEI and AESI's RES licenses remain pending before the ERC. The application for RES licenses of TLI and APRI are likewise pending.

On November 29, 2017, DOE issued Department Circular No. 2017-12-0013, which provides, among other things, for voluntary participation of Contestable Customers in the Retail Market. On the same date, DOE issued Department Circular No. 2017-12-0014, which provides, among other things, the guidelines on the licensing of RES. Both DOE Circulars enjoin the ERC to promote the supporting guidelines to the DOE Circulars. Once the ERC promulgates these rules, approval of RES license applications and renewals can be expected.

k. PSALM deferred adjustment

Deferred Accounting Adjustments (DAA)
The ERC issued a Decision dated March 26, 2012 which granted PSALM DAA pertaining to GRAM and ICERA and in its Order dated June 20, 2017, the ERC authorized PSALM to implement the methodology for the recovery/refund of the approved DAA.

Upon Private Electric Power Operators Association's (PEPOA) motion, the ERC, in an Order dated October 19, 2017, deferred the implementation of the approved DAA pending clarification by the ERC of the queries raised in the motion for clarification.

In its Order dated December 19, 2017, the ERC clarified that the GRAM and ICERA DAA are deferred adjustments, which were incurred by PSALM/NPC in supplying energy during the corresponding period; thus, it should be recovered/refunded by PSALM/NPC to its customers. Hence, the Distribution Utilities (DUs) are not just mere collectors of the said DAA but these are charges that they should pay to NPC/PSALM and charged to their customers as part of their generation charge. In the same Order, the ERC directed the DUs to resume the implementation of the GRAM and ICERA starting the January 2018 billing period.

Automatic Cost Recovery Mechanism (ACRM)
On June 20, 2017, the ERC issued its Decision, authorizing PSALM to recover/refund the True-up Adjustments of Fuel and Purchased Power Costs and Foreign Exchange-Related Costs effective its next billing period.

In an Order dated October 19, 2017, the implementation of the ACRM was deferred to the January 2018 billing period pending the evaluation of the clarifications raised in PEPOA's letter and motion and on 19 December 2017, the Commission issued an Order directing PSALM and the DUS to abide with the clarifications issued by the Commission.

42. Events after the Reporting Period

To comply with the requirements of Section 43 of the Corporation Code, on March 7, 2019, the BOD approved the declaration of a regular cash dividend of ₱1.32 per share (₱7.44 billion) to all stockholders of record as of March 21, 2019. These dividends will be taken out of the unrestricted retained earnings as of December 31, 2018, and will be paid on April 5, 2019. Said declaration is in compliance with the Company's policy of distributing a regular dividend equivalent to at least 33% of previous year's consolidated net income.

The Group received approval from the Philippine Competition Commission on February 28, 2019 for the acquisition of the 49% voting stake and 60% economic stake in AA Thermal, Inc. for a total cash consideration of $579.2 million (Base price, subject to adjustment at closing). The Group expects to close the acquisition shortly upon receipt of all conditions precedent.

ABOITIZ EQUITY VENTURES, INC.
AND SUBSIDIARIES

Supplementary Schedules
to the Financial Statements
Required by the Securities and Exchange Commission
For the Year Ended December 31, 2018

and

Independent Auditor's Report

Philippine
Pesos

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

Supplementary Schedules Required
By the Securities and Exchange Commission
As of and for the Year Ended December 31, 2018

NA: NOT APPLICABLE

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

SCHEDULE A - FINANCIAL ASSETS

AS OF DECEMBER 31, 2018
(Amounts in Thousands)

Name of Issuing Entity	Number of Shares	Amount Shown in the Balance Sheet	Value Based on Market Quotation at Balance Sheet Date	Income Received or Accrued
Cash In Bank				
ANZ	Not applicable	P 67,343	Not applicable	P -
Agri Bank, Song Than	Not applicable	2,617	Not applicable	2
Agriculutre Bank of China	Not applicable	152,493	Not applicable	121
Allied Bank	Not applicable	-	Not applicable	8
Asian United Bank	Not applicable	144	Not applicable	4
Banco de Oro	Not applicable	6,040,803	Not applicable	17,821
Bangkok Bank Public Company Limited	Not applicable	6,842	Not applicable	13
Bank Central Asia	Not applicable	52,662	Not applicable	241
Bank Mandiri	Not applicable	3,268	Not applicable	39
Bank Muamalat	Not applicable	8,570	Not applicable	-
Bank of China	Not applicable	56,377	Not applicable	88
Bank of Commerce	Not applicable	647	Not applicable	9
Bank of the Philippine Islands	Not applicable	788,212	Not applicable	16,257
BDO Private Bank, Inc.	Not applicable	906	Not applicable	11
BDO Unibank, Inc.	Not applicable	-	Not applicable	5,039
China Banking Corporation	Not applicable	-	Not applicable	37,488
China Merchants Bank	Not applicable	5,545	Not applicable	11
China Trust Banking Corporation	Not applicable	-	Not applicable	40,852
Citibank	Not applicable	5,047	Not applicable	-
City Savings Bank	Not applicable	943	Not applicable	75,534
Commerce International Merchant Bankers Berhad (CIMB)	Not applicable	58,939	Not applicable	2
Development Bank of the Philippines	Not applicable	10,828	Not applicable	1
Eastwest Banking Corporation	Not applicable	-	Not applicable	52
Hongkong Shanghai Banking Corporation	Not applicable	1,000,049	Not applicable	1,608
ING Bank N.V.	Not applicable	359,581	Not applicable	-
JP Morgan	Not applicable	3,151	Not applicable	34
Kasikom bank	Not applicable	1,942	Not applicable	32
Landbank of the Philippines	Not applicable	22,221	Not applicable	40
Malayan Banking Berhad	Not applicable	2,672	Not applicable	-
Maybank Corporation	Not applicable	157	Not applicable	139
MCB bank	Not applicable	3	Not applicable	-
Meezan Bank Limited	Not applicable	10,657	Not applicable	-
Metropolitan Bank and Trust Company	Not applicable	276,616	Not applicable	953
MFTB Bank	Not applicable	281	Not applicable	-
Mizuho Corporatet Bank, Ltd.	Not applicable	437	Not applicable	3
OCBC	Not applicable	914	Not applicable	-
One Network Bank	Not applicable	6,478	Not applicable	-
PB Com	Not applicable	182	Not applicable	9
Philippine Business Bank	Not applicable	-	Not applicable	7
Philippine National Bank	Not applicable	69,361	Not applicable	475

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ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

SCHEDULE A - FINANCIAL ASSETS

AS OF DECEMBER 31, 2018
(Amounts in Thousands)

Name of Issuing Entity	Number of Shares	Amount Shown in the Balance Sheet	Value Based on Market Quotation at Balance Sheet Date	Income Received or Accrued
Philippine Veterans Bank	Not applicable	455	Not applicable	-
PT Bank Permata	Not applicable	46	Not applicable	-
Rich Bank	Not applicable	277	Not applicable	-
Rizal Commercial Banking Corporation	Not applicable	71,399	Not applicable	361
Robinson's Bank	Not applicable	-	Not applicable	27
Rural Credit Cooperatives Association	Not applicable	311	Not applicable	1
Sacombank	Not applicable	47,663	Not applicable	95
Security Bank Corporation	Not applicable	316,850	Not applicable	48,784
Standard Chartered Bank	Not applicable	284,034	Not applicable	659
Sterling Bank of Asia	Not applicable	-	Not applicable	27
The Bank of China Construction	Not applicable	9,945	Not applicable	20
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	Not applicable	879	Not applicable	2
The Siam Commercial Bank Public Company Limited	Not applicable	148	Not applicable	5
Union Bank of the Philippines	Not applicable	4,652,364	Not applicable	61,633
United Coconut Planters Bank	Not applicable	-	Not applicable	27
Vietcom Bank	Not applicable	84,099	Not applicable	173
Vietinbank	Not applicable	7,073	Not applicable	6
Vietnam Joint Stock Commercial Bank	Not applicable	130,984	Not applicable	85
T O T A L		**P 14,623,415**		**P 308,798**
Money Market Placements				
ANZ Bank	Not applicable	P -	Not applicable	P 61
Banco de Oro	Not applicable	3,246,735	Not applicable	48,481
BDO Private Bank, Inc.	Not applicable	50,000	Not applicable	3,903
Bangko Sentral ng Pilipinas	Not applicable	1,157,368	Not applicable	-
Bank of the Philippine Islands	Not applicable	1,957,088	Not applicable	25,277
Bank Muamalat Malaysia Berhad	Not applicable	22,897	Not applicable	1,453
China Trust Banking Corporation	Not applicable	1,730,028	Not applicable	56,308
City Savings Bank	Not applicable	10,833,126	Not applicable	205,965
Deutsche Bank Manila	Not applicable	-	Not applicable	957
Hongkong & Shanghai Banking Corporation	Not applicable	121,472	Not applicable	889
HSBC Bank Malaysia Berhad	Not applicable	7,501	Not applicable	91
First Metro Investment Corporation	Not applicable	-	Not applicable	1,402
JP Morgan	Not applicable	227,244	Not applicable	10,300
Metropolitan Bank and Trust Company	Not applicable	272,835	Not applicable	64,297
Philippine National Bank	Not applicable	7,991	Not applicable	65
Rizal Commercial Banking Corporation	Not applicable	9,161	Not applicable	-
Security Bank Corporation	Not applicable	4,277,323	Not applicable	104,340
Mizuho Corporate Bank, Ltd.	Not applicable	1,495,170	Not applicable	18,162
Sacombank, Dong Thap branch - VND	Not applicable	132,970	Not applicable	2,714
Vietinbank	Not applicable	-	Not applicable	22,817
Vietcombank	Not applicable	2,269	Not applicable	-

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

SCHEDULE A - FINANCIAL ASSETS

AS OF DECEMBER 31, 2018
(Amounts in Thousands)

Name of Issuing Entity	Number of Shares	Amount Shown in the Balance Sheet	Value Based on Market Quotation at Balance Sheet Date	Income Received or Accrued
Union Bank of the Philippines	Not applicable	18,614,981	Not applicable	574,915
T O T A L		**P 44,166,159**		**P 1,142,397**
Trade Receivables				
Power	Not applicable	P 14,717,574	Not applicable	Not applicable
Real estate	Not applicable	3,982,424	Not applicable	Not applicable
Food manufacturing	Not applicable	2,913,959	Not applicable	Not applicable
Holding and others	Not applicable	5,612,256	Not applicable	Not applicable
T O T A L		**P 27,226,213**		
Other Receivables				
Advances to contractors	Not applicable	P 148,300	Not applicable	Not applicable
Dividends receivable	Not applicable	665,783	Not applicable	Not applicable
Accrued revenues	Not applicable	3,493,246	Not applicable	Not applicable
Non-trade receivables	Not applicable	6,967,769	Not applicable	Not applicable
Others	Not applicable	1,191,295	Not applicable	Not applicable
T O T A L		**P 12,466,393**		
Financial assets at FVTPL				
Publicly-listed:				
Empire East Land, Inc.	4,377,063	P 2,123	P 2,123	P -
Megaworld Properties, Inc.	1,842,750	8,753	8,753	-
Filinvest Development Corporation	160,316	1,892	1,892	12
Filinvest Land, Inc.	303,515	428	428	19
Others	623,303	12,754	-	-
Non-publicly-listed:				
Cebu Holdings, Inc.	1	1,038	-	-
Cebu Country Club	3	9,600	-	-
Equitable Banking Corporation	8,050	793	-	-
Philippine Long Distance and Telephone Company	44,344	560	-	-
Others	1,002,882	57,217	-	-
Investment in Exchange Traded Funds/Unit Investment Trust Fund				
Union Bank of the Philippines	2,050,350	199,895	199,895	-
Banco de Oro	-	58,681	-	10,802
T O T A L		**P 353,734**	**P 213,091**	**P 10,833**

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

SCHEDULE C - AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS

AS DECEMBER 31, 2018
(Amounts in Thousands)

Name and Designation of Debtor	Beginning Balance	Additions	Deductions: Amounts Collected	Deductions: Amounts Written Off	Current	Non-Current	Ending Balance
TRADE							
Pilmico Animal Nutrition Corporation	**P 1,438**	P -	P (498)	P -	P 940	P -	**P 940**
Pilmico Foods Corporation	**-**	1,437	-	-	1,437	-	**1,437**
Cebu Praedia Development Corporation	**8**	-	(8)	-	-	-	**-**
Aboitiz Infracapital, Inc.	**4,127**	20,333	-	-	24,460	-	**24,460**
APO Agua Infrastructura Inc. Total	**-**	3,585	-	-	3,585	-	**3,585**
Lima Water Coporation	**571**	632	(571)	-	632	-	**632**
Weather Solutions, Inc.	**44**	3,243	-	-	3,287	-	**3,287**
PETNET, Inc.	**595**	-	(595)	-	-	-	**-**
Aboitizland, Inc.	**5,113**	17,844	(6,562)	-	16,395	-	**16,395**
Cebu Industrial Park Developers, Inc.	**44**	312	(244)	-	112	-	**112**
Lima Land, Inc.	**224**	825	-	-	1,049	-	**1,049**
Aboitiz Power Corporation	**34,354**	-	(28,495)	-	5,859	-	**5,859**
Aboitiz Energy Solutions, Inc.	**36**	40	(1)	-	75	-	**75**
Aboitiz Power Distributed Energy, Inc.	**-**	1,028	-	-	1,028	-	**1,028**
Aboitiz Power Distributed Renewables, Inc.	**-**	459	-	-	459	-	**459**
Aboitiz Renewables, Inc.	**43,211**	-	(43,211)	-	-	-	**-**
Advent Energy, Inc.	**-**	16		-	16	-	**16**
AP Renewables, Inc.	**(791)**	4,265	(750)	-	2,724	-	**2,724**
Aseagas Corporation	**-**	397		-	397	-	**397**
Balamban Enerzone Corp.	**20**	36	(24)	-	32	-	**32**
Cebu Private Power Corporation	**86**	32	-	-	118	-	**118**
Cotabato Ice Plant, Inc.	**(727)**	727	(732)	-	(732)	-	**(732)**
Cotabato Light and Power Company	**444**	56	(39)	-	461	-	**461**
Davao Light and Power Co., Inc.	**(297)**	2,664	(225)	-	2,142	-	**2,142**
East Asia Utilities Corp.	**399**	-	(267)	-	132	-	**132**
Hedcor Bukidnon, Inc.	**674**	254	-	-	928	-	**928**
Hedcor Sabangan, Inc.	**85**	-	(25)	-	60	-	**60**
Hedcor Sibulan, Inc.	**795**	1,975	-	-	2,770	-	**2,770**
Hedcor Tudaya, Inc.	**79**	108	-	-	187	-	**187**
Hedcor, Inc.	**2,543**	336	(19)	-	2,860	-	**2,860**
Lima Enerzone Corporation	**3,179**	-	(3,122)	-	57	-	**57**
Luzon Hydro Corporation	**387**	-	(98)	-	289	-	**289**
Mactan Enerzone Corporation	**297**	-	(252)	-	45	-	**45**
Manila-Oslo Renewable Enterprise, Inc.	**445**	-	(323)	-	122	-	**122**
Prism Energy, Inc.	**-**	554	-	-	554	-	**554**
San Carlos Sun Power, Inc.	**211**	80	-	-	291	-	**291**
SN Aboitiz Power - Benguet, Inc.	**634**	437	-	-	1,071	-	**1,071**
SN Aboitiz Power - Generation, Inc.	**14**	-	(6)	-	8	-	**8**
SN Aboitiz Power - Magat, Inc.	**-**	1,050	-	-	1,050	-	**1,050**
Steag State Power Inc	**-**	9	-	-	9	-	**9**
Subic Enerzone Corporation	**2,619**	-	(2,090)	-	529	-	**529**
Therma Luzon, Inc.	**(820)**	9,378	(1,001)	-	7,557	-	**7,557**
Therma Marine, Inc.	**839**	2,065	-	-	2,904	-	**2,904**
Therma Mobile, Inc.	**297**	-	(167)	-	130	-	**130**
Therma Visayas, Inc.	**4,536**	-	(1,154)	-	3,382	-	**3,382**
Therma Power, Inc.	**90**	-	(90)	-	-	-	**-**
Therma South, Inc.	**3,769**	-	(2,077)	-	1,692	-	**1,692**
Visayan Electric Co., Inc.	**99,759**	-	(20,860)	-	78,899	-	**78,899**
NON-TRADE							
AEV Aviation, Inc.	**-**	4,032	-	-	4,032	-	**4,032**
Cebu Praedia Development Corporation	**131,458**	814	(61,458)	-	60,814	10,000	**70,814**
Pilmico Foods Corporation	**295,812**	5,178	(5,812)	-	5,178	290,000	**295,178**
Adventenergy, Inc.	**300,000**	3,459	-	-	3,459	300,000	**303,459**
Therma Power, Inc.	-	631,574	-	-	631,574	-	**631,574**
Total	**P 936,601**	**P 719,234**	**P (180,776)**	**P -**	**P 875,059**	**P 600,000**	**P 1,475,059**

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

SCHEDULE D - INTANGIBLE ASSETS AND OTHER ASSETS

AS OF DECEMBER 31, 2018
(Amount in Thousands)

Description	Beginning Balance	Additions At Cost	DEDUCTIONS Charged to Costs and Expenses	Charged to Other Accounts	Other Changes Additions (Deductions)	Discontinued Operation	Ending Balance
A. Intangibles							
Goodwill	P 41,308,689	P 14,953,222	P -	P -	P -	P -	P 56,261,911
Intangible asset - service concession right	3,062,307	961,827	(361,484)	-	128,727	-	3,791,377
B. Other Noncurrent Assets							
Input VAT and tax credit receivable	6,765,238	-	(1,302,255)	-	-	-	5,462,983
PSALM deferred adjustment - net of current portion	-	3,183,089					3,183,089
Intangible assets:							
Franchise	2,725,693	-	(76,961)	-	-	-	2,648,732
Project development costs	395,419	594,315	(405,603)	-	(1,036)	-	583,095
Software and licenses	171,644	86,948	(94,457)	-	200,872	-	365,007
Customer contracts	42,838	-	(15,409)	-	-	-	27,429
Prepaid rent and other deposits	1,171,570	450,992	(28,387)	-	1,632,720	-	3,226,895
Advances to contractors and projects	2,215,456	-	(1,116,709)	-	-	-	1,098,747
Biological assets	144,263	-	(10,119)	-	-	-	134,144
Others	1,005,830	179,016	-	-	-	-	1,184,846
Total	**P59,008,947**	**P20,409,409**	**(P3,411,384)**	**P0**	**P1,961,283**	**P0**	**P77,968,255**

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

SCHEDULE E - LONG-TERM DEBT

AS OF DECEMBER 31, 2018
(Amounts in Thousands)

Name of Issuer and Type of Obligation	Amount Authorized by Indentures	Amount Shown as Current	Amount Shown as Long-Term	Remarks
Parent Company:				
First Metro Investment Corporation	7,971,222	-	7,971,222	
BPI Capital Corporation	23,890,997	-	23,890,997	
Subsidiaries:				
Aboitiz Power Corporation	22,997,821	-	22,997,821	
AP Renewables, Inc.	9,207,164	1,209,185	7,997,979	
Hedcor, Inc.	1,827,786	88,414	1,739,372	
Hedcor Bukidnon, Inc.	9,213,643	534,379	8,679,264	
Hedcor Sibulan, Inc.	3,863,854	93,118	3,770,736	
Cotabato Light and Power Company	146,250	29,850	116,400	
Davao Light & Power Company, Inc.	731,250	149,250	582,000	
Subic Enerzone Corporation	169,500	56,500	113,000	
Pagbilao Energy Corporation	14,222,533	1,074,642	13,147,891	
Luzon Hydro Corporation	873,422	288,106	585,316	
Therma South, Inc.	21,175,346	1,282,338	19,893,008	
Therma Visayas, Inc.	31,193,746	-	31,193,746	
GNPower Mariveles Coal Plant Ltd. Co.	41,162,331	3,692,622	37,469,709	
Visayan Electric Company	973,045	199,000	774,045	
Pilmico Foods Corporation	2,800,893	1,322,144	1,478,749	
Pilmico Animal Nutrition Corp.	2,670,000	38,764	2,631,236	
AEV International and subsidiaries	13,563,350	644,662	12,918,688	
Aboitiz Infra Capital	2,778,214	-	2,778,214	
Total	**P211,432,367**	**P10,702,974**	**P200,729,393**	

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

SCHEDULE H - CAPITAL STOCK

AS OF DECEMBER 31, 2018
(Amounts in Thousands)

Title of Issue	Number of Shares Authorized	Number of Shares Issued and Outstanding	Number of Shares Reserved for Options, Warrants, Conversions, and Other Rights	Number of Shares Held By		
				Affiliates	Directors, Officers and Employees	Others
COMMON SHARES	9,600,000	5,632,793	-	2,737,173	280,228	2,615,392
PREFERRED SHARES	400,000	-	-	-	-	-

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

SCHEDULE I - TRADE AND OTHER RECEIVABLES FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS

AS DECEMBER 31, 2018
(Amounts in Thousands)

	Balances			Volume			
Related Party	Trade	Non-trade	Total	Sales	Rental	Advances	Terms
TRADE							
Pilmico Animal Nutrition Corporation	P 940	P -	P 940	P 13,883	P 3	P -	30 days
Pilmico Foods Corporation	1,437	-	1,437	349,624	596	-	30 days
Cebu Praedia Development Corporation	-	-	-	2,556	-	-	30 days
AEV Aviation, Inc.	-	-	-	2,462	1	-	30 days
Aboitiz Infracapital, Inc.	24,460	-	24,460	32,645	774	-	30 days
APO Agua Infrastructura Inc. Total	3,585	-	3,585	5,759	81	-	30 days
Lima Water Coporation	632	-	632	1,286	-	-	30 days
Weather Solutions, Inc.	3,287	-	3,287	1,607	-	-	30 days
PETNET, Inc.	-	-	-	2,554	24	-	30 days
Aboitizland, Inc.	16,395	-	16,395	50,923	70	-	30 days
Cebu Industrial Park Developers, Inc.	112	-	112	2,199	-	-	30 days
Lima Land, Inc.	1,049	-	1,049	3,987	-	-	30 days
Misamis Oriental Land Development Corporation	-	-	-	340	-	-	30 days
Aboitiz Power Corporation	5,859	-	5,859	55,310	3,207	-	30 days
Aboitiz Energy Solutions, Inc.	75	-	75	1,414	6	-	30 days
Aboitiz Power Distributed Energy, Inc.	1,028	-	1,028	1,841	-	-	30 days
Aboitiz Power Distributed Renewables, Inc.	459	-	459	418	-	-	30 days
Aboitiz Renewables, Inc.	-	-	-	1,529	-	-	30 days
Abovant Holdings, Inc.	-	-	-	357	-	-	30 days
Advent Energy, Inc.	16	-	16	1,155	-	-	30 days
AP Renewables, Inc.	2,724	-	2,724	30,141	18	-	30 days
Aseagas Corporation	397	-	397	372	-	-	30 days
Balamban Enerzone Corp.	32	-	32	2,397	-	-	30 days
Cebu Private Power Corporation	118	-	118	2,404	1	-	30 days
Cotabato Ice Plant, Inc.	(732)	-	(732)	-	-	-	30 days
Cotabato Light and Power Company	461	-	461	8,898	-	-	30 days
Davao Light and Power Co., Inc.	2,142	-	2,142	86,340	11	-	30 days
East Asia Utilities Corp.	132	-	132	2,085	-	-	30 days
Hedcor Bukidnon, Inc.	928	-	928	5,494	-	-	30 days
Hedcor Sabangan, Inc.	60	-	60	1,040	-	-	30 days
Hedcor Sibulan, Inc.	2,770	-	2,770	8,171	-	-	30 days
Hedcor Tudaya, Inc.	187	-	187	1,115	-	-	30 days
Hedcor, Inc.	2,860	-	2,860	13,370	4	-	30 days
Hijos De F. Escano, Inc.	-	-	-	94	-	-	30 days
Lima Enerzone Corporation	57	-	57	16,298	-	-	30 days
Luzon Hydro Corporation	289	-	289	3,330	-	-	30 days
Mactan Enerzone Corporation	45	-	45	7,253	-	-	30 days
Malvar Enerzone Corporation	-	-	-	639	-	-	30 days
Manila-Oslo Renewable Enterprise, Inc.	122	-	122	2,527	-	-	30 days
Prism Energy, Inc.	554	-	554	1,094	-	-	30 days
San Carlos Sun Power, Inc.	291	-	291	1,973	-	-	30 days
SN Aboitiz Power - Benguet, Inc.	1,071	-	1,071	5,414	-	-	30 days
SN Aboitiz Power - Generation, Inc.	8	-	8	278	1	-	30 days
SN Aboitiz Power - Magat, Inc.	1,050	-	1,050	5,121	16	-	30 days
SN POWER Philippines, Inc.	-	-	-	184	-	-	30 days
Steag State Power Inc	9	-	9	-	-	-	30 days
Subic Enerzone Corporation	529	-	529	22,842	-	-	30 days
Therma Luzon, Inc.	7,557	-	7,557	47,345	57	-	30 days
Therma Marine, Inc.	2,904	-	2,904	17,641	79	-	30 days
Therma Mobile, Inc.	130	-	130	7,075	26	-	30 days
Therma Visayas, Inc.	3,382	-	3,382	16,972	4	-	30 days
Therma Power, Inc.	-	-	-	1,941	-	-	30 days
Therma South, Inc.	1,692	-	1,692	29,479	29	-	30 days
Visayan Electric Co., Inc.	78,899	-	78,899	307,355	6	-	30 days
NON-TRADE							
AEV Aviation, Inc.	-	4,032	4,032	-	-	-	30 days
Cebu Praedia Development Corporation	-	70,814	70,814	-	-	70,000	short & long term
Pilmico Foods Corporation	-	295,178	295,178	-	-	290,000	long term
Adventenergy, Inc.	-	303,459	303,459	-	-	300,000	long term
Therma Power, Inc.	-	631,574	631,574	-	-	630,960	on demand
Total	**P 170,002**	**P 1,305,057**	**P 1,475,059**	**P 1,188,531**	**P 5,014**	**P 1,290,960**	

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ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

SCHEDULE J- TRADE AND OTHER PAYABLES TO RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS

AS DECEMBER 31, 2018
(Amounts in Thousands)

	Balances			Volume			
Related Party	**Trade**	**Non-trade**	**Total**	**Purchases**	**Rental**	**Advances**	**Terms**
AEV Aviation, Inc.	P -	P 4,991	P 4,991	P -	P 53,374	P -	on demand
Cebu Praedia Development Corporation	-	84	84	-	9,356	-	on demand
Total	**P -**	**P 5,075**	**P 5,075**	**P -**	**P 62,730**	**P -**	

Aboitiz Equity Ventures, Inc.
32nd Street, Bonifacio Global City
Taguig City, Metro Manila

Statement of Reconciliation of Retained Earnings Available for Dividend Declaration
For the year ended December 31, 2018
(Amounts in Philippine Currency and in Thousands)

Unappropriated Retained Earnings, beginning	**26,668,038**
Adjustments:	
Less: Unrealized income, net of tax	
Unrealized foreign exchange gains - net (except those attributable to Cash and Cash Equivalents)	-
Add: Effect of changes in accounting for employee benefits (PAS 19)	-
Effect of changes in accounting for financial instruments (PFRS 9)	7,577
Less: Adjustments directly made to retained earnings:	
Treasury Shares	521,132
Unappropriated Retained Earnings, as adjusted to available for dividend distribution, beginning	**26,154,483**
Net Income based on the face of audited financial statements	9,202,692
Less: Unrealized income, net of tax	
Unrealized foreign exchange gains - net (except those attributable to Cash and Cash Equivalents)	-
Net Income Realized	**9,202,692**
Less: Adjustments directly made to retained earnings:	
Cash dividends paid	7,211,254
Appropriations of Retained Earnings during the period	2,578,000
Treasury Shares purchased	44,114
Retained Earnings available for Dividend, as of year-end	**25,523,807**

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

SCHEDULE OF RELEVANT FINANCIAL RATIOS

	FORMULA	AS RESTATED IN 2018 DEC 2017	DEC 2018
LIQUIDITY RATIOS			
Current ratio	Current assets / Current liabilities	1.61	**1.76**
Acid test ratio	Cash + Marketable Securities + Accounts Receivable + Other Liquid Assets / Current liabilities	1.25	**1.27**
SOLVENCY RATIOS			
Debt to equity ratio	Total liabilities / Total equity	1.56	**1.55**
Asset to equity ratio	Total assets / Total equity	2.56	**2.55**
Net debt to equity ratio	Debt - cash & cash equivalents / Total equity	1.01	**1.02**
Gearing ratio	Debt - cash & cash equivalents / Total equity + (Debt - cash & cash equivalents)	50.29%	**50.42%**
Interest coverage ratio	EBIT / Net interest expense	4.13	**3.86**
PROFITABILITY RATIOS			
Operating Margin	Operating Profit / Total revenues	24.32%	**20.9%**
Return on Equity	Net income after tax / Total equity (adjusted for cash dividend)	16.01%	**14.86%**

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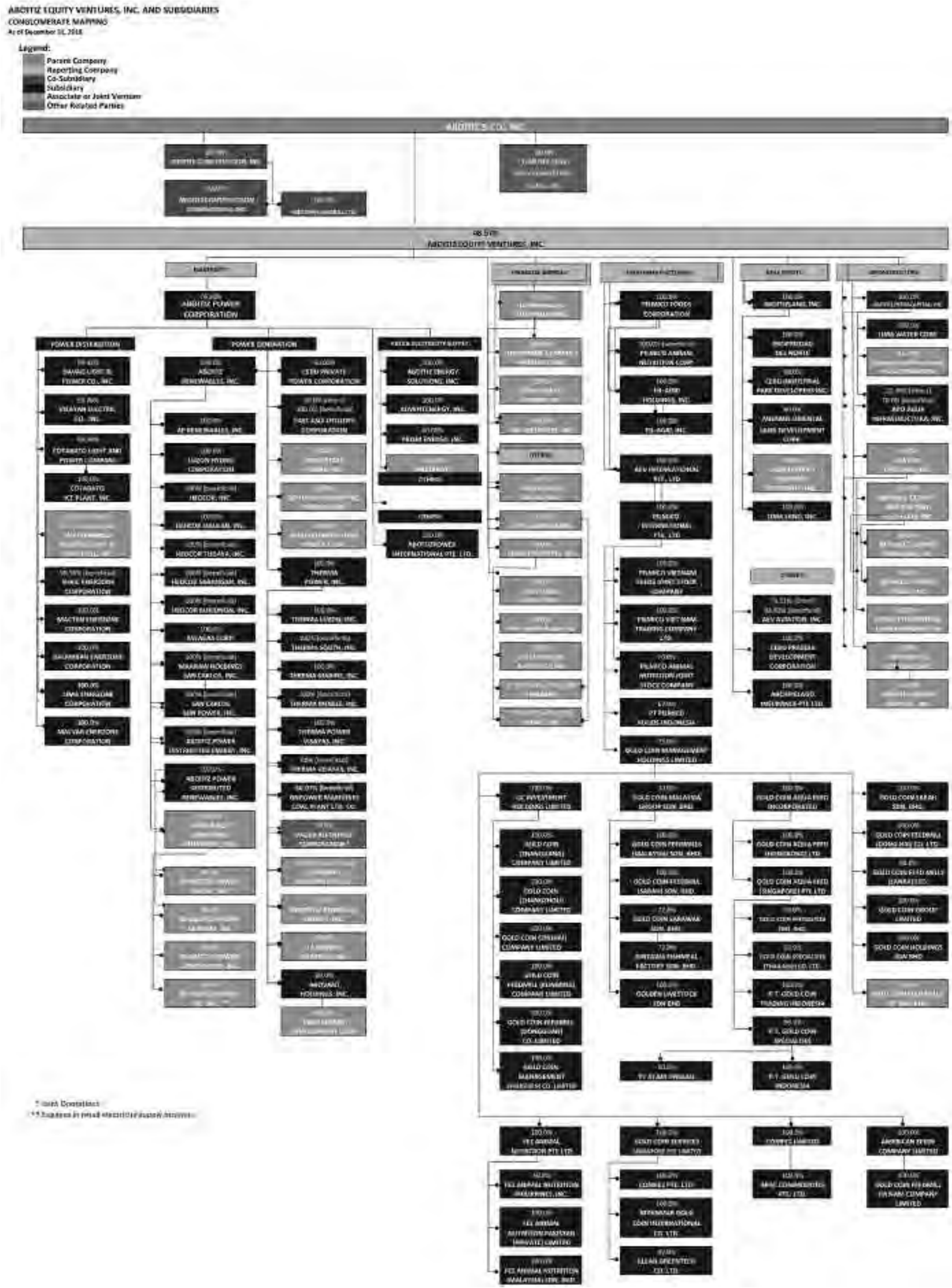
ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES
CONGLOMERATE MAPPING
As of December 31, 2018
Legend:
Parent Company
Reporting Company
Co-Subsidiary
Subsidiary
Associate or Joint Venture
Other Related Parties
48.5%
ABOITIZ EQUITY VENTURES, INC.
ABOITIZ POWER CORPORATION
POWER DISTRIBUTION
POWER GENERATION

Aboitiz Equity Ventures, Inc. and Subsidiaries

Schedule of Philippine Financial Reporting Standards and Interpretations
Effective as of December 31, 2018

Standards and Interpretations		Remarks
Philippine Financial Reporting Standards (PFRS)		
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	Adopted
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters	Not Applicable
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters	Not Applicable
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters	Not Applicable
	Amendments to PFRS 1: Government Loans	Not Applicable
PFRS 2	Share-based Payment	Not Applicable
	Amendments to PFRS 2: Vesting Conditions and Cancellations	Not Applicable
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions	Not Applicable
	Amendments to PFRS 2: Definition of Vesting Condition	Not Applicable
PFRS 3 (Revised)	Business Combinations	Adopted
	Amendments to PFRS 3: Accounting for Contingent Consideration in a Business Combination	Adopted
	Amendments to PFRS 3: Scope Exceptions for Joint Ventures	Adopted
PFRS 4	Insurance Contracts	Adopted
	Amendments to PFRS 4: Financial Guarantee Contracts	Adopted
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations	Adopted
	Amendment to PFRS 5: Changes in Methods of Disposal	Adopted
PFRS 6	Exploration for and Evaluation of Mineral Resources	Not Applicable
PFRS 7	Financial Instruments: Disclosures	Adopted
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	Adopted
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	Adopted
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	Adopted
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	Adopted
	Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities	Adopted
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures	Adopted
	Amendments to PFRS 7: Additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in PFRS 9	Adopted
	Amendments to PFRS 7: Servicing Contracts	Adopted
	Amendments to PFRS 7: Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements	Adopted
PFRS 8	Operating Segments	Adopted
	Amendments to PFRS 8: Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets	Adopted
PFRS 9	Financial Instruments: Classification and Measurement of Financial Assets	Adopted
	Financial Instruments: Classification and Measurement of Financial Liabilities	Adopted
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures	Adopted
	PFRS 9, Financial Instruments (Hedge Accounting and amendments to PFRS 9, PFRS 7 and PAS 39)	Adopted
	PFRS 9, Financial Instruments (2014)	Adopted
	Amendments to PFRS 9: Prepayment Features with Negative Compensation	See footnote[1]
PFRS 10	Consolidated Financial Statements	Adopted
	Amendments to PFRS 10: Transition Guidance	Adopted
	Amendments to PFRS 10: Investment Entities	Adopted

Schedule of Philippine Financial Reporting Standards and Interpretations
Effective as of December 31, 2018

Standards and Interpretations		Remarks
	Amendments to PFRS 10: Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture	Effective date deferred
	Amendments to PFRS 10: Investment Entities: Applying the Consolidation Exception	Not Applicable
PFRS 11	Joint Arrangements	Adopted
	Amendments to PFRS 11: Transition Guidance	Adopted
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations	Adopted
PFRS 12	Disclosure of Interests in Other Entities	Adopted
	Amendments to PFRS 12: Transition Guidance	Adopted
	Amendments to PFRS 12: Investment Entities	Adopted
	Amendment to PFRS 12, Clarification of the Scope of the Standard	Adopted
PFRS 13	Fair Value Measurement	Adopted
	Amendments to PFRS 13: Short-term Receivables and Payables	Adopted
	Amendments to PFRS 13: Portfolio Exception	Adopted
PFRS 14	Regulatory Deferral Accounts	Not Applicable
PFRS 15	Revenue from Contracts with Customers	Adopted
PFRS 16	Leases	See footnote[1]

Philippine Accounting Standards (PAS)

PAS 1 (Revised)	Presentation of Financial Statements	Adopted
	Amendment to PAS 1: Capital Disclosures	Adopted
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	Adopted
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	Adopted
	Amendment to PAS 1: Disclosure Initiative	Adopted
PAS 2	Inventories	Adopted
PAS 7	Statement of Cash Flows	Adopted
	Amendment to PAS 7: Disclosure Initiative	Adopted
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	Adopted
PAS 10	Events after the Reporting Period	Adopted
PAS 11	Construction Contracts	Adopted
PAS 12	Income Taxes	Adopted
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	Adopted
	Amendments to PAS 12, Income Taxes, Recognition of Deferred Tax Assets for Unrealized Losses	Adopted
PAS 16	Property, Plant and Equipment	Adopted
	Amendments to PAS 16: Revaluation Method - Proportionate Restatement of Accumulated Amortization	Adopted
	Amendments to PAS 16: Clarification of Acceptable Methods of Depreciation and Amortization	Adopted
	Amendments to PAS 16: Bearer Plants	Not Applicable
PAS 17	Leases	Adopted
PAS 18	Revenue	Adopted
PAS 19 (Amended)	Employee Benefits	Adopted
	Amendments to PAS 19: Defined Benefit Plans: Employee Contributions	Adopted
	Amendment to PAS 19: Discount Rate: Regional Market Issue	Adopted
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance	Not Applicable
PAS 21	The Effects of Changes in Foreign Exchange Rates	Adopted
	Amendment: Net Investment in a Foreign Operation	Adopted
PAS 23 (Revised)	Borrowing Costs	Adopted

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Schedule of Philippine Financial Reporting Standards and Interpretations
Effective as of December 31, 2018

Standards and Interpretations		Remarks
PAS 24 (Revised)	Related Party Disclosures	Adopted
	Amendments to PAS 24: Key Management Personnel Services	Adopted
PAS 26	Accounting and Reporting by Retirement Benefit Plans	Adopted
PAS 27 (Amended)	Separate Financial Statements	Adopted
	Amendments to PAS 27 (Amended): Investment Entities	Adopted
	Amendments to PAS 27: Equity Method in Separate Financial Statements	Adopted
PAS 28 (Amended)	Investments in Associates and Joint Ventures	Adopted
	Amendments to PAS 28, Investment Entities: Applying the Consolidation Exception	Adopted
	Amendments to PAS 28: Measuring an Associate or Joint Venture at Fair Value	Adopted
	Amendments to PAS 28: Long-term interests in Associates and Joint Ventures	See footnote[1]
	Amendments to PFRS 10 and PAS 28: Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture	Effective date deferred
PAS 29	Financial Reporting in Hyperinflationary Economies	Not Applicable
PAS 32	Financial Instruments: Disclosure and Presentation	Adopted
	Financial Instruments: Presentation	Adopted
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	Adopted
	Amendment to PAS 32: Classification of Rights Issues	Adopted
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	Adopted
PAS 33	Earnings per Share	Adopted
PAS 34	Interim Financial Reporting	Adopted
	Amendment to PAS 34: Disclosure of Information 'Elsewhere in the Interim Financial Report'	Adopted
PAS 36	Impairment of Assets	Adopted
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-financial Assets	Adopted
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	Adopted
PAS 38	Intangible Assets	Adopted
	Amendments to PAS 38: Revaluation Method - Proportionate Restatement of Accumulated Amortization	Adopted
	Amendments to PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization	Adopted
PAS 39	Financial Instruments: Recognition and Measurement	Adopted
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	Adopted
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions	Adopted
	Amendments to PAS 39: The Fair Value Option	Adopted
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts	Adopted
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	Adopted
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets – Effective Date and Transition	Adopted
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives	Adopted
	Amendment to PAS 39: Eligible Hedged Items	Adopted
	Amendments to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting	Adopted
PAS 40	Investment Property	Adopted
	Amendments to PAS 40: Clarifying the Interrelationship Between PFRS 3 and PAS 40 when Classifying Property as Investment Property or Owner-occupied Property	Adopted

Schedule of Philippine Financial Reporting Standards and Interpretations
Effective as of December 31, 2018

Standards and Interpretations		Remarks
PAS 24 (Revised)	Related Party Disclosures	Adopted
	Amendments to PAS 24: Key Management Personnel Services	Adopted
PAS 26	Accounting and Reporting by Retirement Benefit Plans	Adopted
PAS 27 (Amended)	Separate Financial Statements	Adopted
	Amendments to PAS 27 (Amended): Investment Entities	Adopted
	Amendments to PAS 27: Equity Method in Separate Financial Statements	Adopted
PAS 28 (Amended)	Investments in Associates and Joint Ventures	Adopted
	Amendments to PAS 28, Investment Entities: Applying the Consolidation Exception	Adopted
	Amendments to PAS 28: Measuring an Associate or Joint Venture at Fair Value	Adopted
	Amendments to PAS 28: Long-term interests in Associates and Joint Ventures	See footnote[1]
	Amendments to PFRS 10 and PAS 28: Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture	Effective date deferred
PAS 29	Financial Reporting in Hyperinflationary Economies	Not Applicable
PAS 32	Financial Instruments: Disclosure and Presentation	Adopted
	Financial Instruments: Presentation	Adopted
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	Adopted
	Amendment to PAS 32: Classification of Rights Issues	Adopted
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	Adopted
PAS 33	Earnings per Share	Adopted
PAS 34	Interim Financial Reporting	Adopted
	Amendment to PAS 34: Disclosure of Information 'Elsewhere in the Interim Financial Report'	Adopted
PAS 36	Impairment of Assets	Adopted
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-financial Assets	Adopted
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	Adopted
PAS 38	Intangible Assets	Adopted
	Amendments to PAS 38: Revaluation Method - Proportionate Restatement of Accumulated Amortization	Adopted
	Amendments to PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization	Adopted
PAS 39	Financial Instruments: Recognition and Measurement	Adopted
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	Adopted
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions	Adopted
	Amendments to PAS 39: The Fair Value Option	Adopted
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts	Adopted
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	Adopted
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets – Effective Date and Transition	Adopted
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives	Adopted
	Amendment to PAS 39: Eligible Hedged Items	Adopted
	Amendments to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting	Adopted
PAS 40	Investment Property	Adopted
	Amendments to PAS 40: Clarifying the Interrelationship Between PFRS 3 and PAS 40 when Classifying Property as Investment Property or Owner-occupied Property	Adopted

Aboitiz Equity Ventures, Inc. and Subsidiaries

Schedule of Philippine Financial Reporting Standards and Interpretations
Effective as of December 31, 2018

Standards and Interpretations		Remarks
	Amendments to PAS 40: Investment Property, Transfers of Investment Property	Adopted
PAS 41	Agriculture	Adopted
	Amendments to PAS 41: Bearer Plants	Not Applicable

Philippine Interpretations - International Financial Reporting Interpretations Committee (IFRIC)

IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities	Adopted
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments	Not Applicable
IFRIC 4	Determining Whether an Arrangement Contains a Lease	Adopted
IFRIC 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	Not Applicable
IFRIC 6	Liabilities Arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment	Not Applicable
IFRIC 7	Applying the Restatement Approach under PAS 29, Financial Reporting in Hyperinflationary Economies	Not Applicable
IFRIC 8	Scope of PFRS 2	Not Applicable
IFRIC 9	Reassessment of Embedded Derivatives	Adopted
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives	Adopted
IFRIC 10	Interim Financial Reporting and Impairment	Adopted
IFRIC 11	Scope of PFRS 2	Not Applicable
IFRIC 12	Service Concession Arrangements	Adopted
IFRIC 13	Customer Loyalty Programmes	Adopted
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	Adopted
	Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement	Adopted
IFRIC 15	Agreements for the Construction of Real Estate	Effective date deferred
IFRIC 16	Hedges of a Net Investment in a Foreign Operation	Not Applicable
IFRIC 17	Distributions of Non-cash Assets to Owners	Adopted
IFRIC 18	Transfers of Assets from Customers	Adopted
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	Adopted
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine	Not Applicable
IFRIC 21	Levies	Adopted
IFRIC 22	Foreign Currency Transactions and Advance Consideration	Adopted
IFRIC 23	Uncertainty over Income Tax Treatments	See footnote[1]

Philippine Interpretations - Standing Interpretations Committee (SIC)

SIC 7	Introduction of the Euro	Not Applicable
SIC 10	Government Assistance - No Specific Relation to Operating Activities	Not Applicable
SIC 12	Consolidation - Special Purpose Entities	Adopted
	Amendment to SIC - 12: Scope of SIC 12	Adopted
SIC 13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers	Adopted
SIC 15	Operating Leases - Incentives	Adopted
SIC 21	Income Taxes - Recovery of Revalued Non-Depreciable Assets	Adopted
SIC 25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders	Adopted
SIC 27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	Adopted
SIC 29	Service Concession Arrangements: Disclosures	Adopted
SIC 31	Revenue - Barter Transactions Involving Advertising Services	Not Applicable
SIC 32	Intangible Assets - Web Site Costs	Adopted

[1] Effective subsequent to December 31, 2018

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, 2017 and 2016, 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.

[redacted]

JON RAMON M. ABOITIZ
Chairman of the Board

[redacted]

ERRAMON I. ABOITIZ
President & Chief Executive Officer

[redacted]

Senior Vice President - Chief Financial Officer

Signed this 8th day of March, 2018.

Republic of the Philippines)
Taguig City) S.S.

Before me, a notary public in and for the city named above, personally appeared:

Name	Passport/CTC	Date/Place Issued
Jon Ramon M. Aboitiz	[redacted]	[redacted]
Erramon I. Aboitiz		
Manuel R. Lozano		

who are personally known to me and to me known to be the same persons who presented the foregoing instrument and signed the instrument in my presence, and who took an oath before me as to such instrument.

Witness my hand and seal this _____ day of ~~MAR 2 0 2018~~ 2018. TAGUIG CITY

[redacted]

ATTY. MELBIAN JEROME E. LARANO
Notary Public for Taguig, Roll No. 59294
Commission no. 26, until 31 Dec. 2019
PTR No. A-3893788/ 01.03.18 / Taguig City
IBP No. 1063530 / 11.23.17 / Cavite
MCLE Compliance No. V-0015571 / 03.14.16
3/F Bonifacio Technology Center 31st Street
corner 2nd Avenue Crescent Park West
Global City Taguig City, Philippines

Doc. No. 195;
Page No. 40;
Book No. LXXVI;
Series of 2018.

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

C	E	0	2	5	3	6			

COMPANY NAME

ABOITIZ EQUITY VENTURES, INC.
AND SUBSIDIARIES

PRINCIPAL OFFICE *(No. / Street / Barangay / City / Town / Province)*

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

Form Type	Department requiring the report	Secondary License Type, If Applicable
ACFS	CFD	N/A

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
www.aboitiz.com.ph	(2) 886-2800	None

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
9,002	May 21	December 31

CONTACT PERSON INFORMATION

The designated contact person ***MUST*** be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Melinda R. Bathan	melinda.bathan@aboitiz.com	(032) 411-1710	Not available

CONTACT PERSON's ADDRESS

c/o Aboitiz Equity Ventures, Inc., 32nd Street, Bonifacio Global City, Taguig City, Metro Manila, Philippines

NOTE 1: In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

2: All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.

SEC
Cebu Extension Office
APR 0 6 2018
By:
RECEIVED SUBJECT TO REVIEW OF FORM AND CONTENTS

aboitiz
Equity Ventures

SECURITIES & EXCHANGE COMMISSION
SEC Building, EDSA Greenhills
Mandaluyong, Metro Manila

STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS

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[redacted]

JON RAMON M. ABOITIZ
Chairman of the Board

[redacted]

ERRAMON I. ABOITIZ
[redacted]

MANUEL R. LOZANO
Senior Vice President - Chief Financial Officer

Signed this 8th day of March, 2018.

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS DIVISION-CEBU
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aboitiz
Equity Ventures

Republic of the Philippines)
Taguig City) S.S.

Before me, a notary public in and for the city named above, personally appeared:

Name	Passport/CTC	Date/Place Issued
Jon Ramon M. Aboitiz	[redacted]	[redacted]
Erramon I. Aboitiz		
Manuel R. Lozano		

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TAGUIG CITY
Witness my hand and seal this _____ day of MAR 2 0 2018 2018.

[redacted]
ATTY. MELBIAN JEROME E. LARAÑO
Notary Public for Taguig, Roll No. 59294
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PTR No. A-3693788/ 01.03.18 / Taguig City
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BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS DIVISION-CEBU
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SyCip Gorres Velayo & Co
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 891 0307
Fax: (632) 819 0872
ey.com/ph

BOA/PRC Reg. No. 0001,
December 14, 2015, valid until December 31, 2018
SEC Accreditation No. 0012-FR-4 (Group A),
November 10, 2015, valid until November 9, 2018

INDEPENDENT AUDITOR'S REPORT

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, 2017 and 2016, 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, 2017, 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, 2017 and 2016, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2017 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.

Accounting for Business Combination: Finalization of purchase price allocation for the acquisition of GNPower Mariveles Coal Plant Ltd. Co. (GMCP)

In 2017, the Group finalized the fair value of the net assets acquired from its acquisition of partnership interests in GMCP on October 4, 2016. PFRS 3, *Business Combinations*, allows the fair value of assets acquired to be continually refined for a period of one year after the acquisition date in cases where judgment is required to ensure the adjustments made reflect new information obtained about facts and circumstances that existed as of acquisition date. The adjustments resulted in an increase in goodwill of ₱3.1 billion. Based on the quantitative materiality of the adjustment and degree of management judgment in assessing the fair value of the net assets, we have determined this to be a key audit matter.

The Group's disclosures about finalization of purchase price allocation for the acquisition of GMCP are included in Note 9 to the consolidated financial statements.

Audit Response
We obtained understanding on the Group's process of purchase price allocation which includes the identification of the fair value of the net assets. We reviewed the measurement of fair value of the net assets and adjustments made by the Group. Where the Group used an appraiser to perform valuation of its assets, we assessed the competence, capabilities and objectivity of the Group's specialist. We involved our internal specialist in reviewing the valuation methodology. We also evaluated the presentation and the disclosure of the transaction in the consolidated financial statements.

Accounting for Business Combination: Increased ownership in San Carlos Sun Power, Inc. (SACASUN)

On December 27, 2017, the Group through AboitizPower International Pte. Ltd., acquired the remaining 50% ownership interest in SACASUN from SunE Solar B.V. Consequently, SACASUN became a wholly owned subsidiary of the Group and was consolidated as of the acquisition date. Provisional bargain purchase gain amounting to ₱328.7 million was recognized as of December 31, 2017. Based on the quantitative materiality of the transaction and degree of management judgment in remeasuring of previously held interest and in assessing the fair value of the net assets, we have determined this to be a key audit matter.

The Group's disclosures about increased ownership in SACASUN are included in Note 9 to the consolidated financial statements.

Audit Response
We reviewed the agreement covering the acquisition. We involved our internal specialist in reviewing the valuation methodology and assumptions used in valuing acquired assets, including the fair value of the previously-held interest. We also evaluated the presentation and the disclosure of the transaction in the consolidated financial statements.

Impairment of Aseagas Corporation's (Aseagas) Property, Plant and Equipment

In November 2017, Aseagas temporarily ceased the operations of its biomass plant. In January 2018, after a full assessment of the biomass plant's issues, Aseagas decided to make the plant shutdown permanent. These circumstances indicate that the carrying amount of Aseagas's assets, which are primarily comprised of its property, plant and equipment, may not be recoverable. As of December 31, 2017, the Group performed an impairment test review which resulted to an impairment loss of ₱2.6 billion on its property, plant and equipment. We consider the impairment loss as a key audit matter due to the materiality of the amount and the significant management assumptions and judgment involved in estimating the recoverable amount of the property, plant and equipment.

The Group's disclosures about the impairment of assets of Aseagas are included in Notes 13 to the consolidated financial statements.

Audit Response
We obtained an understanding of management's process in estimating the recoverable amount of the property, plant and equipment. Since the Group engaged an independent appraiser to determine the estimated recoverable amount of Aseagas' property, plant and equipment, we assessed the competence, capabilities and objectivity of the independent appraiser. We reviewed the assumptions used in estimating the recoverable amount. We involved our internal specialist in reviewing the valuation methodology. We also evaluated the presentation and the disclosure of the transaction in the consolidated financial statements.

Recoverability of Goodwill

As of December 31, 2017, the goodwill amounted to ₱41.3 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 obtained an understanding of management's process in estimating the recoverable amount of goodwill and evaluate the related control. 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 test is most sensitive.

Revenue Recognition of Distribution Utilities

The Group's revenue from the sale of electricity accounts for 29% 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.

Disclosures related to this matter are provided in Note 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.

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. AEV'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 receivables, which requires significant management judgment.

The Group's disclosure on investments in associates is in Note 10 to the consolidated financial statements.

Audit Response
Our audit procedures included, among other things, requesting the statutory auditor of UBP to perform an audit on the relevant financial information of UBP for the purpose of the consolidated financial statements of the Group. We met with the statutory auditor of UBP and discussed the risk assessment, audit strategy and significant developments in UBP. We reviewed the working papers at the statutory

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auditor's office, focusing on loans and receivables of UBP including the inputs and assumptions for specific and collective impairment assessment. We recomputed the Group's share in the net income of UBP and assessed the disclosures on the investment in associate in the consolidated financial statements.

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, 2017, 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, 2017 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.

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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.

[redacted]

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. 6621311, January 9, 2018, Makati City

March 8, 2018

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS DIVISION-CEBU
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APR 06 2018
DPQA SECTION INITIAL

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(Amounts in Thousands)

	December 31, 2017	December 31, 2016 (As Restated; Note 9)
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	₱64,870,214	₱63,857,528
Trade and other receivables (Note 5)	24,192,785	21,732,203
Inventories (Note 6)	12,453,335	10,221,448
Derivative asset (Note 36)	228,644	188,417
Other current assets (Notes 7 and 8)	12,442,516	9,579,230
Total Current Assets	114,187,494	105,578,826
Noncurrent Assets		
Property, plant and equipment (Notes 13 and 19)	213,232,540	202,237,611
Investments and advances (Note 10)	91,922,376	86,950,461
Investment properties (Notes 14 and 29)	6,844,633	5,372,390
Intangible asset - service concession rights (Note 15)	3,062,307	3,222,123
Land and improvements (Note 13)	3,689,677	3,525,381
Goodwill (Notes 9 and 12)	41,308,689	41,249,629
Deferred income tax assets (Note 31)	1,525,630	1,893,878
Trade receivables - net of current portion (Note 5)	580,925	277,771
Derivative asset - net of current portion (Note 36)	113,297	103,443
Available-for-sale (AFS) investments (Note 3)	772,794	563,748
Held-to-maturity (HTM) investments	189,216	–
Net pension assets (Note 30)	176,952	115,264
Other noncurrent assets (Notes 8 and 16)	14,637,951	15,217,184
Total Noncurrent Assets	378,056,987	360,728,883
TOTAL ASSETS	₱492,244,481	₱466,307,709
LIABILITIES AND EQUITY		
Current Liabilities		
Bank loans (Note 17)	₱23,701,140	₱8,259,028
Trade and other payables (Notes 18, 34 and 39)	24,536,584	22,210,909
Derivative liability (Note 36)	47,577	127,442
Current portions of:		
Long-term debts (Note 19)	20,722,330	7,698,261
Long-term obligation on Power Distribution System (PDS) (Note 15)	40,000	40,000
Obligations under finance lease (Notes 13 and 22)	3,316,165	2,968,491
Income tax payable	703,489	685,215
Total Current Liabilities	73,067,285	41,989,346

(Forward)

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(Amounts in Thousands)

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Income tax payable	**703,489**	685,215
Total Current Liabilities	**73,067,285**	41,989,346

(Forward)

	December 31, 2017	December 31, 2016 (As Restated; Note 9)
Noncurrent Liabilities		
Noncurrent portions of:		
Obligations under finance lease (Notes 13 and 22)	**₱45,909,089**	₱49,371,713
Long-term debts (Note 19)	**168,364,717**	189,184,633
Long-term obligations on PDS (Note 15)	**186,071**	197,248
Trade payables (Notes 18 and 34)	**880,943**	578,892
Derivative liability - net of current portion (Note 36)	**–**	233,435
Customers' deposits (Note 20)	**6,269,383**	7,040,347
Asset retirement obligation (Note 21)	**2,959,060**	1,821,577
Deferred income tax liabilities (Note 31)	**1,623,915**	1,567,411
Net pension liability (Note 30)	**400,306**	347,699
Total Noncurrent Liabilities	**226,593,484**	250,342,955
Total Liabilities	**299,660,769**	292,332,301
Equity Attributable to Equity Holders of the Parent		
Capital stock (Note 23)	**5,694,600**	5,694,600
Additional paid-in capital (Note 23)	**13,013,197**	13,013,197
Other equity reserves:		
Gain on dilution (Note 2)	**5,043,152**	5,376,176
Excess of book value over acquisition cost of an acquired subsidiary (Note 9)	**469,540**	469,540
Acquisition of non-controlling interests (Note 2)	**(1,577,075)**	(1,577,075)
Accumulated other comprehensive income (loss):		
Net unrealized mark-to-market gains on AFS investments	**17,280**	9,106
Cumulative translation adjustments (Note 36)	**189,465**	34,262
Actuarial losses on defined benefit plans (Note 30)	**(657,754)**	(783,891)
Share in actuarial losses on defined benefit plans of associates and joint ventures (Note 10)	**(537,099)**	(513,132)
Share in cumulative translation adjustments of associates and joint ventures (Note 10)	**(107,913)**	(95,378)
Share in net unrealized mark-to-market losses on AFS investments of associates (Note 10)	**(3,237,987)**	(3,938,424)
Retained earnings (Note 24)		
Appropriated	**1,622,000**	2,717,000
Unappropriated	**135,600,929**	120,390,178
Treasury stock at cost (Note 23)	**(521,132)**	(521,132)
	155,011,203	140,275,027
Non-controlling Interests	**37,572,509**	33,700,381
Total Equity	**192,583,712**	173,975,408
TOTAL LIABILITIES AND EQUITY	**₱492,244,481**	₱466,307,709

See accompanying Notes to Consolidated Financial Statements.

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS DIVISION-CEBU
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ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

(Amounts in Thousands, Except Earnings Per Share Amounts)

	Years Ended December 31		
	2017	2016	2015
REVENUES			
Sale of:			
Power and electricity (Note 25)	**₱118,759,149**	₱88,585,890	₱84,874,038
Goods	**23,819,250**	21,848,393	20,982,378
Real estate (Notes 13 and 25)	**3,613,388**	2,440,854	2,732,878
Fair value of swine (Note 8)	**2,410,542**	1,854,053	1,786,095
Service fees (Note 39)	**1,620,401**	1,453,336	827,222
Others (Note 34)	**198,875**	232,554	57,357
	150,421,605	116,415,080	111,259,968
COSTS AND EXPENSES			
Cost of generated and purchased power (Notes 6, 26, 27 and 39)	**63,949,850**	46,226,259	46,426,239
Cost of goods sold (Notes 6 and 27)	**21,700,262**	18,886,189	18,011,108
Operating expenses (Notes 27, 34, 38 and 39)	**26,255,915**	21,187,182	17,972,039
Cost of real estate sales (Note 6)	**1,825,570**	1,084,740	1,328,650
Overhead expenses (Note 27)	**113,864**	109,671	103,532
	113,845,461	87,494,041	83,841,568
OPERATING PROFIT	**36,576,144**	28,921,039	27,418,400
Share in net earnings of associates and joint ventures (Note 10)	**9,053,733**	9,651,787	6,589,452
Interest expense (Notes 22 and 35)	**(13,117,362)**	(9,567,997)	(7,881,566)
Interest income (Notes 4, 34 and 35)	**1,375,695**	1,436,933	1,132,001
Other income (expense) - net (Notes 5, 29 and 34)	**(26,134)**	2,501,026	224,010
INCOME BEFORE INCOME TAX	**33,862,076**	32,942,788	27,482,297
PROVISION FOR INCOME TAX (Note 31)	**4,583,055**	4,289,663	4,324,819
NET INCOME	**₱29,279,021**	₱28,653,125	₱23,157,478
ATTRIBUTABLE TO:			
Equity holders of the parent	**₱21,608,695**	₱22,473,458	₱17,679,116
Non-controlling interests	**7,670,326**	6,179,667	5,478,362
	₱29,279,021	₱28,653,125	₱23,157,478
EARNINGS PER SHARE (Note 32)			
Basic and diluted, for net income for the year attributable to ordinary equity holders of the parent	**₱3.836**	₱4.017	₱3.184

See accompanying Notes to Consolidated Financial Statements.

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LARGE TAXPAYERS DIVISION-CEBU
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ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in Thousands)

	Years Ended December 31		
	2017	2016	2015
NET INCOME ATTRIBUTABLE TO:			
Equity holders of the parent	**₱21,608,695**	₱22,473,458	₱17,679,116
Non-controlling interests	**7,670,326**	6,179,667	5,478,362
	29,279,021	28,653,125	23,157,478
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified to consolidated statements of income:			
Movement in net unrealized mark-to-market losses on AFS investments	**(2,413)**	(5,848)	(439)
Movement in cumulative translation adjustments, net of tax	**199,556**	(203,067)	174,906
Share in movement in cumulative translation adjustments of associates and joint ventures (Note 10)	**(16,305)**	128,173	119,113
Share in movement in net unrealized mark-to-market gains (losses) on AFS investments of associates (Note 10)	**702,564**	(189,693)	(2,245,010)
	883,402	(270,435)	(1,951,430)
Items that will not be reclassified to consolidated statements of income:			
Movement in actuarial gains (losses) on defined benefit plans, net of tax	**126,137**	12,076	(87,519)
Share in movement in actuarial losses on defined benefit plans of associates and joint ventures, net of tax	**(22,788)**	(178,244)	(8,751)
	103,349	(166,168)	(96,270)
TOTAL COMPREHENSIVE INCOME	**₱30,265,772**	₱28,216,522	₱21,109,778
ATTRIBUTABLE TO:			
Equity holders of the parent	**₱22,562,144**	₱22,068,509	₱15,543,938
Non-controlling interests	**7,703,628**	6,148,013	5,565,840
	₱30,265,772	₱28,216,522	₱21,109,778

See accompanying Notes to Consolidated Financial Statements.

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2017, 2016 AND 2015

(Amounts in Thousands, Except Dividends Per Share Amounts)

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS DIVISION-CEBU
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	Attributable to equity holders of the parent																
	Capital Stock: Common (Note 23)	Additional Paid-in Capital (Note 23)	Gain on Dilution (Note 2)	Excess of Book Value Over Acquisition Cost of an Acquired Subsidiary (Note 9)	Acquisition of Non-controlling Interest (Note 2)	Net Unrealized Mark-to-Market Gains on AFS Investments	Cumulative Translation Adjustment (Note 36)	Actuarial Losses on Defined Benefit Plans, net of tax (Note 30)	Share in Actuarial Losses on Defined Benefit Plans of Associates and Joint Ventures (Note 10)	Share in Cumulative Translation Adjustments of Associates and Joint Ventures (Note 10)	Share in Net Unrealized Mark-to-Market Losses on AFS Investments of Associates (Note 10)	Retained Earnings: Appropriated (Note 24)	Retained Earnings: Unappropriated (Note 24)	Treasury Stock (Note 23)	Total	Non-controlling Interest	Total
Balances at January 1, 2017	₱5,694,600	₱13,013,197	₱5,376,176	₱469,540	(₱1,577,075)	₱9,106	₱34,262	(₱783,891)	(₱513,132)	(₱95,378)	(₱3,938,424)	₱2,717,000	₱120,390,178	(₱521,132)	₱140,275,027	₱33,700,381	₱173,975,408
Net income for the year	–	–	–	–	–	–	–	–	–	–	–	–	21,608,695	–	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	(10,587)	(2,413)
Movement in cumulative translation adjustments	–	–	–	–	–	–	155,203	–	–	–	–	–	–	–	155,203	44,353	199,556
Actuarial gains on defined benefit plans, net of tax	–	–	–	–	–	–	–	126,137	–	–	–	–	–	–	126,137	–	126,137
Share in movement in actuarial losses on defined benefit plan of associates and joint ventures	–	–	–	–	–	–	–	–	(23,967)	–	–	–	–	–	(23,967)	1,179	(22,788)
Share in cumulative translation adjustment of associates and joint ventures	–	–	–	–	–	–	–	–	–	(12,535)	–	–	–	–	(12,535)	(3,770)	(16,305)
Share in movement in unrealized mark-to-market losses on AFS investments of associates	–	–	–	–	–	–	–	–	–	–	700,437	–	–	–	700,437	2,127	702,564
Total comprehensive income (loss) for the year	–	–	–	–	–	8,174	155,203	126,137	(23,967)	(12,535)	700,437	–	21,608,695	–	22,562,144	7,703,628	30,265,772
Gain on dilution	–	–	(333,024)	–	–	–	–	–	–	–	–	–	–	–	(333,024)	–	(333,024)
Cash dividends - ₱1.33 per share (Note 24)	–	–	–	–	–	–	–	–	–	–	–	–	(7,492,944)	–	(7,492,944)	–	(7,492,944)
Reversal of appropriation during the year	–	–	–	–	–	–	–	–	–	–	–	(1,095,000)	1,095,000	–	–	–	–
Cash dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	(3,077,223)	(3,077,223)
Changes in non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	(754,277)	(754,277)
Balances at December 31, 2017	₱5,694,600	₱13,013,197	₱5,043,152	₱469,540	(₱1,577,075)	₱17,280	₱189,465	(₱657,754)	(₱537,099)	(₱107,913)	(₱3,237,987)	₱1,622,000	₱135,600,929	(₱521,132)	₱155,011,203	₱37,572,509	₱192,583,712

Attributable to equity holders of the parent

	Capital Stock Common (Note 23)	Additional Paid-in Capital (Note 23)	Gain on Dilution (Note 2)	Excess of Book Value Over Acquisition Cost of an Acquired Subsidiary (Note 9)	Acquisition of Non-controlling Interest (Note 2)	Net Unrealized Mark-to-Market Gains on AFS Investments	Cumulative Translation Adjustment (Note 36)	Actuarial Losses on Defined Benefit Plans, net of tax (Note 30)	Share in Actuarial Losses on Defined Benefit Plans of Associates and Joint Ventures (Note 10)	Share in Cumulative Translation Adjustments of Associates and Joint Ventures (Note 10)	Share in Net Unrealized Mark-to-Market Losses on AFS Investments of Associates (Note 10)	Retained Earnings Appropriated (Note 24)	Retained Earnings Unappropriated (Note 24)	Treasury Stock (Note 23)	Total	Non-controlling Interest (As Restated; Note 9)	Total
Balances at January 1, 2016	₱5,694,600	₱7,683,568	₱5,376,176	₱469,540	(₱1,577,075)	₱14,188	₱176,379	(₱795,967)	(₱334,456)	(₱193,921)	(₱3,748,731)	₱–	₱106,521,242	(₱1,065,585)	₱118,219,958	₱28,764,484	₱146,984,442
Net income for the year	–	–	–	–	–	–	–	–	–	–	–	–	22,473,458	–	22,473,458	6,179,667	28,653,125
Other comprehensive income																	
Movement in net unrealized mark-to-market losses on AFS investments	–	–	–	–	–	(5,082)	–	–	–	–	–	–	–	–	(5,082)	(766)	(5,848)
Movement in cumulative translation adjustments	–	–	–	–	–	–	(142,117)	–	–	–	–	–	–	–	(142,117)	(60,950)	(203,067)
Actuarial gains on defined benefit plans, net of tax	–	–	–	–	–	–	–	12,076	–	–	–	–	–	–	12,076	–	12,076
Share in movement in actuarial losses on defined benefit plan of associates and joint ventures	–	–	–	–	–	–	–	–	(178,676)	–	–	–	–	–	(178,676)	432	(178,244)
Share in cumulative translation adjustment of associates and joint ventures	–	–	–	–	–	–	–	–	–	98,543	–	–	–	–	98,543	29,630	128,173
Share in movement in unrealized mark-to-market losses on AFS investments of associates	–	–	–	–	–	–	–	–	–	–	(189,683)	–	–	–	(189,693)	–	(189,693)
Total comprehensive income (loss) for the year	–	–	–	–	–	(5,082)	(142,117)	12,076	(178,676)	98,543	(189,683)	–	22,473,458	–	22,068,509	6,148,013	28,216,522
Cash dividends - ₱1.06 per share (Note 24)	–	–	–	–	–	–	–	–	–	–	–	–	(5,887,522)	–	(5,887,522)	–	(5,887,522)
Appropriation during the year	–	–	–	–	–	–	–	–	–	–	–	2,717,000	(2,717,000)	–	–	–	–
Cash dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	(4,456,950)	(4,456,950)
Sale of treasury shares	–	5,329,629	–	–	–	–	–	–	–	–	–	–	–	544,453	5,874,082	–	5,874,082
Acquisition of a subsidiary (Note 9)	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	3,164,230	3,164,230
Changes in non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	80,604	80,604
Balances at December 31, 2016	₱5,694,600	₱13,013,197	₱5,376,176	₱469,540	(₱1,577,075)	₱9,106	₱34,262	(₱783,891)	(₱513,132)	(₱95,378)	(₱3,938,424)	₱2,717,000	₱120,390,178	(₱521,132)	₱140,275,027	₱33,700,381	₱173,975,408

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS DIVISION-CEBU
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	Attributable to equity holders of the parent															
	Capital Stock: Common (Note 23)	Additional Paid-in Capital (Note 23)	Gain on Dilution (Note 2)	Excess of Book Value Over Acquisition Cost of an Acquired Subsidiary (Note 9)	Acquisition of Non-controlling Interest (Note 2)	Net Unrealized Mark-to-Market Gains on AFS Investments	Cumulative Translation Adjustment (Note 30)	Actuarial Losses on Defined Benefit Plans, net of tax (Note 30)	Share in Actuarial Losses on Defined Benefit Plans of Associates and Joint Ventures (Note 10)	Share in Cumulative Translation Adjustments of Associates and Joint Ventures (Note 10)	Share in Net Unrealized Mark-to-Market Losses on AFS Investments of Associates (Note 10)	Retained Earnings (Note 24)	Treasury Stock (Note 23)	Total	Non-controlling Interest	Total
Balances at January 1, 2015	₱5,694,600	₱6,911,044	₱5,376,176	₱469,540	(₱1,577,075)	₱14,627	₱35,533	(₱708,448)	(₱315,444)	(₱277,293)	(₱1,496,305)	₱94,995,596	(₱1,178,397)	₱107,944,154	₱26,990,810	₱134,934,964
Net income for the year	–	–	–	–	–	–	–	–	–	–	–	17,679,116	–	17,679,116	5,478,362	23,157,478
Other comprehensive income																
Movement in net unrealized mark-to-market losses on AFS investments	–	–	–	–	–	(439)	–	–	–	–	–	–	–	(439)	–	(439)
Movement in cumulative translation adjustments	–	–	–	–	–	–	140,846	–	–	–	–	–	–	140,846	34,080	174,906
Actuarial losses on defined benefit plans, net of tax	–	–	–	–	–	–	–	(87,519)	–	–	–	–	–	(87,519)	–	(87,519)
Share in movement in actuarial losses on defined benefit plan of associates and joint ventures	–	–	–	–	–	–	–	–	(19,012)	–	–	–	–	(19,012)	10,261	(8,751)
Share in cumulative translation adjustment of associates and joint ventures	–	–	–	–	–	–	–	–	–	83,372	–	–	–	83,372	35,741	119,113
Share in movement in unrealized mark-to-market losses on AFS investments of associates	–	–	–	–	–	–	–	–	–	–	(2,252,426)	–	–	(2,252,426)	7,416	(2,245,010)
Total comprehensive income (loss) for the year	–	–	–	–	–	(439)	140,846	(87,519)	(19,012)	83,372	(2,252,426)	17,679,116	–	15,543,938	5,565,840	21,109,778
Cash dividends - ₱1.11 per share (Note 24)	–	–	–	–	–	–	–	–	–	–	–	(6,153,470)	–	(6,153,470)	–	(6,153,470)
Cash dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	–	–	(4,243,450)	(4,243,450)
Sale of treasury shares	–	772,524	–	–	–	–	–	–	–	–	–	–	112,812	885,336	–	885,336
Changes in non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	–	–	451,284	451,284
Balances at December 31, 2015	₱5,694,600	₱7,683,568	₱5,376,176	₱469,540	(₱1,577,075)	₱14,188	₱176,379	(₱795,967)	(₱334,456)	(₱193,921)	(₱3,748,731)	₱106,521,242	(₱1,065,585)	₱118,219,958	₱28,764,484	₱146,984,442

See accompanying Notes to Consolidated Financial Statements.

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in Thousands)

	Years Ended December 31		
	2017	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	₱33,862,076	₱32,942,788	₱27,482,297
Adjustments for:			
Interest expense (Note 35)	13,117,362	9,567,997	7,881,566
Depreciation and amortization (Note 27)	8,455,978	6,829,395	4,956,308
Impairment loss on property, plant and equipment, goodwill and other assets (Notes 2, 12 and 13)	3,127,413	169,469	–
Net unrealized foreign exchange losses	746,648	1,532,081	1,392,912
Write-off / provision for decline in value of project costs and various assets	207,986	372,828	138,553
Loss (gain) on sale of:			
Property, plant and equipment (Note 13)	52,164	(50,125)	71,402
AFS investments (Note 3)	(1,549)	(25,105)	–
Gain on redemption of shares	–	(16,051)	–
Provision for impairment loss on investments and advances (Note 10)	–	–	13,937
Dividend income (Note 29)	(5,946)	(250)	(1,810)
Unrealized mark-to-market losses (gains) on derivatives	(367,868)	3,316	(317,645)
Unrealized excess of fair value over historical acquisition cost (Notes 9 and 29)	(392,340)	(350,939)	–
Net unrealized valuation gain on investment property (Notes 14 and 29)	(862,219)	(166,476)	(186,512)
Interest income	(1,375,695)	(1,436,933)	(1,132,001)
Share in net earnings of associates and joint ventures (Note 10)	(9,053,733)	(9,651,787)	(6,589,452)
Operating income before working capital changes	47,510,277	39,720,208	33,709,555
Decrease (increase) in:			
Trade and other receivables	(4,444,457)	(894,679)	(499,797)
Inventories	(1,565,400)	(810,917)	(638,947)
Pension asset	(82,030)	–	24,942
Other current assets	(2,426,441)	(1,559,481)	(2,669,217)
Increase (decrease) in:			
Trade and other payables (Note 9)	(1,235,398)	(24,234)	311,764
Pension liability	(98,406)	(59,559)	123,329
Customers' deposits	(708,720)	510,517	953,714
Net cash generated from operations	36,949,425	36,881,855	31,315,343
Income and final taxes paid	(4,267,206)	(4,868,433)	(4,056,356)
Net cash flows from operating activities	32,682,219	32,013,422	27,258,987
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash dividends received (Note 10)	6,060,299	8,608,988	5,126,894
Interest received	1,480,887	1,472,936	1,123,646
Proceeds from sale of:			
AFS investments	26,731	37,155	214,555
Property, plant and equipment	414,606	168,381	145,378

(Forward)

	Years Ended December 31		
	2017	2016	2015
Acquisition through business combination, net of cash acquired (Note 9)	**₱747,150**	(₱44,572,591)	₱101,374
Proceeds from sale of common shares and redemption of preferred shares of associates and joint ventures (Note 10)	**–**	51,976	2,649,204
Additions to:			
AFS investments	**(417,987)**	(213,931)	–
Land and improvements (Note 13)	**(444,907)**	(438,962)	(685,642)
Property, plant and equipment and investment properties (Notes 13 and 14)	**(18,317,445)**	(31,024,798)	(19,514,009)
Investments in and advances to associates (Note 10)	**(1,766,819)**	(12,408,168)	(24,229,823)
Increase in intangible asset - service concession rights (Note 15)	**(131,502)**	(45,875)	(20,046)
Decrease (increase) in other noncurrent assets	**599,306**	(6,303,485)	(1,504,063)
Net cash flows used in investing activities	**(11,749,681)**	(84,668,374)	(36,592,532)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from availment of long-term debts - net of transaction costs (Note 19)	**43,968,605**	74,674,514	44,494,653
Net proceeds from (settlements of) bank loans	**15,424,292**	(625,532)	1,055,647
Proceeds from issuance of treasury shares (Note 23)	**–**	5,874,083	885,336
Interest paid	**(8,858,875)**	(5,002,512)	(3,350,218)
Cash dividends paid and other changes to non-controlling interest	**(3,077,223)**	(4,434,075)	(4,243,450)
Cash dividends paid to equity holders of the parent (Note 24)	**(7,492,944)**	(5,887,523)	(6,153,470)
Payments of:			
Long-term debts (Note 19)	**(51,545,504)**	(4,232,593)	(2,813,140)
Obligations under finance lease (Note 21)	**(7,877,292)**	(7,517,917)	(7,482,447)
Net cash flows from (used in) financing activities	**(19,458,941)**	52,848,445	22,392,911
NET INCREASE IN CASH AND CASH EQUIVALENTS	**1,473,597**	193,493	13,059,366
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**(460,911)**	82,151	40,952
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**63,857,528**	63,581,884	50,481,566
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	**₱64,870,214**	₱63,857,528	₱63,581,884

See accompanying Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in Thousands, Except Par Value, Earnings Per Share, Number of Shares, and When Otherwise Indicated)

1. Corporate Information

Aboitiz Equity Ventures, Inc. (the Company) was originally incorporated in the Philippines as Cebu Pan Asian Holdings, Inc. and registered with the Securities and Exchange Commission on September 11, 1989. The Company changed its corporate name to the present one on December 29, 1993 and its ownership was opened to the general public through an initial public offering of its shares on November 16, 1994 (see Note 23).

The Company and its subsidiaries (collectively referred to as the "Group") are engaged in various business activities mainly in the Philippines, including power generation and distribution, food manufacturing, banking and financial services, real estate development, and infrastructure (see Note 33). The Company is the publicly-listed holding and management company of the Group. The parent and the ultimate parent of the Company is Aboitiz & Company, Inc. (ACO).

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

The consolidated financial statements of the Group were approved and authorized for issue in accordance with a resolution by the Board of Directors (BOD) of the Company on March 8, 2018.

2. Basis of Preparation, Statement of Compliance and Summary of Significant Accounting Policies

Basis of Preparation

The accompanying consolidated financial statements of the Group have been prepared on a historical cost basis, except for derivative financial instruments, quoted AFS investments and investment properties which are measured at fair value, and agricultural produce and biological assets which are measured at fair value less estimated costs to sell. The consolidated financial statements are presented in Philippine peso, which is the Company's functional currency, and all values are rounded to the nearest thousands, except for earnings per share and exchange rates and as otherwise indicated.

Statement of Compliance

The consolidated financial statements of the Group are prepared in compliance with Philippine Financial Reporting Standards (PFRSs).

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except for certain amendments which were applied starting January 1, 2017. These amendments did not have any significant impact on the Group's consolidated financial statements:

- Amendment to PFRS 12, *Disclosure of Interests in Other Entities, Clarification of the Scope of the Standard* (Part of *Annual Improvements to PFRSs* 2014-2016 cycle)

  The amendments clarify that the disclosure requirements in PFRS 12, other than those relating to summarized financial information, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale.

  Adoption of these amendments did not have any impact on the Group's consolidated financial statements.

- Amendments to Philippine Accounting Standards (PAS) 12, *Income Taxes, Recognition of Deferred Tax Assets for Unrealized Losses*

  The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions upon the reversal of the deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

  The Group applied the amendments retrospectively. However, their application had no effect on the Group's financial position and performance as the Group had no deductible temporary differences or assets that are in the scope of the amendments.

- Amendments to PAS 7, *Statement of Cash Flows, Disclosure Initiative*

  The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses).

  The Group has provided the required information in Note 37 to the financial statements. As allowed under the transition provisions of the standard, the Group did not present comparative information for the year ended December 31, 2016.

New Standards and Interpretations Issued and Effective after December 31, 2017
The Group will adopt the standards enumerated below when these become effective. Except as otherwise indicated, the Group does not expect the adoption of these new and amended PFRS, PAS and Philippine Interpretations to have significant impact on its consolidated financial statements.

Effective January 1, 2018

- Amendments to PFRS 2, *Share-based Payment, Classification and Measurement of Share-based Payment Transactions*
  The amendments to PFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

  On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and if other criteria are met. Early application of the amendments is permitted.

  These amendments will not be applicable to the Group since it has no share-based payment arrangements.

- Amendments to PFRS 4, *Insurance Contracts, Applying PFRS 9, Financial Instruments, with PFRS 4*
  The amendments address concerns arising from implementing PFRS 9, the new financial instruments standard before implementing the new insurance contracts standard. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying PFRS 9 and an overlay approach. The temporary exemption is first applied for reporting periods beginning on or after January 1, 2018. An entity may elect the overlay approach when it first applies PFRS 9 and apply that approach retrospectively to financial assets designated on transition to PFRS 9. The entity restates comparative information reflecting the overlay approach if, and only if, the entity restates comparative information when applying PFRS 9.

  The Group's activities are not predominantly connected with insurance. These amendments will not have any significant impact on the Group's consolidated financial statements.

- PFRS 15, *Revenue from Contracts with Customers*
  PFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under PFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in PFRS 15 provide a more structured approach to measuring and recognizing revenue.

The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under PFRSs. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after January 1, 2018. Early adoption is permitted. The Group plans to adopt the new standard on the required effective date using the modified retrospective method. In 2016, the Group performed a preliminary assessment of PFRS 15 which was continued with a more detailed analysis in 2017.

Based on its initial assessment, the requirements of PFRS 15 on the following may have an impact on the Group's consolidated financial position, performance and disclosures:

Power Segment

- Identification of performance obligations

  Sale of power and electricity
  Contract with customers for the Group's power segment generally includes power generation, ancillary services, power distribution, and retail supply.

  For power generation and ancillary services where capacity and energy dispatched are separately identified, these two obligations are expected to be combined as one performance obligation since these are not distinct within the context of the contract as the buyer cannot benefit from the contracted capacity alone without the corresponding energy and the buyer cannot obtain energy without contracting a capacity. The combined performance obligation is expected to qualify as a series of distinct goods or services that are substantially the same and have the same pattern of transfer.

  Under the current standards, revenue from power generation is recognized in the period actual capacity is generated. Under PFRS 15, the Group expects the revenue recognition to occur over time wherein the customer simultaneously receives and consumes the benefits as the seller supplies power. In this case, the fixed capacity payments for the entire contract period determined at contract inception will be recognized over time. Adoption of PFRS 15 is expected to have an impact on the Group's revenue and profit or loss, specifically on contracts where capacity payments are fixed but escalates throughout the contract period without any reference to market indices. The fixed escalation will be recognized on a straight-line basis over the contract period.

  Power distribution and retail supply are also expected to qualify as series of distinct goods or services that are substantially the same and have the same pattern of transfer accounted for as one performance obligation. The Group expects revenue to be recognized over time based on amounts billed.

- Variable considerations
  Some contracts with customers include unspecified quantity of energy, provisional Energy Regulatory Commission (ERC) rates, and volume and prompt payment discounts. Such provisions give rise to variable consideration under PFRS 15 and will be required to be estimated at contract inception and updated thereafter.

However, PFRS 15 also requires the estimated variable consideration to be constrained to prevent a significant reversal in the amount of cumulative revenue recognized. The Group expects that application of the constraint will result in the same revenue recognized under PAS 18.

Real Estate Segment

- Identification of performance obligations

  Real estate sales
  Contract with customers for the Group's real estate segment generally includes sale of developed lot, sale of house and lot, sale of unfurnished and fully-furnished condominium units.

  For sale of developed lots, lot and land development are separately identifiable promises but are expected to be combined as one performance obligation since these are not distinct within the context of the contract as the land development is used as an input to deliver a combined output (i.e. developed lot). The Group expects the revenue recognition to occur at a point in time when control of the asset is transferred to the customer, generally on delivery of the lot.

  For sale of house and lot, house and lot are separately identifiable promises but are expected to be combined as one performance obligation since these are not distinct within the context of the contract. The obligation to deliver the house duly constructed in a specific lot is fully integrated in the lot in accordance with the approved plan. If sale occurs upon completion, the Group expects the revenue recognition to occur at a point in time when control of the asset is transferred to the customer, generally on delivery of the house and lot. If sale occurs prior to completion, the Group expects the revenue recognition to occur over time when satisfying the criterion of which the Group's performance does not create an asset with an alternative use and the Group has an enforceable right to payment for performance completed to date.

- Significant financing component in relation to advance payments received from customers
  Contracts with customers provide two alternative options: spot cash payment and installment payments after the contracts are signed. For both payment options, the Group concluded that there is a significant financing component because the timing between when the customer pays for the property and when the Group transfers the property to the customer do not match and the period between transfers are more than a year. The transaction price for such contracts will be determined by discounting the amount of promised consideration using the appropriate discount rate. The Group is currently quantifying the impact of the significant financing component in its consolidated financial statements.

- Incremental costs to obtain contracts
  The Group's real estate segment incurs incremental sales commissions to obtain contracts with customers. Under legacy standards, the Group recognized the sales commission as expense when incurred. Under PFRS 15, these are capitalized as contract asset if the costs are expected to be recoverable.

The Group expects to amortize these costs on a systematic basis that is consistent with the Group's transfer of the related goods/services to the customer (i.e., percentage-of-completion). The Group also expects to apply the practical expedient wherein contract costs shall be immediately expensed when the asset that would have resulted from capitalizing such costs would have been amortized within one year or less.

Food Manufacturing Segment

- Identification of performance obligations

  Sale of goods
  For contract with customers in which the sale of goods is generally expected to be the only performance obligation, adoption of PFRS 15 is not expected to have a significant impact on the Group's revenue and profit or loss. The Group expects the revenue recognition to occur at a point in time when control of the asset is transferred to the customer, generally on delivery of goods.

- Variable considerations
  Some contracts with customers include volume discounts. Currently, the Group recognizes revenue measured at the fair value of the consideration received or receivable taking into account the amount of any discounts and allowances granted by the Group. For the volume discounts, the Group recognizes these once the quantity of products purchased during the period exceeds a threshold specified in the contract. These are being determined and recorded on a monthly basis. Under PFRS 15, such provisions give rise to variable consideration under PFRS 15, and will be required to be estimated at contract inception and updated thereafter.

  However, PFRS 15 also requires the estimated variable consideration to be constrained to prevent a significant reversal in the amount of cumulative revenue recognized. The Group expects that application of the constraint, will result in the same accounting revenue as recognized in PAS 18.

Group
In addition, as the presentation and disclosure requirements in PFRS 15 are more detailed than under current PFRSs, the Group is currently assessing what necessary changes it needs to make on its current systems, internal controls, policies and procedures to enable the Group to collect and disclose the required information.

The recognition and measurement requirements in PFRS 15 also apply to gains or losses on disposal of nonfinancial assets (such as items of property and equipment and intangible assets), when that disposal is not in the ordinary course of business. However, on transition, the effect of these changes is not expected to be material for the Group.

- PFRS 9, *Financial Instruments*

  PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

  The Group plans to adopt the new standard on the mandatory effective date and will not restate comparative information.

  The Group has performed an assessment of the population of financial instruments impacted by the classification and measurement requirements of PFRS 9 and is in the process of developing impairment methodologies to support the calculation of expected credit losses (ECL) for qualified credit exposures.

  (a) Classification and measurement

  PFRS 9 requires that the Group classifies debt instruments based on the contractual cash flow characteristics of the assets and the business model for managing those assets. These factors determine whether the financial assets are measured at amortized cost, fair value through other comprehensive income (FVOCI), or fair value through profit or loss (FVTPL).

  The Group assessed that the contractual cash flows of its debt financial assets are solely payments of principal and interest and are expected to be held to collect all contractual cash flows until their maturity. As a result, these debt financial assets are still expected to be measured at amortized cost.

  Investments in unquoted equity shares currently carried at cost under PAS 39 are expected to be measured at FVTPL. The Group is in the process of determining how to measure the fair value of these unquoted investments.

  Quoted equity shares currently held as AFS investments are expected to be measured at either FVTPL (at default), which will increase volatility in profit or loss, or at FVOCI with no recycling to profit or loss (upon irrevocable election).

  (b) Impairment

  PFRS 9 requires the Group to record ECL for all loans and other debt financial assets not classified as at FVTPL, together with contract assets, loan commitments and financial guarantee contracts. The Group plans to apply the simplified approach and record lifetime ECL on all trade receivables and contract assets. For other debt financial assets measured at amortized cost, the general approach will be applied, measuring either a 12-month or lifetime expected losses, depending on the extent of the deterioration of their credit quality from origination. The Group is currently quantifying the impact of the change in measuring ECL.

(c) Hedge accounting

The Group has determined that all existing hedge relationships that are currently designated in effective hedging relationships under PAS 39 will continue to qualify for hedge accounting under PFRS 9. On transition, the Group will not retrospectively apply PFRS 9 to the hedges where the Group excluded the forward points from the hedge designation under PAS 39.

As PFRS 9 does not change the general principles of how an entity accounts for effective hedges, applying the hedging requirements of PFRS 9 will not have a significant impact on the Group's consolidated financial statements.

The Group expects that adoption of PFRS 9 will have an impact on its equity take up of its share in net earnings and movements in other comprehensive income in an associate. The Group has applied its existing governance framework to ensure that appropriate controls and validations are in place over key processes and judgments in implementing PFRS 9. The Group is continuously refining its internal controls and processes which are relevant in the proper implementation of PFRS 9.

- Amendments to PAS 28, *Measuring an Associate or Joint Venture at Fair Value* (Part of *Annual Improvements to PFRSs* 2014 - 2016 Cycle)

  The amendments clarify that an entity that is a venture capital organization, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. They also clarify that if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (a) the investment entity associate or joint venture is initially recognized; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent. The amendments should be applied retrospectively, with earlier application permitted.

  These amendments are not applicable to the Group since none of the entities within the Group is a venture capital organization or an investment entity, nor does the Group have investment entity associates or joint ventures.

- Amendments to PAS 40, *Investment Property, Transfers of Investment Property*

  The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. Retrospective application is only permitted if this is possible without the use of hindsight.

Since the Group's current practice is in line with the clarifications issued, the Group does not expect any effect on its consolidated financial statements upon adoption of these amendments.

- Philippine Interpretation IFRIC-22, *Foreign Currency Transactions and Advance Consideration*

  The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the nonmonetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. The interpretation may be applied on a fully retrospective basis. Entities may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognized on or after the beginning of the reporting period in which the entity first applies the interpretation or the beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.

  Since the Group's current practice is in line with the clarifications issued, the Group does not expect any effect on its consolidated financial statements upon adoption of this interpretation.

Effective January 1, 2019

- PFRS 16, *Leases*
  PFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under PAS 17, *Leases*. The standard includes two recognition exemptions for lessees - leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

  Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

  Lessor accounting under PFRS 16 is substantially unchanged from today's accounting under PAS 17. Lessors will continue to classify all leases using the same classification principle as in PAS 17 and distinguish between two types of leases: operating and finance leases.

  PFRS 16 also requires lessees and lessors to make more extensive disclosures than under PAS 17. Early application is permitted, but not before an entity applies PFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

The Group is currently assessing the impact of PFRS 16 and plans to adopt the new standard on the required effective date.

- Amendments to PFRS 9, *Prepayment Features with Negative Compensation*
The amendments to PFRS 9 allow debt instruments with negative compensation prepayment features to be measured at amortized cost or fair value through other comprehensive income. An entity shall apply these amendments for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted.

  The Group expects that adoption of these amendments will not have any impact consolidated financial statements and plans to adopt these on the required effective date.

- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*
The amendments to PAS 28 clarify that entities should account for long-term interests in an associate or joint venture to which the equity method is not applied using PFRS 9. An entity shall apply these amendments for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted.

  The Group expects that adoption of these amendments will not have any impact on the consolidated financial statements and plans to adopt these on the required effective date.

- Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Treatments*
The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of PAS 12 and does not apply to taxes or levies outside the scope of PAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

  The interpretation specifically addresses the following:
  - Whether an entity considers uncertain tax treatments separately
  - The assumptions an entity makes about the examination of tax treatments by taxation authorities
  - How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
  - How an entity considers changes in facts and circumstances

  An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed.

  The Group is currently assessing the impact of adopting this interpretation.

Deferred effectivity

- Amendments to PFRS 10 and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

  The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3, *Business Combinations*. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

  On January 13, 2016, the Financial Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board (IASB) completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

Basis of Consolidation

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

			Percentage of Ownership			
	Nature of		2017		2016	
	Business	Place of Incorporation	Direct	Indirect	Direct	Indirect
Aboitiz Power Corporation (AP) and Subsidiaries	Power	Philippines	76.88%	–	76.88%	–
Aboitiz Energy Solutions, Inc. (AESI)	Power	Philippines	–	100.00	–	100.00
Balamban Enerzone Corporation (BEZ)	Power	Philippines	–	100.00	–	100.00
Mactan Enerzone Corporation (MEZ)	Power	Philippines	–	100.00	–	100.00
East Asia Utilities Corporation (EAUC)	Power	Philippines	–	100.00	–	100.00
Lima Enerzone Corporation (LEZ)	Power	Philippines	–	100.00	–	100.00
Subic Enerzone Corporation (SEZ)	Power	Philippines	–	100.00	–	100.00
Cotabato Light & Power Co., Inc. (CLP)	Power	Philippines	–	99.94	–	99.94
Cotabato Ice Plant, Inc.	Manufacturing	Philippines	–	100.00	–	100.00
Davao Light & Power Co., Inc. (DLP)	Power	Philippines	–	99.93	–	99.93
Maaraw Holdings San Carlos, Inc. (MHSCI, see Note 9)	Power	Philippines	–	100.00	–	–
San Carlos Sun Power, Inc. (Sacasun, see Note 9)	Power	Philippines	–	100.00	–	–
Sunedison Philippines Helios B.V. (see Note 9)	Holding	Netherlands	–	100.00	–	–
Visayan Electric Co., Inc. (VECO)	Power	Philippines	–	55.26	–	55.26
Aboitiz Renewables Inc. (ARI) and Subsidiaries	Power	Philippines	–	100.00	–	100.00
AP Renewables, Inc. (APRI)	Power	Philippines	–	100.00	–	100.00
Hedcor, Inc. (HI)	Power	Philippines	–	100.00	–	100.00
Hedcor Mt. Province, Inc.*	Power	Philippines	–	100.00	–	100.00
Hedcor Benguet, Inc.*	Power	Philippines	–	100.00	–	100.00
Hedcor Bukidnon, Inc.*	Power	Philippines	–	100.00	–	100.00
Hedcor Kabayan, Inc.*	Power	Philippines	–	100.00	–	100.00
Hedcor Ifugao, Inc.*	Power	Philippines	–	100.00	–	100.00
Hedcor Kalinga, Inc. *	Power	Philippines	–	100.00	–	100.00
Hedcor Itogon, Inc.*	Power	Philippines	–	100.00	–	100.00
Hedcor Manolo Fortich, Inc.*	Power	Philippines	–	100.00	–	100.00
Hedcor Sabangan, Inc. (Hedcor Sabangan)	Power	Philippines	–	100.00	–	100.00
Hedcor Sibulan, Inc. (HSI)	Power	Philippines	–	100.00	–	100.00
Hedcor Tamugan, Inc. (HTI)*	Power	Philippines	–	100.00	–	100.00
Hedcor Tudaya, Inc. (Hedcor Tudaya)	Power	Philippines	–	100.00	–	100.00
Aboitiz Power Distributed Renewables, Inc. (formerly Kookaburra Equity Ventures, Inc.) *	Power	Philippines	–	100.00	–	100.00

(Forward)

	Nature of Business	Place of Incorporation	Percentage of Ownership 2017 Direct	2017 Indirect	2016 Direct	2016 Indirect
Aboitiz Power Distributed Energy, Inc. *	Power	Philippines	–	100.00	–	–
Mt. Apo Geopower, Inc. *	Power	Philippines	–	100.00	–	100.00
Cleanergy, Inc. (CI)*	Power	Philippines	–	100.00	–	100.00
Hydro Electric Development Corporation	Power	Philippines	–	99.97	–	99.97
Luzon Hydro Corporation (LHC)	Power	Philippines	–	100.00	–	100.00
Bakun Power Line Corporation*	Power	Philippines	–	100.00	–	100.00
AP Solar Tiwi, Inc.*	Power	Philippines	–	100.00	–	100.00
Aseagas Corporation (Aseagas)*	Power	Philippines	–	100.00	–	–
Cordillera Hydro Corporation (CHC)*	Power	Philippines	–	100.00	–	100.00
Negron Cuadrado Geopower, Inc. (NCGI)*	Power	Philippines	–	100.00	–	100.00
Tagoloan Hydro Corporation*	Power	Philippines	–	100.00	–	100.00
Luzon Hydro Company Limited*	Power	Philippines	–	100.00	–	100.00
Therma Power, Inc. (TPI) and Subsidiaries	Power	Philippines	–	100.00	–	100.00
Abovant Holdings, Inc.	Power	Philippines	–	60.00	–	60.00
Mindanao Sustainable Solutions, Inc. *	Services	Philippines	–	100.00	–	–
Therma Power Visayas, Inc. *	Power	Philippines	–	100.00	–	100.00
Therma Luzon, Inc. (TLI)	Power	Philippines	–	100.00	–	100.00
Therma Marine, Inc. (Therma Marine)	Power	Philippines	–	100.00	–	100.00
Therma Mobile, Inc. (Therma Mobile)	Power	Philippines	–	100.00	–	100.00
Therma South, Inc. (TSI)	Power	Philippines	–	100.00	–	100.00
Therma Central Visayas, Inc. *	Power	Philippines	–	100.00	–	100.00
Therma Subic, Inc.*	Power	Philippines	–	100.00	–	100.00
Therma Mariveles Holdings L.P. (formerly World Power Holdings, L.P.)**	Holding	Cayman Islands	–	–	–	100.00
Therma Mariveles, LLC (formerly SG GNPower, LLC)**	Holding	United States	–	–	–	100.00
Therma Mariveles Consulting Services, LLC (formerly Sithe Global Consulting Services, LLC)**	Holding	United States	–	–	–	100.00
Therma Mariveles Holding Cooperatief U.A. (formerly SG Philippines Holding Cooperatief U.A.)**	Holding	Netherlands	–	100.00	–	100.00
Therma Mariveles B.V. (formerly Sithe Global Camaya B.V.)**	Holding	Netherlands	–	100.00	–	100.00
Therma Mariveles Holdings, Inc. **	Holding	Netherlands	–	100.00	–	100.00
GNPower Mariveles Coal Plant Ltd. Co. (GMCP) **	Power	Philippines	–	66.07	–	82.82
Therma Dinginin L.P. (formerly Sithe Global Power, L.P.)**	Holding	Cayman Islands	–	–	–	100.00
Therma Dinginin, LLC (formerly SG GNPD, LLC)**	Holding	United States	–	–	–	100.00
Therma Dinginin Offshore Services Inc. (formerly GNPD Offshore Services, Inc.)**	Holding	United States	–	–	–	100.00
Therma Dinginin Holding Cooperatief U.A. (formerly SG GNPD Holding Cooperatief U.A.)**	Holding	Netherlands	–	100.00	–	100.00
Therma Dinginin B.V. (formerly Sithe Global GNPD B.V.) **	Holding	Netherlands	–	100.00	–	100.00
Therma Dinginin Holdings, Inc. **	Holding	Philippines	–	100.00	–	100.00
Therma Visayas, Inc. (TVI)*	Power	Philippines	–	80.00	–	80.00
AboitizPower International Pte. Ltd.	Holding	Singapore	–	100.00	–	100.00
Adventenergy, Inc. (AI)	Power	Philippines	–	100.00	–	100.00
Cebu Private Power Corporation (CPPC)	Power	Philippines	–	60.00	–	60.00
Prism Energy, Inc. (PEI)*	Power	Philippines	–	60.00	–	60.00
Pilmico Foods Corporation (PILMICO) and Subsidiaries	Food manufacturing	Philippines	100.00	–	100.00	–
Filagri Holdings, Inc.	Holding	Philippines	–	100.00	–	100.00
Pilmico Animal Nutrition Corporation (PANC)	Food manufacturing	Philippines	–	100.00	–	100.00
Filagri, Inc.	Food manufacturing	Philippines	–	100.00	–	100.00

(Forward)

	Nature of Business	Place of Incorporation	Percentage of Ownership 2017 Direct	2017 Indirect	2016 Direct	2016 Indirect
AboitizLand, Inc. (AboitizLand) and Subsidiaries	Real estate	Philippines	100.00	–	100.00	–
Cebu Industrial Park Developers, Inc. (CIPDI)	Real estate	Philippines	–	60.00	–	60.00
Misamis Oriental Land Development, Inc. (MOLDC)	Real estate	Philippines	–	60.00	–	60.00
Propriedad del Norte, Inc. (PDNI)	Real estate	Philippines	–	100.00	–	100.00
Lima Land, Inc. (LLI) and Subsidiary	Real estate	Philippines	–	100.00	–	100.00
Cebu District Property Enterprise, Inc. (CDPEI)	Real Estate	Philippines	–	60.00	–	60.00
AEV International Pte. Ltd. (AEV International)	Holding	Singapore	100.00	–	100.00	–
Pilmico International Pte. Ltd. (Pilmico International)	Holding	Singapore	–	100.00	–	100.00
Pilmico VHF Joint Stock Company (Pilmico VHF)	Food manufacturing	Vietnam	–	100.00	–	100.00
Pilmico Viet Nam Trading Company, Ltd.	Trading	Vietnam	–	100.00	–	100.00
Pilmico Animal Nutrition Joint Stock Company (PAN JSC)	Food manufacturing	Vietnam	–	70.00	–	–
PT PILMICO Foods Indonesia	Trading	Indonesia	–	67.00	–	–
Archipelago Insurance Pte Ltd (AIPL)	Insurance	Singapore	100.00	–	100.00	–
Aseagas Corporation (Aseagas)*	Biogas Manufacturing	Philippines	–	–	–	100.00
AEV Aviation, Inc. (AEV Aviation)	Service	Philippines	73.31	26.69	73.31	26.69
AEV Properties, Inc.*	Real estate	Philippines	100.00	–	100.00	–
Cebu Praedia Development Corporation (CPDC)	Real estate	Philippines	100.00	–	100.00	–
PETNET, Inc. (PETNET)	Financial services	Philippines	51.00	–	51.00	–
Aboitiz Infracapital ,Inc.	Holding	Philippines	100.00	–	100.00	–
Lima Water Corporation (LWC)	Water	Philippines	–	100.00	–	100.00
Apo Agua Infrastructura, Inc.*	Supply of treated bulk water	Philippines	22.22	47.78	23.21	46.79

**No commercial operations as of December 31, 2017 and December 31, 2016.*
*** Acquired as part of GNPower acquisition (see Note 9)*

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at December 31 of each year.

The Group controls an investee if and only if the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

The financial statements of the subsidiaries are prepared for the same reporting year as the Company, using consistent accounting policies.

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- Derecognizes the carrying amount of any non-controlling interests;
- Derecognizes the cumulative translation differences recorded in equity;
- Recognizes the fair value of the consideration received;
- Recognizes the fair value of any investment retained;
- Recognizes any surplus or deficit in profit or loss; and
- Reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities

Transactions with Non-controlling Interests
Non-controlling interests represent the portion of profit or loss and net assets in the subsidiaries not held by the Group and are presented separately in the consolidated statement of income and within equity in the consolidated balance sheet, separately from the equity attributable to equity holders of the parent. Transactions with non-controlling interests are accounted for as equity transactions. On acquisitions of non-controlling interests, the difference between the consideration and the book value of the share of the net assets acquired is reflected as being a transaction between owners and recognized directly in equity. Gain or loss on disposals to non-controlling interest is also recognized directly in equity.

Summary of Significant Accounting Policies

Current versus Noncurrent Classification
The Group presents assets and liabilities in the consolidated balance sheet based on current/noncurrent classification. An asset as current when it is:

- Expected to be realized or intended to be sold or consumed in normal operating cycle
- Held primarily for the purpose of trading

- Expected to be realized within twelve months after the reporting period or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for a least twelve months after reporting period

All other assets are classified as noncurrent.

A liability is current when:

- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period or
- There is no unconditional right to defer settlement of the liability for at least twelve months after the reporting period

All other liabilities are classified as noncurrent.

Deferred income tax assets and liabilities are classified as non-current assets and liabilities.

Fair Value Measurement
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

The Group's valuation team (the Team) determines the policies and procedures for fair value measurement of its investment properties, and property, plant and equipment. External valuers (the Valuers) are involved in the periodic valuation of these assets. The respective subsidiary's Team decides the selection of the Valuers after discussion with and approval by its Chief Financial Officer (CFO). Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Team also determines, after discussions with the chosen valuers, which valuation techniques and inputs to use for each case.

At each reporting date, the Team analyzes the movements in the values of the investment properties, and property, plant and equipment which are required to be re-measured or re-assessed in accordance with the subsidiary's accounting policies. The Team, in coordination with the Valuers, also compares each of the changes in the fair value of each property with relevant external sources to determine whether the change is reasonable.

On the re-appraisal year, the Team and Valuers present the valuation results and the major assumptions used in the valuation to its CFO.

Cash and Cash Equivalents
Cash and cash equivalents in the consolidated balance sheet consist of cash on hand and with banks, and short-term, highly liquid investments that are readily convertible to known amounts of cash and subject to insignificant risk of changes in value. They are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Financial Instruments
Date of recognition
The Group recognizes a financial asset or a financial liability in the consolidated balance sheet on the date when it becomes a party to the contractual provisions of the instrument. All regular way purchases and sales of financial assets are recognized on trade date, which is the date that the Group commits to purchase the asset. Regular way purchases or sales of financial assets are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace. Derivatives are recognized on a trade date basis.

Initial recognition of financial instruments
All financial assets and financial liabilities are recognized initially at fair value. Except for financial assets at fair value through profit or loss (FVPL), the initial measurement of financial assets includes transaction costs. The Group classifies its financial assets in the following categories: financial assets at FVPL, loans and receivables, HTM investments, and AFS investments. For financial liabilities, the Group also classifies them into financial liabilities at FVPL and other financial liabilities. The classification depends on the purpose for which the investments were acquired and whether they are quoted in an active market. The Group determines the classification of its financial assets at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

"Day 1" difference
Where the transaction price in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a "Day 1" difference) in the consolidated statement of income unless it qualifies for recognition as some other type of asset. In cases where use is made of data which is not observable, the difference between the transaction price and model value is only recognized in the consolidated statement of income when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the "Day 1" difference amount.

Financial assets and financial liabilities at FVPL
Financial assets and financial liabilities at FVPL include financial assets held for trading purposes and financial assets designated upon initial recognition as FVPL.

Financial assets and financial liabilities are classified as held for trading if they are acquired for the purpose of selling and repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments in an effective hedge or a financial guarantee contract. Gains or losses on investments held for trading are recognized in the consolidated statement of income.

Financial assets and financial liabilities may be designated at initial recognition as at FVPL if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing the gains or losses on them on a different basis; or (ii) the assets and liabilities are part of a group of financial assets, liabilities or both which are managed and their performance evaluated on fair value basis, in accordance with a documented risk management strategy; or (iii) the financial instrument contains an embedded derivative that would need to be separately recorded. Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial asset or financial liabilities at FVPL, except when the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Financial assets and liabilities at FVPL are recorded in the consolidated balance sheet at fair value. Subsequent changes in fair value are recognized in the consolidated statement of income. Interest earned or incurred is recorded as interest income or expense, respectively, while dividend income is recorded as other income when the right to receive payment has been established.

Financial instruments included in this classification are the Group's derivative asset and derivative liability (see Note 36).

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not reclassified or designated as AFS investments or financial assets at FVPL. After initial measurement, loans and receivables are subsequently carried at amortized cost using the effective interest method less any allowance for impairment. Amortized cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate (EIR) and transaction costs. Gains and losses are recognized in the consolidated statement of income when the loans and receivables are derecognized or impaired, as well as through the amortization process.

Financial assets included in this classification are the Group's cash in banks and cash equivalents, trade and other receivables and restricted cash (see Note 36).

HTM investments
HTM investments are quoted non-derivative financial assets which carry fixed or determinable payments and fixed maturities and which the Group has the positive intention and ability to hold to maturity. After the initial measurement, HTM investments are measured at amortized cost. This cost is computed as the amount initially recognized less principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initially recognized amount and the maturity amount, less allowance for impairment. This calculation includes all fees and points paid or received between the parties to the contract that are integral part of the EIR, transaction costs and all other premiums and discounts. Where the Group sells other than an insignificant amount of HTM investments, the entire category would be tainted and reclassified as AFS investments. Gains and losses are recognized in the consolidated statement of income when the investments are impaired, as well as through the amortization process.

The Group's HTM investments amounted to ₱189.2 million and nil as of December 31, 2017 and 2016, respectively.

AFS investments
AFS financial investments include equity and debt securities. Equity investments classified as available-for sale are those which are neither classified as held for trading nor designated as at FVPL. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions. They are included in noncurrent assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period. After initial recognition, AFS financial investments are measured at fair value with unrealized gains or losses being recognized in the other comprehensive income and in equity as "Net unrealized mark-to-market gains on AFS investments". When the investment is disposed of, the cumulative gains or loss previously recorded in equity is recognized in the consolidated statement of income. The Group uses the specific identification method in determining the cost of securities sold. Interest earned or paid on the investments is reported as interest income or expense using the EIR. Interest earned on holding AFS investments are reported as "Interest income" using the effective interest method.

Dividends earned on holding AFS investments are recognized in the consolidated statement of income as "Other income" when the right of payment had been established. The losses arising from impairment of such investments are recognized as "Provision for credit and impairment losses" in the consolidated statement of income. Unquoted equity securities are carried at cost, net of impairment.

The Group's AFS investments as of December 31, 2017 and 2016 include investments in quoted and unquoted shares of stock (see Note 36).

Other financial liabilities
Financial liabilities are classified in this category if these are not held for trading or not designated as at FVPL upon the inception of liability. These include liabilities arising from operations or borrowings.

Other financial liabilities are initially recorded at fair value, less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Amortized cost is calculated by taking into account any issue costs, and any discount or premium on settlement. Gains and losses are recognized in the consolidated statement of income when the liabilities are derecognized, as well as through the amortization process.

Included in other financial liabilities are the Group's debt and other borrowings (bank loans and long-term debts), obligations under finance lease, trade and other payables, customers' deposits, dividends payable, and long-term obligation on PDS (see Note 36).

Impairment of Financial Assets
The Group assesses at each balance sheet date whether a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if and only if, there is an objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Loans and receivables
For loans and receivables carried at amortized cost, the Group first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk

characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the consolidated statement of income. Interest income continues to be accrued on the reduced carrying amount based on the original EIR of the financial asset. Loans and receivables together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Group. If, in a subsequent period, the amount of the impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or decreased by adjusting the allowance account. Any subsequent reversal of an impairment loss is recognized in the consolidated statement of income, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

Assets carried at cost
If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

AFS investments
In the case of equity investments classified as AFS, objective evidence of impairment would include a significant or prolonged decline in the fair value of the investments below its cost. Where there is evidence of impairment, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the consolidated statement of income) is removed from other comprehensive income and recognized in the consolidated statement of income. Impairment losses on equity investments are not reversed through the consolidated statement of income. Increases in fair value after impairment are recognized directly in other comprehensive income.

In the case of debt instruments classified as AFS, impairment is assessed based on the same criteria as financial assets carried at amortized cost. Future interest income is based on rate of interest used to discount future cash flows for measuring impairment loss. Such accrual is recorded as part of "Interest income" in the consolidated statement of income. If, in subsequent period, the fair value of a debt instrument increased and the increase can be objectively related to an event occurring after the impairment loss was recognized in the consolidated statement of income, the impairment loss is reversed through the consolidated statement of income.

HTM investments
The Group reviews the age and status of HTM investments and assesses if it needs to be provided with allowance. The Group maintains allowances for impairment losses at a level considered adequate to provide for potential uncollectible investments.

Derecognition of Financial Assets and Liabilities

Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized where:

- the rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in consolidated statement of income.

Derivative Financial Instruments

Derivative financial instruments, including embedded derivatives, are initially recognized at fair value on the date in which a derivative transaction is entered into or bifurcated, and are subsequently re-measured at FVPL, unless designated as effective hedge. Changes in fair values of derivative instruments not accounted as hedges are recognized immediately in the consolidated statement of income. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The Group assesses whether embedded derivatives are required to be separated from host contracts when the Group first becomes party to the contract.

An embedded derivative is separated from the host financial or non-financial contract and accounted for as a derivative if all of the following conditions are met:

- the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics of the host contract;
- a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and

- the hybrid or combined instrument is not recognized as at FVPL.

Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

Embedded derivatives that are bifurcated from the host contracts are accounted for either as financial assets or financial liabilities at FVPL.

As of December 31, 2017 and 2016, the Group has freestanding derivatives in the form of deliverable and non-deliverable foreign currency forward contracts entered into to economically hedge its foreign currency risks (see Note 35). In 2013, the Group applied hedge accounting treatment on its derivative transactions.

Offsetting Financial Instruments
Financial assets and financial liabilities are offset and the net amount is reported in the consolidated balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is generally not the case with master netting agreements, and the related assets and liabilities are presented at gross in the consolidated balance sheet.

Classification of Financial Instruments Between Liability and Equity
Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity, net of any related income tax benefits.

A financial instrument is classified as liability if it provides for a contractual obligation to:

- deliver cash or another financial asset to another entity;
- exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group; or
- satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of its own equity shares.

If the Group does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.

Redeemable Preferred Shares (RPS)
The component of the RPS that exhibits characteristics of a liability is recognized as a liability in the consolidated balance sheet, net of transaction costs. The corresponding dividends on those shares are charged as interest expense in the consolidated statement of income. On issuance of the RPS, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond; and this amount is carried as a long term liability on the amortized cost basis until extinguished on redemption.

Inventories
Inventories are valued at the lower of cost and net realizable value (NRV). Costs incurred in bringing each product to its present location and condition are accounted for as follows:

Wheat grains and other raw materials	-	purchase cost on a first-in, first-out basis;
Finished goods and work in process	-	cost of direct materials, labor and a portion of manufacturing overhead based on normal operating capacity but excluding borrowing costs;
Fuel and lubricants	-	purchase cost on a first-in, first-out basis;
Materials, parts and supplies	-	purchase cost on a weighted average method

NRV of wheat grains and other raw materials, work in process and finished goods is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. NRV of fuel and lubricants and materials, parts and supplies is the current replacement costs.

Real estate inventories include land and condominium units, land and land improvements and residential lots for sale. Real estate inventories are carried at the lower of cost and NRV (i.e., estimated selling price less estimated costs to complete and sell). Cost includes costs incurred for the acquisition, development and improvement of the properties as well as the borrowing costs allowed to be capitalized.

Agricultural Activity
Agricultural produce
Agricultural produce (livestock and poultry) are measured at fair value less estimated costs to sell at point of harvest.

Biological assets
Biological assets are measured on initial recognition and at each balance sheet date at fair value less estimated costs to sell except when, on initial recognition, market-determined prices or values are not available and for which alternative estimates of fair value are determined to be clearly unreliable. In such cases, those biological assets are measured at accumulated costs less any accumulated depreciation and any accumulated impairment losses. Once the fair value of such biological assets becomes reliably measurable, those biological assets are measured at fair value less estimated costs to sell.

Gains or losses arising on initial recognition of a biological asset (for market hogs, piglets, growing stock, broilers and others) at fair value less estimated costs to sell and from changes in their fair values less estimated costs to sell are included in the consolidated statement of income for the period in which they arise.

Biological assets measured at fair value less estimated costs to sell continue to be measured as such until disposed. Expenditures on biological assets subsequent to initial recognition, excluding the costs of day-to-day servicing, are capitalized.

Investments in Associates and Joint Ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

The Group's investments in its associates and joint ventures are accounted for using the equity method.

Under the equity method, the investment in an associate or a joint venture is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

The consolidated statement of income reflects the Group's share of the results of operations of the associate or joint venture. Any change in other comprehensive income of those investees is presented as part of the Group's other comprehensive income. In addition, when there has been a change recognized directly in the equity of the associate or joint venture, the Group recognizes its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

The aggregate of the Group's share of profit or loss of an associate and a joint venture is shown on the face of the consolidated statement of income outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate or joint venture.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognizes the loss in the consolidated statement of income.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

Interest in Joint Operations

A joint arrangement is classified as a joint operation if the parties with joint control have rights to the assets and obligations for the liabilities of the arrangement. For interest in joint operations, the Group recognizes:

- assets, including its share of any assets held jointly;
- liabilities, including its share of any liabilities incurred jointly;
- revenue from the sale of its share of the output arising from the joint operation;
- share of the revenue from the sale of the output by the joint operation; and
- expenses, including its share of any expenses incurred jointly.

The accounting and measurement for each of these items is in accordance with the applicable PFRSs.

Business Combination and Goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the noncontrolling interest in the acquiree pertaining to instruments that represent present ownership interests and entitle their holders to a proportionate share of the net assets in the event of liquidation either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interest are measured at fair value unless another measurement basis is required by PFRS. Acquisition costs incurred are expensed and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognized in accordance with PAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the Group's interest in the fair values of the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Impairment of goodwill
Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units), to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognized.

Common control business combination
Business combination of entities under common control is accounted for similar to pooling of interest method, which is scoped out of PFRS 3, *Business Combinations*. Under the pooling of interest method, any excess of acquisition cost over the net asset value of the acquired entity is recorded in equity.

Land and Improvements
Land and improvements consist of properties for future development and are carried at the lower of cost and NRV. NRV is the estimated selling price in the ordinary course of business, less estimated cost of completion and estimated costs necessary to make the sale. Cost includes those costs incurred for development and improvement of the properties. Cost of land and improvements is transferred to real estate inventories upon commencement of the real estate project.

Property, Plant and Equipment
Except for land, property, plant and equipment are stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and any accumulated impairment in value. The initial cost of property, plant and equipment comprises its purchase price, including import duties, if any, and nonrefundable taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Cost includes the cost of replacing part of such property, plant and equipment when that cost is incurred and the recognition criteria are met. Repairs and maintenance costs are recognized in the consolidated statement of income as incurred.

Land is stated at cost less any accumulated impairment in value.

Construction in progress represents structures under construction and is stated at cost. This includes cost of construction and other direct costs. Borrowing costs that are directly attributable to the construction of property, plant and equipment are capitalized during the construction period.

Depreciation and amortization of the Group's property, plant and equipment and assets under finance leases is calculated on a straight-line basis over the useful lives of the assets as follows:

	Number of Years	
Category	**2017**	2016
Buildings, warehouses and improvements	**10 - 50**	10 - 50
Power plant and equipment	**2 - 50**	2 - 50
Transmission, distribution and substation equipment		
Power transformers	**30**	30
Poles and wires	**20 - 40**	20 - 40
Other components	**12 - 30**	12 - 30
Machinery and equipment	**5 - 30**	5 - 30
Transportation equipment	**5 - 10**	5 - 10
Office furniture, fixtures and equipment	**1 - 20**	1 - 20
Leasehold improvements	**3 - 20**	3 - 20
Electrical equipment	**5 - 25**	5 - 25
Meters and laboratory equipment	**25**	25
Steam field assets	**20 - 25**	20 - 25
Tools and others	**2 - 20**	2 - 20

Leasehold improvements are amortized over the shorter of the lease terms and the lives of the improvements.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable.

Fully depreciated assets are retained in the accounts until these are no longer in use. When assets are retired or otherwise disposed of, both the cost and related accumulated depreciation and amortization and any allowance for impairment losses are removed from the accounts and any resulting gain or loss is credited or charged to current operations. An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of income in the year the asset is derecognized.

The asset's residual values, useful lives and depreciation and amortization methods are reviewed and adjusted, if appropriate, at each financial year-end.

When each major inspection is performed, its cost is recognized in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria satisfied.

Service Concession Arrangements
Public-to-private service concession arrangements where: (a) the grantor controls or regulates what services the entities in the Group must provide with the infrastructure, to whom it must provide them, and at what price; and (b) the grantor controls - through ownership, beneficial entitlement or otherwise - any significant residual interest in the infrastructure at the end of the term of the arrangement, are accounted for under the provisions of Philippine Interpretation IFRIC 12, *Service Concession Arrangements*. Infrastructures used in a public-to-private service concession arrangement for its entire useful life (whole-of-life assets) are within the scope of this Interpretation if the conditions in (a) are met.

This interpretation applies to both: (a) infrastructure that the entities in the Group constructs or acquires from a third party for the purpose of the service arrangement; and (b) existing infrastructure to which the grantor gives the entity in the Group access for the purpose of the service arrangement.

Infrastructures within the scope of this Interpretation are not recognized as property, plant and equipment of the Group. Under the terms of contractual arrangements within the scope of this Interpretation, an entity acts as a service provider. An entity constructs or upgrades infrastructure (construction or upgrade services) used to provide a public service and operates and maintains that infrastructure (operation services) for a specified period of time.

An entity recognizes and measures revenue in accordance with PAS 11, *Construction Contracts*, and PAS 18, *Revenue*, for the services it performs. If an entity performs more than one service (i.e., construction or upgrade services and operation services) under a single contract or arrangement, consideration received or receivable shall be allocated by reference to the relative fair values of the services delivered, when the amounts are separately identifiable.

When an entity provides construction or upgrades services, the consideration received or receivable by the entity is recognized at its fair value. An entity accounts for revenue and costs relating to construction or upgrade services in accordance with PAS 11. Revenue from construction contracts is recognized based on the percentage-of-completion method, measured by reference to the percentage of costs incurred to date to estimated total costs for each contract.

The applicable entities account for revenue and costs relating to operation services in accordance with PAS 18.

An entity recognizes a financial asset to the extent that it has an unconditional contractual right to receive cash or another financial asset from or at the direction of the grantor for the construction services. An entity recognizes an intangible asset to the extent that it receives a right (a license) to charge users of the public service.

When the applicable entities have contractual obligations it must fulfill as a condition of its license (a) to maintain the infrastructure to a specified level of serviceability or (b) to restore the infrastructure to a specified condition before it is handed over to the grantor at the end of the service arrangement, it recognizes and measures these contractual obligations in accordance with PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, i.e., at the best estimate of the expenditure that would be required to settle the present obligation at the balance sheet date.

Borrowing cost attributable to the construction of the asset if the consideration received or receivable is an intangible asset, is capitalized during the construction phase. In all other cases, borrowing costs are expensed as incurred.

Intangible Asset

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is fair value as at the date of the acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in the consolidated statement of income in the year in which the expenditure is incurred.

Service concession right

The Group's intangible asset - service concession right pertains mainly to its right to charge users of the public service in connection with the service concession and related arrangements. This is recognized initially at the fair value which consists of the cost of construction services and the fair value of future fixed fee payments in exchange for the license or right. Following initial recognition, the intangible asset is carried at cost less accumulated amortization and any accumulated impairment losses.

The intangible asset - service concession right is amortized using the straight-line method over the estimated useful economic life which is the service concession period, and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The estimated useful life is 25 years. The amortization period and the amortization method are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense is recognized in the consolidated statement of income in the expense category consistent with the function of the intangible asset.

Intangible assets - customer contracts
The Group's intangible assets - customer contracts pertain to contracts entered by subsidiaries relating to the provision of utility services to locators within an industrial zone.

These are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses.

The intangible assets - customer contracts are amortized using the straight-line method over the remaining life of the contract, and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The remaining contract life ranges from 6 to 10 years. The amortization period and method are reviewed at least at each financial year end.

The amortization expense is recognized in the consolidated statement of income in the expense category consistent with the function of the intangible asset.

Franchise
The Group's franchise pertains to VECO's franchise to distribute electricity within an area granted by the Philippine Legislature, acquired in the business combination in 2013. The franchise is initially recognized at its fair value at the date of acquisition. Following initial recognition, the franchise is carried at cost less accumulated amortization and any accumulated impairment losses. The Group's franchise is amortized using the straight-line method over the estimated economic useful life, and assessed for impairment whenever there is an indication that the franchise may be impaired. The estimated economic useful life of the franchise is 40 years. The amortization period and amortization method for franchise are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the franchise are accounted for by changing the amortization period or method, as appropriate, and treated as a change in accounting estimates. The amortization expense on franchise is recognized in the consolidated statement of income in the expense category consistent with its function.

Software and licenses
Software and licenses are initially recognized at cost. Following initial recognition, the software development costs are carried at cost less accumulated amortization and any accumulated impairment in value.

The software development costs are amortized on a straight-line basis over its estimated useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization commences when the software development costs are available for use. The amortization period and the amortization method for the software development costs are reviewed at each financial year-end. Changes in the estimated useful life is accounted for by changing the amortization period or method, as appropriate, and treating them as changes in accounting estimates. The amortization expense is recognized in the consolidated statement of income in the expense category consistent with the function of the software development costs.

Project development costs
Project development costs include power plant projects in the development phase which meet the "identifiability" requirement under PAS 38, *Intangible Assets*, as they are separable and susceptible to individual sale and are carried at acquisition cost. These assets are transferred to "Property, plant and equipment" when construction of each power plant commences. During the period of development, the asset is tested for impairment annually.

Investment Properties
Investment properties, which pertain to land and buildings, are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, investment properties are carried at fair value, which reflects market conditions at the balance sheet date. Gains or losses arising from changes in fair values of investment properties are included in the consolidated statement of income in the year in which they arise.

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in the consolidated statement of income in the year of retirement or disposal.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction or development with a view to sale. For a transfer from investment property to owner-occupied property or inventories, the deemed cost of property for subsequent accounting is its fair value at the date of change in use. If the property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use. For a transfer from inventories to investment property, any difference between the fair value of the property at that date and its previous carrying amount is recognized in the consolidated statement of income. When the Group completes the construction or development of a self-constructed investment property, any difference between the fair value of the property at that date and its previous carrying amount is recognized in the consolidated statement of income.

Asset Retirement Obligation
The asset retirement obligation arose from the Group's obligation, under its contracts, to decommission, abandon and perform surface rehabilitation at the end of the useful lives of the steam field assets or upon abandonment of the plant. A corresponding asset is recognized as part of property, plant and equipment. Decommissioning costs are provided at the present value of expected costs to settle the obligation using estimated cash flows. The cash flows are discounted at a current pre-tax rate that reflects the risks specific to the asset retirement obligation. The unwinding of the discount is expensed as incurred and recognized in the consolidated statement of income as an "Accretion of asset retirement obligation" under the "Interest expense" account. The estimated future costs of decommissioning are reviewed annually and adjusted prospectively.

Changes in the estimated future costs or in the discount rate applied are added or deducted from the cost of the steam field asset. The amount deducted from the cost of the steam field asset, shall not exceed its carrying amount.

If the decrease in the liability exceeds the carrying amount of the steam field asset, the excess shall be recognized immediately in the consolidated statement of income.

Noncurrent Assets Classified as Held for Sale and Discontinued Operations
Noncurrent assets and disposal groups classified as held for sale are measured at the lower of their carrying mount and fair value less costs to sell. Noncurrent assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

In the consolidated statement of income of the reporting period, and of the comparable period of the previous year, income and expenses from discontinued operations are reported separately from income and expenses from continuing operations, down to the level of net income after taxes, even when the Group retains a non-controlling interest in the subsidiary after the sale. The resulting net income is reported separately in the consolidated statement of income.

If there are changes to a plan of sale, and the criteria for the asset or disposal group to be classified as held for sale are no longer met, the Group ceases to classify the asset or disposal group as held for sale and it shall be measured at the lower of:

- its carrying amount before the asset was classified as held for sale adjusted for any depreciation, amortization or revaluations that would have been recognized had the asset not been classified as held for sale, and
- its recoverable amount at the date of the subsequent decision not to sell.

The Group includes any required adjustment to the carrying amount of a noncurrent asset or disposal group that ceases to be classified as held for sale in the consolidated statement of income from continuing operations in the period in which the criteria for the asset or disposal group to be classified as held for sale are no longer met. The Group presents that adjustment in the same caption in the consolidated statement of income used to present a gain or loss recognized, if any.

If the Group ceases to classify a component of an entity as held for sale, the results of operations of the component previously presented in discontinued operations shall be reclassified and included in income from continuing operations for all periods presented. The amounts for prior periods shall be described as having been re-presented.

Research and Development Expenditure
The Group's policy is to record research expenses in the consolidated statement of income in the period when they are incurred.

Development costs are recognized as an intangible asset on the consolidated balance sheet if the Group can identify them separately and show the technical viability of the asset, its intention and capacity to use or sell it, and how it will generate probable future economic benefits.

Following initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit. During the period of development, the asset is tested for impairment annually.

Impairment of Nonfinancial Assets
Other current assets, property, plant and equipment, intangible assets, investments in associates and other noncurrent assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable or may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognized in the consolidated statement of income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each balance sheet date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of accumulated depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of income unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Capital Stock and Additional Paid-in Capital
Capital stock is measured at par value for all shares issued. When the Company issues more than one class of stock, a separate account is maintained for each class of stock and the number of shares issued. Capital stock includes common stock and preferred stock.

When the shares are sold at premium, the difference between the proceeds and the par value is credited to the "Additional paid-in capital" account. When shares are issued for a consideration other than cash, the proceeds are measured by the fair value of the consideration received. In case the shares are issued to extinguish or settle the liability of the Company, the shares shall be measured either at the fair value of the shares issued or fair value of the liability settled, whichever is more reliably determinable.

Direct costs incurred related to equity issuance, such as underwriting, accounting and legal fees, printing costs and taxes are debited to the "Additional paid-in capital" account, net of tax. If additional paid-in capital is not sufficient, the excess is charged against equity.

Retained Earnings
Retained earnings include accumulated earnings of the Company and reduced by dividends on capital stock. Dividends on capital stock are recognized as a liability and deducted from equity when they are approved by the BOD. Dividends for the year that are approved after the financial reporting date are dealt with as an event after the financial reporting date. Retained earnings may also include effect of changes in accounting policy as may be required by the transition provisions of new and amended standards.

Treasury Shares
The Group's own equity instruments which are reacquired (treasury shares) are deducted from equity. No gain or loss is recognized in the consolidated statement of income on the purchase, sale, issue or cancellation of the Group's own equity instruments.

Foreign Currency Transactions
The consolidated financial statements are presented in Philippine peso, which is the Group's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded in the functional currency at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to the consolidated statement of income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currency of the following power subsidiaries: LHC, Therma Mariveles L.P. and subsidiaries, Therma Dinginin L.P. and subsidiaries; and associates: STEAG State Power, Inc. (STEAG), Western Mindanao Power Corporation (WMPC) and Southern Philippines Power Corporation (SPPC), is the United States (US) dollar; and food subsidiaries: Pilmico VHF, Pilmico Viet Nam Trading Company, Ltd., and PAN JSC, is the Vietnamese Dong. As at the balance date, the assets and liabilities of these entities are translated into the presentation currency of the Group (the Philippine peso) at the rate of exchange ruling at the balance sheet date and their statements of income are translated at the weighted average exchange rates for the year. The exchange differences arising on the translation are taken directly to other comprehensive income. On disposal of the subsidiary and associate, the deferred cumulative amount recognized in other comprehensive income relating to that particular entity is recognized in the consolidated statement of income.

Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the amount of revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent.

The following specific recognition criteria must also be met before revenue is recognized:

Sales

Revenue from sale of power and electricity is recognized in the period in which actual capacity is generated and earned and upon distribution of power to customers.

Revenue from sale of goods is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer.

Real estate sales are accounted for under the percentage-of-completion method when: (a) equitable interest and/or legal title to the subject properties is transferred to the buyer; (b) the seller is obliged to perform significant acts after the subject properties are sold; (c) the amount of revenue can be measured reliably; (d) the costs incurred or to be incurred can be measured reliably; and (e) it is probable that the economic benefits will flow to the entity. Under this method, revenue is recognized as the related obligations are fulfilled, measured principally on the basis of the estimated completion of a physical proportion of the contract work. If any of the criteria under the percentage-of-completion method is not met, the deposit method is applied until all the conditions for recording a sale are met. Under the deposit method, no revenue and receivable are recognized, and the Group continues to reflect the property in the consolidated balance sheet. Pending recognition of sale, cash received from buyers are presented under the "Deposits and other liabilities" account in the liabilities section of the consolidated balance sheet.

Rendering of services

Service revenues are recognized when the related services are rendered. Customer payments for which services have not yet been rendered are classified as unearned revenue under "Trade and other payables" account in the consolidated balance sheets.

Once the recorded value of a financial asset or bank of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognized based on the original EIR used to discount the future recoverable cash flows.

Rental income

Rental income arising from operating leases is accounted for on a straight-line basis over the related lease terms.

Dividend income

Dividend income is recognized when the Group's right to receive payment is established.

Interest Income
Interest income is recognized as it accrues taking into account the effective yield on the asset.

Costs and Expenses
Costs and expenses are decreases in economic benefits during the accounting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decreases in equity, other than those relating to distributions to equity participants. Expenses are recognized when incurred.

Pension Benefits
The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Defined benefit costs comprise the following:

- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in the consolidated statement of income. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in the consolidated statement of income.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to consolidated statement of income in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Borrowing Costs

Borrowing costs are capitalized if they are directly attributable to the acquisition, construction or production of a qualifying asset. To the extent that funds are borrowed specifically for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalization on that asset shall be determined as the actual borrowing costs incurred on that borrowing during the period less any investment income on the temporary investment of those borrowings. To the extent that funds are borrowed generally, the amount of borrowing costs eligible for capitalization shall be determined by applying a capitalization rate to the expenditures on that asset. The capitalization rate shall be the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. The amount of borrowing costs capitalized during a period shall not exceed the amount of borrowing costs incurred during that period.

Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Group as a lessee

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating lease. Operating lease payments are recognized as an expense in the consolidated statement of income on a straight-line basis over the lease term.

Group as a lessor

Leases where the Group retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income.

Taxes

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the balance sheet date.

Current income tax relating to items recognized directly in equity is recognized in the consolidated statement of comprehensive income and not in the consolidated statement of income.

Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax

Deferred income tax is provided using the balance sheet liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences and carryforward benefits of net operating loss carryover (NOLCO) and excess of minimum corporate income tax (MCIT) over regular corporate income tax (RCIT), to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and the carryforward benefits of NOLCO and excess of MCIT over RCIT can be utilized, except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each balance sheet date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted as at the balance sheet date.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Input Value-Added Tax (VAT)
Input VAT represents VAT imposed on the Group by its suppliers for the acquisition of goods and services as required by Philippine taxation laws and regulations.

Input VAT, which is presented as part of "Other current assets" and/or "Other noncurrent assets" in the consolidated balance sheets, is recognized as an asset and will be used to offset the Group's current output VAT liabilities and/or applied for claim for tax credit certificates. Input VAT is stated at its estimated NRV.

Output VAT
Output VAT represents VAT due on the sale, lease or exchange of taxable goods or properties or service by any person registered or required to register under Philippine taxation laws and regulations.

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the consolidated balance sheet.

Provisions
Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated statement of income, net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a borrowing cost.

Contingencies
Contingent liabilities are not recognized in the consolidated financial statements. These are disclosed unless the probability of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but are disclosed when an inflow of economic benefits is probable.

Events After the Reporting Period
Post year-end events that provide additional information about the Group's position at balance sheet date (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed when material.

Earnings Per Common Share
Basic earnings per common share are computed by dividing net income for the year attributable to the common shareholders of the parent by the weighted average number of common shares issued and outstanding during the year, after retroactive adjustments for any stock dividends declared and stock rights exercised during the year.

Diluted earnings per share amounts are calculated by dividing the net income for the year attributable to the common shareholders of the parent by the weighted average number of common shares outstanding during the year plus the weighted average number of common shares that would be issued for outstanding common stock equivalents. The Group does not have dilutive common stock equivalents.

Dividends on Common Shares
Dividends on common shares are recognized as a liability and deducted from retained earnings when approved by the respective shareholders of the Group and its subsidiaries. Dividends for the year that are approved after the balance sheet date are dealt with as an event after the reporting period.

Operating Segments
For management purposes, effective September 2015, the Group is organized into five major operating segments (power, food manufacturing, financial services, real estate, infrastructure and parent company/others) according to the nature of the products and the services provided. The Group's identified operating segments are consistent with the segments reported to the BOD which is the Group's Chief Operating Decision Maker (CODM). Financial information on operating segments is presented in Note 33.

3. Summary of Significant Accounting Judgments, Estimates and Assumptions

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

Judgments
In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the consolidated financial statements:

Determining functional currency
Based on the economic substance of the underlying circumstances relevant to the companies in the Group, the functional currency of the companies in the Group has been determined to be the Philippine peso, except for certain subsidiaries and associates whose functional currency is the US dollar (US$) or Vietnamese Dong. The Philippine peso is the currency of the primary economic environment in which the companies in the Group operate and it is the currency that mainly influences the sale of power, goods and services and the costs of power, manufacturing and selling the goods, and the rendering of services. The functional currency of the following power subsidiaries: LHC, Therma Mariveles Holdings L.P. and subsidiaries, Therma Dinginin Holdings L.P. and subsidiaries; and associates: STEAG, WMPC and SPPC, is the US dollar; food subsidiaries: Pilmico VHF, Pilmico Viet Nam Trading Company, Ltd., and PAN JSC, is the Vietnamese Dong.

Determination of control or joint control over an investee company
Control is presumed to exist when an investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. On the other hand, joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Management has determined that by virtue of its majority ownership of voting rights in its subsidiaries as of December 31, 2017 and 2016, the Company had the ability to exercise control over these investees (see Note 2).

Nonconsolidation of certain investees
The Group has 83.33% interest in Manila-Oslo Renewable Enterprise, Inc. (MORE) which has a 60% ownership interest in SN Aboitiz Power-Magat (SNAP-Magat), Inc., SN Aboitiz Power-Benguet (SNAP-Benguet), Inc., SN Aboitiz Power-RES, Inc. (SNAP-RES), and SN Aboitiz Power-Generation, Inc. (SNAP-Generation).

The Group does not consolidate MORE since it does not have the ability to direct the relevant activities which most significantly affect the returns of MORE and its investees. This is a result of the shareholders' agreement which, among others, stipulates the management and operation of MORE. Management of MORE is vested in its BOD and the affirmative vote of the other shareholder is required for the approval of certain corporate actions which include financial and operating undertakings.

The Group has 60% interest in AEV CRH Holdings, Inc. (AEV CRH) which has 99.09% ownership interest in Republic Cement and Building Materials, Inc. (RCBMI), 99.63% ownership interest in Republic Cement Mindanao, Inc. (RCMI), 94.63% ownership interest in Republic Cement Iligan, Inc. (RCII) and 100% ownership interest in Luzon Continental Land Corporation (LCLC).

The Group does not consolidate AEV CRH since it does not have the ability to direct the relevant activities which most significantly affect the returns of AEV CRH and its investees. This is a result of the contractual arrangements that give the other party the power to direct the relevant non-nationalized activities of the subsidiaries of AEV CRH. Consequently, the Group recognizes AEV CRH as an associate that is accounted for using the equity method in the consolidated financial statements.

Determining a joint operation
The Group has 50% interest in PEC. The Group assessed that the joint arrangement is a joint operation as the financial and operating activities of the operation are jointly controlled by the participating shareholders and are primarily designed for the provision of output to the shareholders.

Service concession arrangements - Companies in the Group as Operators
Based on management's judgment, the provisions of Philippine Interpretation IFRIC 12 apply to SEZ's Distribution Management Service Agreement (DMSA) with Subic Bay Metropolitan Authority (SBMA); MEZ's Built-Operate-Transfer (BOT) agreement with Mactan Cebu International Airport Authority (MCIAA) and LHC's Power Purchase Agreement (PPA) with the National Power Corporation (NPC). The service concession agreements of subsidiaries SEZ, MEZ and LHC were accounted for under the intangible asset model. STEAG, an associate, has also determined that the provisions of Philippine Interpretation IFRIC 12 apply to its PPA with NPC. STEAG's service concession agreement was accounted for under the financial asset model. Refer to the accounting policy on service concession arrangements for the discussion of intangible asset and financial asset models.

Finance lease - Group as the lessee
In accounting for its Independent Power Producer Administration Agreement (IPP Administration Agreement) with the Power Sector Assets and Liabilities Management Corporation (PSALM), the Group has made a judgment that the IPP Administration Agreement of TLI is an arrangement that contains a lease. The Group has made a judgment that it has substantially acquired all the risks and rewards incidental to ownership of the power plant principally by virtue of its right to control the capacity of the power plant and its right to receive the transfer of the power plant at the end of the IPP Administration Agreement for no consideration. Accordingly, the Group accounted for the agreement as a finance lease and recognized the power plant and finance lease obligation at the present value of the agreed monthly payments to PSALM (see Notes 22 and 36).

The power plant is depreciated over its estimated useful life as there is reasonable certainty that the Group will obtain ownership by the end of the lease term. As of December 31, 2017 and 2016, the carrying value of the power plant amounted to ₱35.8 billion and ₱36.9 billion, respectively (see Note 13). The carrying value of the finance lease obligation amounted to ₱49.2 billion and ₱52.3 billion as of December 31, 2017 and 2016, respectively (see Note 22).

Determining revenue and cost recognition on real estate
When the contract is judged to be for the construction of a property, revenue is recognized using the percentage-of-completion method as construction progresses. The percentage-of-completion is made by reference to the stage of completion of projects and contracts determined based on the proportion of contract costs incurred to date and the estimated costs to complete.

Distinction between investment properties, land and improvements and real estate inventories
The Group determines whether a property is classified as investment properties, land and improvements or real estate inventories:

- Investment properties comprise land, land improvements, buildings (principally composed of offices, commercial warehouses and retail properties) and pier facilities which are not occupied substantially for use by, or in the operations of, the Group, nor for sale in the ordinary course of business, but are held primarily to earn rental income and for capital appreciation.
- Land and improvements comprise land and related improvements that are part of the Group's strategic landbanking activities for development or sale in the medium or long-term.
- Real estate inventories comprise properties that are held for sale in the ordinary course of business. Principally, these are residential properties that the Group develops and intends to sell before or on completion of construction.

The Group considers each property separately in making its judgment.

Operating lease commitments - Group as the lessor
The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the commercial property and the present value of the minimum lease payments not amounting to substantially all of the fair value of the commercial property, that it retains all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases.

Determining fair value of customers' deposits
In applying PAS 39 on transformer and lines and poles deposits, the Group has made a judgment that the timing and related amounts of future cash flows relating to such deposits cannot be reasonably and reliably estimated for purposes of an alternative valuation technique in establishing their fair values, since the expected timing of customers' refund or claim for these deposits cannot be reasonably estimated. These customers' deposits amounted to ₱6.3 billion and ₱7.0 billion as of December 31, 2017 and 2016, respectively (see Notes 20 and 36).

Classification of financial instruments
The Group exercises judgment in classifying a financial instrument, or its component parts, on initial recognition as either a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definition of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the consolidated balance sheet.

Estimation Uncertainty
The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed as follows:

Acquisition accounting
The Group accounts for acquired businesses using the purchase method of accounting which requires that the assets acquired and the liabilities assumed be recorded at the date of acquisition at their respective fair values.

The application of the purchase method requires certain estimates and assumptions especially concerning the determination of the fair values of acquired intangible assets and property, plant and equipment as well as liabilities assumed at the date of the acquisition. Moreover, the useful lives of the acquired intangible assets, property, plant and equipment have to be determined. The judgments made in the context of the purchase price allocation can materially impact the Group's future results of operations. Accordingly, for significant acquisitions, the Group obtains assistance from third party valuation specialists. The valuations are based on information available at the acquisition date (see Note 9).

Estimating allowance for impairment losses on trade and other receivables
The Group maintains allowance for impairment of trade and other receivables at a level considered adequate to provide for potential uncollectible receivables. The level of this allowance is evaluated by management on the basis of the factors that affect the collectibility of the accounts. These factors include, but are not limited to, the Group's relationship with its clients, client's current credit status and other known market factors. The Group reviews the age and status of receivables and identifies accounts that are to be provided with allowance either individually or collectively. The amount and timing of recorded expenses for any period would differ if the Group made different judgment or utilized different estimates. An increase in the Group's allowance for impairment of trade and other receivables will increase the Group's recorded expenses and decrease current assets.

Allowance for impairment losses as of December 31, 2017 and 2016 amounted to ₱2.0 billion and ₱1.9 billion, respectively. Trade and other receivables, net of valuation allowance, amounted to ₱24.8 billion and ₱22.0 billion as of December 31, 2017 and 2016, respectively (see Note 5).

Estimating allowance for inventory obsolescence
The Group estimates the allowance for inventory obsolescence based on the age of inventories. The amounts and timing of recorded expenses for any period would differ if different judgments or different estimates are made. An increase in allowance for inventory obsolescence would increase recorded expenses and decrease current assets. As of December 31, 2017 and 2016, allowance for inventory obsolescence amounted to ₱64.1 million and ₱52.2 million, respectively. The carrying amount of the inventories, net of valuation allowance, amounted to ₱12.5 billion and ₱10.2 billion as of December 31, 2017 and 2016, respectively (see Note 6).

Estimating allowance for impairment losses on investments and advances
Investments and advances are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The cash flows are derived from the projection for the next five years as well as the terminal value at the end of five years. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected cash inflows and the growth rates. The carrying amounts of the investments in and advances to associates amounted to ₱91.9 billion and ₱87.0 billion as of December 31, 2017 and 2016, respectively. The allowance for impairment losses amounted to ₱680.7 million as of December 31, 2017 and 2016 (see Note 10).

Estimating asset retirement obligation
Under the Geothermal Resource Service Contract (GRSC), the Group has a legal obligation to decommission, abandon and perform surface rehabilitation on its steam field asset at the end of its useful life. The Group also has a legal obligation under its land lease agreements to decommission the power plants at the end of its lease term. The Group recognizes the present value of the obligation to decommission the plant, abandon and perform surface rehabilitation of the steam field asset and capitalizes the present value of this cost as part of the balance of the related property, plant and equipment, which are being depreciated and amortized on a straight-line basis over the useful life of the related asset.

These costs are accrued based on in-house estimates, which incorporates estimates of the amount of obligations and interest rates, if appropriate. Assumptions used to compute the provision are reviewed and updated annually. Each year, the provision is increased to reflect the accretion of discount and to accrue an estimate for the effects of inflation, with charges being recognized as accretion expense, included under "Interest expense" in the consolidated statement of income.

Changes in the asset retirement obligation that result from a change in the current best estimate of cash flows required to settle the obligation or a change in the discount rate are added to (or deducted from) the amount recognized as the related asset and the periodic unwinding of the discount on the liability is recognized in the consolidated statement of income as it occurs.

While the Group has made its best estimate in establishing the decommissioning provision, because of potential changes in technology as well as safety and environmental requirements, plus the actual time scale to complete decommissioning activities, the ultimate provision requirements could either increase or decrease significantly from the Group's current estimates.

The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances.

Asset retirement obligation amounted to ₱3.0 billion and ₱1.8 billion as of December 31, 2017 and 2016, respectively (see Note 21).

Recognition of deferred income tax assets
The Group reviews the carrying amounts of deferred income tax assets at each balance sheet date and reduces deferred income tax assets to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred income tax assets to be utilized. The Group has net deferred income tax assets amounting ₱1.5 billion and ₱1.6 billion as of December 31, 2017 and 2016, respectively (see Note 31).

The Company did not recognize its deferred income tax assets on NOLCO generated in 2017 and 2016 amounting to ₱966.0 million and ₱1.1 billion, respectively, and on MCIT paid in 2017 and 2016 amounting to ₱25.2 million and ₱21.4 million, respectively. Likewise, AP parent company did not recognize its deferred income tax assets on NOLCO amounting to ₱647.9 million and ₱228.1 million as of December 31, 2017 and 2016, respectively, and on MCIT amounting to ₱39.1 million and ₱43.8 million as of December 31, 2017 and 2016, respectively (see Note 31).

Pension benefits
The costs of defined benefit pension plans, as well as the present value of the pension obligation, are determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each balance sheet date.

Net benefit expense amounted to ₱350.9 million in 2017, ₱320.5 million in 2016 and ₱356.7 million in 2015. The net benefit asset as at December 31, 2017 and 2016 amounted to ₱177.0 million and ₱115.3 million, respectively (see Note 30). Net pension liabilities as of December 31, 2017 and 2016 amounted to ₱400.3 million and ₱347.7 million, respectively (see Note 30).

In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation.

The mortality rate is based on publicly available mortality tables for the specific country and is modified accordingly with estimates of mortality improvements. Future salary increases and pension increases are based on expected future inflation rates for the specific country.

Further details about the assumptions used are provided in Note 30.

Estimating useful lives of property, plant and equipment
The Group estimates the useful lives of property, plant and equipment based on the period over which assets are expected to be available for use. The estimated useful lives of property, plant and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. In addition, the estimation of the useful lives of property, plant and equipment is based on collective assessment of internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in the factors and circumstances mentioned above. As of December 31, 2017 and 2016, the net book values of property, plant and equipment, excluding land, amounted to ₱213.2 billion and ₱202.2 billion, respectively (see Note 13).

Estimating residual value of property, plant and equipment
The residual value of the Group's property, plant and equipment is estimated based on the amount that the entity would obtain from disposal of the asset, after deducting estimated costs of disposal, if the asset is already of the age and in the condition expected at the end of its useful life. The estimated residual value of each asset is reviewed periodically and updated if expectations differ from previous estimates. As of December 31, 2017 and 2016, the net book values of property, plant and equipment, excluding land, amounted to ₱213.2 billion and ₱202.2 billion, respectively (see Note 13).

Estimating useful lives of intangible asset - service concession rights
The Group estimates the useful lives of intangible asset arising from service concessions based on the period over which the asset is expected to be available for use which is 18 to 25 years. The Group has not included any renewal period on the basis of uncertainty, as of balance sheet date, of the probability of securing renewal contract at the end of the original contract term. As of

December 31, 2017 and 2016, the net book value of intangible asset - service concession rights amounted to ₱3.1 billion and ₱3.2 billion, respectively (see Note 15).

Estimating useful lives of intangible asset - customer contracts
The Group estimates the useful lives of intangible asset arising from customer contracts based on the period over which the asset is expected to be available for use which is six years. The Group has not included any renewal period on the basis of uncertainty, as of reporting date, of the probability of securing renewal contract at the end of the original contract term. As at December 31, 2017 and 2016, the net book values of intangible assets - customer contracts amounted to ₱42.8 million and ₱64.0 million, respectively (see Note 16).

Estimating useful life of franchise
The Group estimates the useful life of VECO's distribution franchise based on the period over which the asset is estimated to be available for use which is 40 years, consisting of 15 years remaining contract period from date of business combination and expected probable renewal covering another 25 years. As of December 31, 2017 and 2016, the carrying value of franchise amounted to ₱2.7 billion and ₱2.8 billion, respectively (see Note 16).

Assessing impairment of AFS investments
The Group treats AFS equity investments as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires judgment. The Group treats "significant" generally as 20% or more and "prolonged" as greater than six months for quoted equity securities. In addition, the Group evaluates other factors, including normal volatility in share price for quoted equities and the future cash flows and the discount factors for unquoted equities. Fair value of AFS investments amounted to ₱772.8 million and ₱563.7 million as of December 31, 2017 and 2016, respectively. Net unrealized mark-to-market gains on AFS investments amounted to ₱17.3 million and ₱9.1 million as of December 31, 2017 and 2016, respectively. No impairment loss was recognized in 2017, 2016 and 2015.

Assessing impairment of goodwill
The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill as of December 31, 2017 and 2016 amounted to ₱41.3 billion and ₱41.2 billion, respectively (see Note 12). Goodwill impairment recognized in 2016 amounted to ₱169.5 million. No impairment of goodwill was recognized in 2017 and 2015.

Fair value less estimated costs to sell of biological assets
The Group determines the most reliable estimate of fair value less estimated costs to sell of its biological assets. Fair value reflects the most recent market transaction price provided that there has been no significant change in economic circumstances between the date of transaction and balance sheet date. Point-of-sale cost is estimated based on recent transactions and is deducted from the fair value in order to measure the biological assets at balance sheet date.

As of December 31, 2017 and 2016, the carrying value of the biological assets amounted to ₱1.1 billion and ₱756.3 million, respectively (see Note 8).

Impairment of nonfinancial assets
The Group assesses whether there are any indicators of impairment for nonfinancial assets at each balance sheet date. These nonfinancial assets (other current assets, property, plant and equipment, intangible asset - service concession rights and other noncurrent assets) are tested for impairment when there are indicators that the carrying amounts may not be recoverable.

Determining the recoverable amount of these assets, which require the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets, requires the Group to make estimates and assumptions that can materially affect its consolidated financial statements. Future events could cause the Group to conclude that the other current assets, property, plant and equipment, intangible asset - service concession rights and other noncurrent assets are impaired. Any resulting impairment loss could have a material adverse impact on the consolidated balance sheet and consolidated statement of income. The aggregate net book values of these assets as of December 31 are as follows:

	2017	2016 (As Restated; Note 9)
Property, plant and equipment (see Note 13)	**₱213,232,540**	₱202,237,611
Other current assets (see Note 7)	**8,882,626**	6,849,331
Intangible asset - service concession rights (see Note 15)	**3,062,307**	3,222,123
Other noncurrent assets (see Note 16)	**14,493,687**	12,207,714
	₱239,671,160	₱224,516,779

No impairment loss was recognized in 2017, 2016 and 2015.

Fair value of financial instruments
When the fair values of financial assets and financial liabilities recorded in the consolidated balance sheet cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments. See Note 36 for further disclosures.

Contingent consideration, resulting from business combinations, is valued at fair value at the acquisition date as part of the business combination. When the contingent consideration meets the definition of a financial liability, it is subsequently re-measured to fair value at each reporting date. The determination of the fair value is based on discounted cash flows.

Revaluation of investment properties
The Group carries its investment properties at fair value, with changes in fair value being recognized in the consolidated statement of income. The Group engaged an independent valuation specialist to assess the fair values of these properties. For these assets, the valuation methodology used was Sales Comparison Approach. This method considers the sales of similar or substitute properties and

related market data and establishes a value estimate by processes involving comparison (see Note 14).

Legal contingencies
The estimate of probable costs for the resolution of possible claims has been developed in consultation with outside counsels handling the Group's defense in these matters and is based upon an analysis of potential results. No provision for probable losses arising from legal contingencies was recognized in the Group's consolidated financial statements for the years ended December 31, 2017, 2016 and 2015.

4. Cash and Cash Equivalents

	2017	2016
Cash on hand and in banks	₱13,080,148	₱13,538,522
Short-term deposits	51,790,066	50,319,006
	₱64,870,214	₱63,857,528

Cash in banks earn interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates. Interest income earned from cash and cash equivalents amounted to ₱1.3 billion, ₱1.4 billion and ₱1.1 billion in 2017, 2016, and 2015, respectively (see Note 35).

5. Trade and Other Receivables

	2017	2016
Trade receivables (see Note 35)		
Power	₱16,338,622	₱13,916,684
Real estate	3,654,299	2,855,165
Food manufacturing	2,344,307	1,848,628
Financial services	266,312	155,028
Holding and others	646,368	1,319,883
	23,249,908	20,095,388
Advances to contractors	105,690	773,547
Dividends receivable (see Note 10)	792,000	748,000
Accrued revenues	724,820	595,533
Nontrade receivables	461,527	345,099
Others	1,395,939	1,331,439
	26,729,884	23,889,006
Less allowance for impairment losses	1,956,174	1,879,032
	24,773,710	22,009,974
Less noncurrent portion	580,925	277,771
	₱24,192,785	₱21,732,203

Trade receivables, except real estate receivables, are generally non-interest bearing and on 10 - 30 days' terms.

For terms and conditions relating to related party receivables, refer to Note 34.

Contractual maturities of trade receivables from sale of real estate inventories range from 1 to 180 months. Current and noncurrent portion of these receivables amount to ₱3.1 billion and ₱580.9 million, respectively, as of December 31, 2017, and ₱2.6 billion and ₱277.8 million, respectively, as of December 31, 2016.

Other receivables include accrued interest income.

The rollforward analysis of allowance for impairment losses is presented below:

December 31, 2017

	Trade Receivables				
	Power	Food Manufacturing	Real Estate	Holding and Others	Total
At beginning of year	₱1,761,636	₱109,305	₱2,293	₱5,798	₱1,879,032
Provisions (see Note 27)	77,708	5,942	59,740	11,145	154,535
Write-off	(64,506)	(10,487)	–	–	(74,993)
Reversals/recovery	–	(2,400)	–	–	(2,400)
At end of year	₱1,774,838	₱102,360	₱62,033	₱16,943	₱1,956,174

December 31, 2016

	Trade Receivables				
	Power	Food Manufacturing	Real Estate	Holding and Others	Total
At beginning of year	₱1,841,625	₱126,824	₱2,006	₱71,490	₱2,041,945
Provisions (see Note 27)	145,786	412	517	1,308	148,023
Write-off	(225,775)	–	–	–	(225,775)
Reversals/recovery	–	(17,931)	(230)	(67,000)	(85,161)
At end of year	₱1,761,636	₱109,305	₱2,293	₱5,798	₱1,879,032

Allowance for impairment losses as of December 31, 2017 and 2016 pertains to receivables that are either individually or collectively determined to be impaired at reporting date.

These individually determined accounts relate to debtors that are in significant financial difficulties and have defaulted on payments and accounts under dispute and legal proceedings. These receivables are not secured by any collateral or credit enhancements.

For collective assessment, allowances are assessed for receivables that are not individually significant and for individually significant receivables where there is no objective evidence yet of individual impairment. Impairment losses are estimated by taking into consideration the age of the receivables, past collection experience and other factors that may affect collectability.

Reversals of allowance for impairment losses are presented as part of "Others - net" under "Other income - net" account in the consolidated statements of income.

6. Inventories

	2017	2016
At cost:		
Fuel and lubricants	**₱3,294,622**	₱2,845,119
Materials, parts and supplies	**2,362,186**	1,660,656
Real estate inventories	**2,257,682**	1,984,725
Raw materials	**927,956**	886,340
Finished goods (see Note 27)	**373,665**	507,645
At NRV:		
Wheat grains and other raw materials	**2,416,762**	1,525,839
Materials, parts and supplies	**820,462**	811,124
	₱12,453,335	₱10,221,448

A summary of the movement in real estate inventories is set out below:

	2017	2016
Real estate inventories:		
At January 1	**₱1,984,725**	₱1,992,706
Construction/development costs incurred	**1,191,597**	878,516
Land acquired during the period	**196,679**	51,850
Borrowing costs capitalized	**102,851**	107,822
Disposals (recognized as cost of real estate inventories sold)	**(1,825,570)**	(1,084,740)
Land costs transferred from land and improvements	**184,751**	31,640
Transfers from property and equipment	**422,649**	6,931
At December 31	**₱2,257,682**	₱1,984,725

The cost of inventories recognized as part of cost of generated power in the consolidated statements of income amounted to ₱22.3 billion in 2017, ₱12.2 billion in 2016 and ₱13.6 billion in 2015 (see Notes 26 and 27). The cost of inventories recognized as part of operations and maintenance in the consolidated statements of income amounted to ₱412.1 million in 2017, ₱572.5 million in 2016 and ₱910.5 million in 2015 (see Note 27).

Cost of real estate inventories sold amounted to ₱1.8 billion, ₱1.1 billion and ₱1.3 billion 2017, 2016 and 2015, respectively.

Allowance for inventory obsolescence amounted to ₱64.1 million and ₱52.2 million as of December 31, 2017 and 2016, respectively. The amount of provision for inventory obsolescence and losses recognized as expense amounted to ₱11.9 million in 2017, ₱11.1 million in 2016 and ₱31.1 million in 2015 (see Note 27).

Cost of inventories carried at NRV amounted to ₱3.2 billion and ₱2.3 billion as of December 31, 2017 and 2016, respectively.

Total borrowing costs capitalized as part of the real estate projects amounted to ₱102.9 million and ₱107.8 million in 2017 and 2016, respectively (see Note 19). The general capitalization rates are 3.83% in 2017 and 2.87% in 2016.

7. Other Current Assets

	2017	2016
Prepaid expenses	**₱5,575,689**	₱3,122,523
Restricted cash	**2,642,327**	2,100,611
Input VAT	**2,260,927**	2,216,281
Biological assets (see Note 8)	**917,563**	629,288
Others	**1,046,010**	1,510,527
	₱12,442,516	₱9,579,230

Prepaid expenses consist of unapplied insurance, rent and tax costs for which payments have been made.

Restricted cash represents proceeds from sale of power under the control of trustees of the lenders as per loan agreement (see Note 19). The asset will be used to pay the current portion of loans payable and interest payments in the following period.

"Others" include prepayments to regulatory agencies.

8. Biological Assets

	2017	2016
Presented under Other Current Assets:		
Market hogs	**₱585,216**	₱382,576
Piglets	**251,868**	167,615
Growing stocks	**75,269**	67,021
Poultry - broilers	**5,210**	9,491
Poultry - others	**-**	2,585
	917,563	629,288
Presented under Other Noncurrent Assets:		
Bearers (breeders) (see Note 16)	**144,263**	127,015
	₱1,061,826	₱756,303

As of December 31, 2017 and 2016, biological assets are measured at fair value under Level 2 input. Fair values are determined based on average market selling prices at balance sheet date. Prices used reflect the most recent active market transaction price provided that there has been no significant change in economic circumstances between the date of transaction and balance sheet date. Market hogs, piglets, bearers (breeders), growing stocks, broilers and others are measured at fair value less estimated costs to sell.

As of December 31, 2017 and 2016, the fair value of biological assets measured using quoted prices in active markets (Level 2) amounted to ₱1.1 billion and ₱756.3 million, respectively (see Notes 7 and 16).

During the years ended December 31, 2017 and 2016, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

The reconciliation of changes in the carrying amount follows:

	2017	2016
At beginning of year	₱756,303	₱667,169
Additions	1,920,849	1,684,738
Sales at fair value	(2,410,542)	(1,854,053)
Transferred to breeding herd	(146,915)	(129,769)
Increase in fair value (see Note 29)	942,131	388,218
At end of year	₱1,061,826	₱756,303

Consumable biological assets are included under "Other current assets" account while bearers are included under "Other noncurrent assets" account in the consolidated balance sheets (see Notes 7 and 16).

9. **Acquisitions and Disposals of Shares of Stock**

a. Acquisition of Pilmico Animal Nutrition Joint Stock Company (PAN JSC)

On July 29, 2017, Pilmico International Pte. Ltd. (PILMICO International), a 100%-owned subsidiary of AEV, acquired 70% equity interest in PAN JSC, an animal feeds company organized under the laws of Vietnam, for a total consideration of ₱162.7 million.

The purchase of PAN JSC was treated as a business combination accounted for under the acquisition method. PILMICO International elected to measure the non-controlling interest at its proportionate share in PAN JSC's identifiable net assets.

The following are the provisional fair values of the identifiable assets and liabilities assumed on acquisition date:

Assets:	
Cash and cash equivalents	₱23,549
Trade and other receivables	14,008
Inventory	31,167
Other current assets	3,484
Property, plant, and equipment	117,953
Other noncurrent assets	25,205
	215,366
Liabilities:	
Accounts payable and accrued expenses	48,365
Other non-current liabilities	18,888
	67,253
Total identifiable net assets at fair value	₱148,113
Total consideration	₱162,740
Fair value of noncontrolling interest	44,433
	207,173
Goodwill	₱59,060

Cash flow on acquisition:	
Net cash acquired with the subsidiary	₱23,549
Cash paid	(162,740)
Net cash outflow	(₱139,191)

The accounting for this business combination was determined provisionally as PILMICO International is still finalizing the fair valuation of the nonfinancial assets acquired.

In 2017, PAN JSC contributed ₱131.8 million to the consolidated revenue and ₱1.5 million to the net income of the Group from the date of acquisition.

b. Step-acquisition of Sacasun

In 2014, ARI, a 100%-owned subsidiary of AP, entered into a joint framework agreement to develop solar photovoltaic projects in the Philippines. Pursuant to their agreement, SunEdison Inc. (SEI), the ultimate parent company of SunE BV and Helios BV, and ARI invested in MHSCI and Sacasun for the 59-MWp solar project in San Carlos City, Negros Occidental.

On December 4, 2017, AboitizPower International Pte. Ltd. (API), signed a Share Purchase Agreement ("SPA") with SunE Solar B.V. (SunE BV) for the acquisition of 100% equity interest in Sunedison Philippines Helios BV (Helios BV). The offshore execution of the Deed of Transfer is subject to certain closing conditions under the SPA. These conditions were met on December 27, 2017.

The transaction will result in API owning all the issued and outstanding shares of Helios BV, which owns a 40% equity interest in each of MHSCI and Sacasun. This allows AP to increase its indirect ownership interest in MHSCI and Sacasun to 100%. The transaction was accounted for as a business combination achieved in stages.

The provisional fair values of the identifiable assets and liabilities assumed on acquisition date:

Assets:	
Cash and cash equivalents	₱894,655
Trade and other receivables	60,927
Other current assets	52,564
Property, plant, and equipment	2,993,238
Other assets	54,861
	4,056,245
Liabilities:	
Trade and other payables	657,103
Short term loan	2,739,632
	3,396,735
Total identifiable net assets at fair value	659,510
Total consideration	–
Fair value of previously held interest in Sacasun	330,851
Bargain purchase gain	₱328,659
Cash flow on acquisition:	
Net cash acquired with the subsidiary	₱894,655
Cash paid	–
Net cash outflow	₱894,655

Remeasurement of the previously held interest in Sacasun as at the date of acquisition follows:

Carrying value of the previously held interest	₱349,312
Fair value of previously-held interest	330,851
Loss on the remeasurement of previously held interest	₱18,461

The accounting for this business combination was determined provisionally as AP is still finalizing the fair valuation of the nonfinancial assets acquired. This will be finalized within one year as allowed by PFRSs.

In 2017, Sacasun contributed nil to the consolidated revenue and a net loss contribution to the Group amounting to ₱307.3 million. If the combination had taken place at the beginning of 2017, the Group's revenue would have been ₱150.4 billion and net income would have been ₱28.7 billion.

c. Acquisition of GNPower

On October 4, 2016, TPI, a 100%-owned subsidiary of AP, finalized the purchase and sale agreements for the acquisition of the partnership interests held by affiliated investment funds of The Blackstone Group L.P. which indirectly owns the majority and minority interests in GMCP and GNPower Dinginin Ltd. Co. (GNPD), respectively, amounting to US$1.22 billion, subject to purchase price adjustments.

The completion of the transaction is subject to certain conditions, including approvals by the Philippine Competition Commission (PCC) and the Board of Investments (BOI), as may be applicable. The PCC and BOI approved the acquisition on December 19, 2016 and November 21, 2016, respectively.

GMCP
GMCP owns and operates the Mariveles subcritical coal-fired power plant, consisting of two units totaling 604 MW. The plant is located in Mariveles, Bataan and started commercial operations in 2014. TPI acquired the 82.82% indirect interest in GMCP through its acquisition of Therma Mariveles Holdings L.P. (see Note 2).

The Group elected to measure the non-controlling interest in the acquiree at the proportionate share of its interest in the acquiree's identifiable net assets.

The fair value of the identifiable assets and liabilities on acquisition date were:

Assets:	
Cash and cash equivalents	₱5,567,064
Trade and other receivables	2,152,589
Inventories	1,321,660
Prepaid expenses	679,956
Property, plant, and equipment	34,004,836
Deferred income tax assets	620,556
Other assets	144,747
	44,491,408
Liabilities:	
Trade and other payables	2,057,368
Long-term debt	28,125,489
Derivative liabilities	351,210
Asset retirement obligation	318,136
Other liabilities	32,925
	30,885,128
Total identifiable net assets	₱13,606,280
Total consideration	₱49,787,176
Fair value of noncontrolling interest	3,164,230
	52,951,406
Goodwill	₱39,345,126
Cash flow on acquisition:	
Net cash acquired with the subsidiary	₱5,567,064
Cash paid	(49,787,176)
Net cash outflow	(₱44,220,112)

The accounting for this business combination was determined provisionally as TPI was still finalizing the fair valuation of the valuation of the assets and liabilities acquired.

In December 2017, the valuation was completed and the acquisition date fair value of property, plant and equipment was ₱34.00 billion, an increase of ₱342.8 million over the provisional value. The fair value of long-term debt was also determined to be ₱28.13 billion, an increase of ₱1.65 billion over the provisional value. The 2016 comparative information was restated to reflect the adjustment to the provisional amounts. As a result, there was a decrease in the deferred tax asset of ₱434.1 million, a decrease in the derivative asset of ₱752.3 million, and an increase in the noncontrolling interest of ₱579.8 million. There was a corresponding increase in goodwill of ₱3.08 billion, resulting in ₱39.35 billion of total goodwill arising on the acquisition. The increased depreciation charge on property, plant and equipment from the acquisition date to December 31, 2016 was not material.

In 2016, GMCP contributed ₱663.8 million to the consolidated revenue and ₱250.7 million to the net income of the Group. If the combination had taken place at the beginning of 2016, the Group's revenue would have been ₱132.7 billion and net income would have been ₱31.4 billion.

GNPD
GNPD is the project company established to develop, finance, design, engineer, construct, complete, maintain, own and operate the proposed supercritical coal-fired power project located also in Bataan. The GNPD project is currently under development and consists of up to two units totaling 668 MW. TPI acquired the 50.00% indirect interest in GMCP through its acquisition of Therma Dinginin L.P. (see Note 2).

The purchase price amounted to US$224.9 million (₱11.2 billion).

d. Step Acquisition of EAUC

EAUC is a Philippine Economic Zone Authority (PEZA) registered power generation company which provides electric power to PEZA economic zones in Lapu-Lapu City and Balamban, province of Cebu. Prior to the acquisition, EAUC was 50% owned by AP and 50% owned by El Paso Philippines Energy Company, Inc. (EPPECI).

In June 2016, TPI acquired 50% ownership interest in EAUC from EPPECI. As a result of the acquisition, EAUC became a wholly owned subsidiary of AP. The transaction was accounted for as a business combination achieved in stages.

The resulting bargain purchase gain of ₱34.2 million and the gain on remeasurement of previously held interest of ₱316.7 million are included in other income in the 2016 consolidated statement of income.

In 2016, EAUC contributed ₱415.8 million to the consolidated revenue and ₱71.1 million to the net income of the Group. If the combination had taken place at the beginning of 2016, the Group's revenue would have been ₱116.7 billion and net income would have been ₱28.7 billion.

In 2017, the purchase price allocation in the step- acquisition of EAUC was finalized. No changes were made on the provisional accounting done in 2016.

e. Acquisition of PETNET

On June 1, 2015, the Company acquired 51% stake in PETNET from Amon Trading Corporation, Strongview Inc. and various individual shareholders for a total consideration of ₱1.0 billion. Out of the 2,461,338 shares acquired by the Company, 1,235,186 shares (equivalent to 25.6%) were acquired from existing PETNET shareholders while the remaining 1,226,152 shares (equivalent to 25.4%) were subscribed from the unissued capital stock of PETNET.

PETNET is a Philippine money remittance business with a national footprint of around 2,500 locations through a mix of own units and business partner agreements, the largest Western Union agent network of the Philippines.

The purchase of PETNET was treated as a business combination accounted for under the acquisition method, and generated a goodwill amounting to ₱523.9 million.

In 2015, PETNET contributed ₱306.7 million to the consolidated revenue and ₱8.2 million to the net income of the Group from the date of acquisition.

10. **Investments and Advances**

	2017	2016
Acquisition cost:		
Balance at beginning of year	**₱62,563,115**	₱50,335,563
Additions during the year	**1,773,729**	12,408,168
Step acquisition of subsidiary	**(878,010)**	(144,691)
Redemptions during the year	**–**	(35,925)
Balance at end of year	**63,458,834**	62,563,115
Accumulated share in net earnings:		
Balances at beginning of year	**28,599,982**	27,072,370
Share in net earnings for the year	**9,053,733**	9,651,787
Step acquisition of subsidiary	**528,698**	(87,437)
Cash dividends received and receivable	**(6,162,263)**	(8,036,738)
Balance at end of year	**32,020,150**	28,599,982
Gain on dilution	**1,014,136**	1,014,136
Share in cumulative translation adjustments of associates and joint ventures	**(144,508)**	(128,203)
Share in actuarial losses on retirement benefit plan of associates and joint ventures	**(569,248)**	(546,459)
Share in net unrealized mark-to-market losses on AFS investments of associates	**(3,200,871)**	(3,903,435)
	92,578,493	87,599,136
Advances to associates	**24,614**	32,056
	92,603,107	87,631,192
Less allowance for impairment losses (see Note 3)	**680,731**	680,731
	₱91,922,376	₱86,950,461

The rollforward of the share in net unrealized mark-to-market losses on AFS investments of an associate follows:

	2017	2016
At January 1	**(₱3,903,435)**	(₱3,713,742)
Unrealized valuation losses	**573,135**	(1,286,690)
Realized valuation gains	**129,429**	1,096,997
At December 31	**(₱3,200,871)**	(₱3,903,435)

The Group's investees and the corresponding equity ownership are as follows:

	Nature of Business	2017	2016	2015
MORE*	Holding	**83.33**	83.33	83.33
AEV CRH	Holding	**60.00**	60.00	60.00
GNPD (see Note 9)**	Power generation	**50.00**	50.00	–
Cebu District Property Enterprise, Inc. (CDPEI)*	Real estate	**50.00**	50.00	50.00
Accuria, Inc.**	Holding	**49.54**	49.54	49.54
Union Bank of the Philippines (UBP)	Banking	**48.83**	48.83	47.97
Hijos	Holding	**46.73**	46.73	46.73
CRH ABOITIZ Holdings, Inc. (CRH ABOITIZ)	Holding	**45.00**	45.00	45.00
San Fernando Electric Light & Power Co., Inc. (SFELAPCO)	Power distribution	**43.78**	43.78	43.78
Pampanga Energy Ventures, Inc. (PEVI)	Holding	**42.84**	42.84	42.84
La Filipina Elektrika, Inc.**	Power generation	**40.00**	40.00	40.00
STEAG	Power generation	**34.00**	34.00	34.00
Cebu Energy Development Corp. (CEDC)	Power generation	**26.40**	26.40	26.40
Redondo Peninsula Energy, Inc. (RP Energy)**	Power generation	**25.00**	25.00	25.00
SPPC	Power generation	**20.00**	20.00	20.00
WMPC	Power distribution	**20.00**	20.00	20.00
Balibago Water Systems, Inc. (BWSI)	Water distribution	**11.14**	–	–
MHSCI (see Note 9)	Power generation	**–**	60.00	60.00
SACASUN (see Note 9)	Power generation	**–**	35.00	35.00
EAUC (see Note 9)	Power generation	**–**	–	50.00

**Joint venture*

***No commercial operations as of December 31, 2017*

Unless otherwise indicated, the principal place of business and country of incorporation of the Group's associates and joint ventures are in the Philippines.

As of December 31, 2017 and 2016, the undistributed earnings of the associates and joint ventures included in the Group's retained earnings are not available for distribution to the stockholders unless declared by the associates and joint ventures (see Note 24).

2017

In January 2017, the Group, through TPI, subscribed and paid for additional shares of Redondo Peninsula Energy, Inc. (RPEI) amounting to ₱243.8 million.

In 2017, the Group, through Therma Dinginin BV, made capital contributions to GNPD amounting to US$23.8 million.

In August 2017, the Group, through Aboitiz Infracapital, Inc., acquired an 11.14% ownership in BWSI from SFELAPCO. The consideration amounting to ₱274.7 million was paid in cash. BWSI is primarily engaged to build, operate and manage water system utilities of various local government units.

2016

In December 2016, TPI completed its acquisition of all of Therma Dinginin L.P.'s indirect ownership interests in GNPD as part of the GNPower acquisition (see Note 9).

In April 2016, the Group, through TPI, subscribed and paid for additional shares of Redondo Peninsula Energy, Inc. (RPEI) amounting to ₱169.6 million.

On various dates in 2016, the Group, through ARI, subscribed and paid for additional MORE, MHSCI and SACASUN shares amounting to ₱25.0 million, ₱127.9 million and ₱298.5 million, respectively.

2015
On September 15, 2015, AEV and CRH PLC (CRH), through their investment vehicles, AEV CRH and CRH ABOITIZ, closed the acquisition of Lafarge S.A. Philippine assets. AEV acquired its interest in AEV CRH and CRH ABOITIZ for a total consideration of ₱23.7 billion. Simultaneously, AEV CRH purchased 99.09% of RCBMI and 100% of LCLC shares, while CRH ABOITIZ acquired 100% of the outstanding common shares of Republic Cement Services, Inc. (RCSI) (formerly Lafarge Cement Services (Philippines), Inc.).

In April 2015, ARI acquired shares of San Carlos Sun Power, Inc. (SACASUN) amounting to ₱0.1 million, equivalent to 35% ownership in SACASUN, and subsequently infused additional capital into SACASUN amounting to ₱316.0 million.

On various dates in 2015, the Group infused capital into MHSCI through stock subscription amounting to ₱135.4 million.

The detailed carrying values of investees, which are accounted for under the equity method, follow:

	2017	2016
UBP	**₱33,970,808**	₱30,183,219
AEV CRH	**24,864,898**	24,648,303
GNPD	**12,251,529**	11,200,790
MORE	**9,926,376**	9,764,599
STEAG	**3,787,507**	3,761,763
CEDC	**3,019,192**	3,070,016
CDPEI	**1,476,052**	1,487,279
SFELAPCO/PEVI	**889,166**	834,689
RP Energy	**714,191**	481,759
CRH ABOITIZ	**311,511**	271,352
BWSI	**287,443**	–
WMPC	**112,420**	128,034
SPPC	**86,537**	137,436
SACASUN	**–**	525,391
MHSCI	**–**	223,633
Others	**200,130**	200,140
	₱91,897,760	₱86,918,403

The fair value of the investment in UBP for which there is a published price quotation amounted to ₱44.8 billion and ₱38.6 billion as of December 31, 2017 and 2016, respectively.

Following is the summarized financial information of significant associates and joint ventures:

	2017	2016	2015
UBP			
Total current assets	₱132,590,855	₱129,052,429	₱113,826,652
Total noncurrent assets	482,460,244	386,790,707	319,477,687
Total current liabilities	515,959,783	449,645,054	374,967,776
Total noncurrent liabilities	32,165,000	7,200,000	7,200,000
Equity attributable to equity holders of UBP Parent Company	₱66,871,569	₱58,977,766	₱51,112,771
Gross revenue	₱24,586,366	₱20,105,820	₱16,235,225
Operating profit	10,679,786	12,012,290	7,475,404
Net income attributable to equity holders of parent	8,405,016	10,094,621	5,315,853
Other comprehensive income attributable to equity holders of the parent	9,904,656	9,452,512	480,789
Group's share in net income	₱4,103,964	₱4,913,926	₱2,533,581
AEV CRH			
Total current assets	₱8,777,452	₱5,885,378	₱7,266,741
Total noncurrent assets	79,788,878	74,560,302	63,798,648
Total current liabilities	25,575,956	18,189,288	17,864,592
Total noncurrent liabilities	21,844,669	21,723,645	14,374,575
Equity attributable to equity holders of AEV CRH Parent Company	₱41,145,705	₱40,508,670	₱38,621,267
Gross revenue	₱24,853,225	₱26,693,275	₱7,608,815
Operating profit	4,041,005	3,973,198	456,829
Net income attributable to equity holders of parent	360,992	1,790,981	32,677
Group's share in net income	₱216,595	₱1,074,589	₱19,606
Operating profit	4,041,005	3,973,198	456,829
Net income attributable to equity holders of parent	360,992	1,790,981	32,677
Group's share in net income	₱216,595	₱1,074,589	₱19,606
CRH ABOITIZ			
Total current assets	₱411,074	₱165,802	₱682,077
Total noncurrent assets	900,780	1,085,320	699,526
Total current liabilities	889,385	633,968	847,951
Total noncurrent liabilities	85,308	203,785	161,968
Equity attributable to equity holders of CRH ABOITIZ Parent Company	₱337,161	₱413,361	₱371,684
Gross revenue	₱–	₱2,603,500	₱616,616
Operating profit (loss)	(1,443,313)	1,175,462	405,428
Net income attributable to equity holders of parent	89,242	59,568	124,187
Group's share in net loss	₱40,159	₱26,806	₱55,884

	2017	2016	2015
BWSI			
Total current assets	₱1,012,347	₱–	₱–
Total noncurrent assets	1,374,552	–	–
Total current liabilities	140,734	–	–
Total noncurrent liabilities	639,673	–	–
Equity	₱1,606,492	₱–	₱–
Gross revenue	₱1,191,595	₱–	₱–
Gross profit	705,341	–	–
Net income	465,737	–	–
Group's share in net income	₱17,763	₱–	₱–
MORE			
Total current assets	₱126,125	₱149,022	₱133,894
Total noncurrent assets	11,889,592	11,688,969	15,705,943
Total current liabilities	56,336	96,106	91,473
Total noncurrent liabilities	–	5,190	260
Equity	₱11,959,381	₱11,736,695	₱15,748,104
Gross revenue	₱170,236	₱170,236	₱166,636
Operating profit	4,893,753	2,601,566	2,557,392
Net income	4,891,630	2,573,164	2,552,419
Other comprehensive income	55,115	145,426	113,073
Group's share in net income	₱4,160,480	₱2,164,217	₱2,127,016
Additional information:			
Cash and cash equivalents	₱16,134	₱39,817	₱26,500
STEAG			
Total current assets	₱2,688,544	₱2,608,136	₱3,286,363
Total noncurrent assets	10,348,729	10,721,862	10,265,755
Total current liabilities	1,394,855	2,018,724	1,747,652
Total noncurrent liabilities	3,453,496	3,651,920	3,900,707
Equity	₱8,188,922	₱7,659,354	₱7,903,759
Gross revenue	₱4,502,920	₱4,626,910	₱4,864,480
Operating profit	1,020,846	1,205,122	2,060,028
Net income	516,893	928,891	1,414,229
Other comprehensive income	4,750	10,321	50,338
Group's share in net income	₱25,744	₱162,426	₱324,455

	2017	2016	2015
CEDC			
Total current assets	₱5,419,700	₱5,666,952	₱5,083,812
Total noncurrent assets	14,308,208	14,901,921	15,418,308
Total current liabilities	2,444,036	3,840,126	5,250,521
Total noncurrent liabilities	10,422,073	9,751,438	9,127,815
Equity	₱6,861,799	₱6,977,309	₱6,123,784
Gross revenue	₱8,751,540	₱7,965,518	₱8,108,516
Operating profit	3,183,144	3,433,767	3,196,976
Net income	1,686,941	2,546,339	2,366,296
Other comprehensive income	2,451	7,188	39,595
Group's share in net income	₱742,254	₱1,120,389	₱1,041,170
SFELAPCO*			
Total current assets	₱1,576,530	₱1,406,869	₱1,302,248
Total noncurrent assets	2,215,130	1,996,643	2,015,544
Total current liabilities	770,041	710,301	742,792
Total noncurrent liabilities	751,789	618,579	565,278
Equity	₱2,269,830	₱2,074,632	₱2,009,722
Gross revenue	₱4,211,674	₱4,255,286	₱4,208,990
Operating profit	366,492	310,511	170,695
Net income	671,268	272,756	165,094
Other comprehensive income	334,246	8,671	–
Group's share in net income	₱323,674	₱73,415	₱146,977
WMPC			
Total current assets	₱695,571	₱555,637	₱1,256,744
Total noncurrent assets	418,807	305,394	414,139
Total current liabilities	457,032	222,299	266,259
Total noncurrent liabilities	82,718	71,782	93,109
Equity	₱574,628	₱566,950	₱1,311,515
Gross revenue	₱1,439,482	₱1,636,339	₱1,430,260
Operating profit	98,838	130,244	926,475
Net income	71,933	91,646	776,764
Other comprehensive income (loss)	–	(9,634)	2,270
Group's share in net income	₱14,387	₱18,329	₱155,353
SPPC			
Total current assets	₱344,105	₱361,706	₱529,902
Total noncurrent assets	364,649	351,903	351,948
Total current liabilities	221,096	42,285	123,326
Total noncurrent liabilities	68,326	66,430	69,638
Equity	₱419,332	₱604,894	₱688,886

	2017	2016	2015
Gross revenue	**₱523,854**	₱632,504	₱709,403
Operating profit	**133,508**	204,593	430,392
Net income	**272,756**	272,756	365,512
Other comprehensive income (loss)	**–**	28,550	(360)
Group's share in net income	**₱19,101**	₱41,034	₱73,030
SACASUN			
Total current assets	**₱–**	₱838,410	₱984,914
Total noncurrent assets	**–**	3,642,924	2,515,145
Total current liabilities	**–**	285,178	956,524
Total noncurrent liabilities	**–**	2,696,727	1,645,852
Equity	**₱–**	₱1,499,429	₱897,683
Gross revenue	**₱–**	₱101,339	₱–
Operating loss	**–**	(112,596)	(829)
Net loss	**–**	(250,887)	(4,099)
Other comprehensive loss	**–**	–	–
Group's share in net loss	**₱–**	(₱87,810)	(₱1,434)
Additional information:			
Cash and cash equivalents	**₱–**	₱378,908	₱935,637
Noncurrent financial liabilities	**–**	2,696,727	1,645,852
GNPD			
Total current assets	**₱2,486,668**	₱533,725	₱–
Total noncurrent assets	**16,762,108**	6,593,952	–
Total current liabilities	**539,651**	131,137	–
Total noncurrent liabilities	**14,242,279**	4,537,895	–
Equity	**₱4,466,846**	₱2,458,645	₱–
Operating loss	**(₱251,703)**	(₱185,945)	₱–
Net loss	**(376,336)**	(5,907)	–
Group's share in net loss	**(₱188,167)**	(₱2,953)	₱–
Additional information:			
Cash and cash equivalents	**₱1,869,486**	₱181,026	₱–
Noncurrent financial liabilities	**14,019,562**	4,489,160	–
Others**			
Total current assets	**₱1,116,846**	₱578,587	₱799,379
Total noncurrent assets	**3,395,270**	3,019,198	2,941,861
Total current liabilities	**16,405**	214,628	121,773
Total noncurrent liabilities	**5,497**	104,248	60,496
Gross revenue	**₱133,022**	₱129,808	₱1,060,238
Net income (loss)	**13,318**	(40,580)	106,400

** Amounts are based on appraised values which are adjusted to historical amounts upon equity take-up of the Group. Using cost method in accounting for property, plant and equipment net income amounted to ₱745.1 million, ₱361.8 million and ₱335.7 million in 2017, 2016, and 2015, respectively, for SFELAPCO.*

***The financial information of insignificant associates and joint ventures is indicated under "Others".*

11. Material partly-owned subsidiary

As of December 31, 2017, the Company has 76.88% interest in AP, a holding company incorporated in the Philippines.

The summarized financial information as of December 31, 2017 and 2016 of AP is provided below:

	2017	2016 (As Restated; Note 9)
Summarized comprehensive income information		
Revenue	**₱119,391,303**	₱89,163,269
Cost of sales	**63,949,850**	46,226,259
Administrative expenses	**21,267,724**	16,626,710
Finance costs - net	**10,320,768**	6,620,476
Profit before tax	**26,846,825**	25,000,246
Income tax	**3,858,398**	3,496,140
Profit for the year from continuing operations	**₱22,988,427**	₱21,504,106
Total comprehensive income	**₱23,366,919**	₱21,575,328
Summarized other financial information		
Attributable to non-controlling interests	**₱2,749,732**	₱1,450,558
Dividends paid to non-controlling interests	**2,313,460**	2,823,782
Summarized balance sheet information		
Total current assets	**₱67,961,596**	₱73,649,187
Total noncurrent assets	**293,515,403**	283,357,707
Total current liabilities	**49,312,291**	32,802,506
Total noncurrent liabilities	**188,186,244**	211,995,168
Equity	**₱123,978,464**	₱112,209,220
Summarized cash flow information		
Operating cash flows	**₱30,235,931**	₱29,887,980
Investing cash flows	**(9,452,925)**	(81,380,348)
Financing cash flows	**(32,122,699)**	47,483,228

12. Impairment Testing of Goodwill

Goodwill acquired through business combinations have been attributed to each business considered as cash-generating unit.

The recoverable amount of the investments has been determined based on a value in use calculation using cash flow projections based on financial budgets approved by senior management covering a five-year period.

Key assumptions used in value in use calculation for December 31, 2017 and 2016
The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill.

Discount rates and growth rates
The discount rate applied to cash flow projections are from 11.18% to 19.94% in 2017 and from 11.80% to 18.17% in 2016, and cash flows beyond the five-year period are extrapolated using a zero percent growth rate.

Revenue assumptions
Revenue assumptions are based on the expected electricity to be sold. In 2017, revenue growth of -6% in year 1, 6% in year 2, 4% for the next two years and 3% in year 5 was applied for LEZ; -18% in year 1, 3% in the next two years, 1% in year 4 and 0% in year 5 was applied to BEZ; -1% in years 1, 2 and 4, -4% in year 3, and 7% in year 5 for GMCP; and 8% in year 1, 18% in year 2, 7% for the next two years, and -5% in year 5 was applied for HI. Revenue assumptions for LLI are based on sale of existing lots (-38% in year 1, 3% in the next three years, and -54% % in year 5). VHF revenue assumptions are based on projected aqua feeds sales (15% in year 1, 19% in year 2, 12% in year 3, -8% in year 4 and 20% in year 5). PAN JSC revenue assumptions are based on forecast animal feeds sales (365% in year 1, 167% in year 2, and 2% in the next three years). PETNET revenue assumptions are based on income from money remittance and other allied services (no growth in years 1 and 5, and 7% in years 2 to 5).

In 2016, revenue growth of 12% in year 1, 6% in year 2, -11% in year 3, 5% in year 4 and 6% in year 5 for GMCP; 19% in year 1, 8% in year 2 and 6% for the next three years was applied for LEZ; -6% for year 1 and 3% for the next four years for MEZ; -69% in year 1, 9% in year 2, 7% in year 3, 3% in year 4 and -3% in year 5 was applied to BEZ; and 14% in year 1, 17% in year 2, 0% in year 3, and 2% in the next 2 years was applied for HI. Revenue assumptions for LLI are based on sale of existing lots (3% in years 1 and 2, -41% in year 3, -73% in year 4 and 3% in year 5). VHF revenue assumptions are based on projected aqua feeds sales (39% in year 1, 18% in year 2, 2% in year 3, no growth in year 4 and 1% in year 5). PETNET revenue assumptions are based on income from money remittance and other allied services (4% in year 1, 11% in year 2, 10% in year 3, 9% in year 4 and 6% in year 5).

Foreign exchange rates
2017: The assumption used to determine foreign exchange rate is a steady Philippine peso at a rate of ₱51.41 to a dollar from 2018 until 2022.

2016: The assumption used to determine foreign exchange rate is a weakening Philippine peso which starts at a rate of ₱48.55 to a dollar in 2017 and depreciates at 2% annually until 2021.

Materials price inflation
2017: The assumption used to determine the value assigned to the materials price inflation is 3.17% in 2018 and increases to 3.20% in 2019. It then settles at 3.00% for the next 3 years until 2022. The starting point of 2018 is consistent with external information sources.

2016: The assumption used to determine the value assigned to the materials price inflation is 3.14% in 2017 and increases by 15 and 25 basis points in 2018 and 2019, respectively. It then decreases by 9 basis points in 2019, then settles at 3.5% in 2021. The starting point of 2017 is consistent with external information sources.

Based on the impairment testing, no impairment of goodwill was recognized in 2017. With regard to the assessment of value-in-use, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of the goodwill to materially exceed its recoverable amount.

In 2016, impairment of goodwill amounting to ₱169.5 million on the investment in MEZ was recognized. No impairment of goodwill was recognized in 2015.

The carrying amount of goodwill follows:

	2017	2016 (As Restated; Note 9)
GMCP (see Note 9)	**₱39,345,126**	₱39,345,126*
PETNET (see Note 9)	**523,866**	523,866
LEZ	**467,586**	467,586
Pilmico VHF (see Note 9)	**394,217**	394,217
BEZ	**237,404**	237,404
HI	**220,228**	220,228
LLI	**61,202**	61,202
PAN JSC (see Note 9)	**59,060**	–
	₱41,308,689	₱41,249,629

**Restated to consider adjustments as a result of the finalization in 2017 of the purchase price allocation on the 2016 acquisition of GMCP.*

13. Property, Plant and Equipment and Land and Improvements

December 31, 2017

	Building, Warehouses and Improvements	Power Plant and Equipment (see Note 21)	Transmission, Distribution Equipment and Substation	Machinery and Equipment	Flight Equipment	Transportation Equipment	Handling Equipment	Office Furniture, Fixtures and Equipment	Leasehold Improvements	Land	Construction in Progress	Others	Total
Cost													
At January 1	₱25,605,389	₱137,519,744	₱16,043,761	₱5,997,681	₱1,021,263	₱1,893,621	₱255,589	₱4,498,864	₱3,562,062	₱2,054,603	₱44,469,761	₱1,575,682	₱244,498,020
Acquisition of subsidiaries (see Note 9)	92,197	1,688,302	–	48,396	–	6,297	–	1,884,927	16,185	–	325,053	(10,757)	3,942,600
Additions	140,538	2,225,275	1,293,991	150,788	10,106	536,736	–	515,762	33,119	203,699	15,201,339	100,044	20,411,397
Disposals	(2,687)	(129,881)	(33,439)	(7,895)	(317,694)	(141,507)	–	(39,007)	(3,660)	–	–	(738)	(676,468)
Reclassifications	357,994	25,694	134,534	534,789	–	(1,634)	–	32,888	6,940	3,807	(2,866,228)	4,381	(1,766,875)
At December 31	26,193,431	141,329,134	17,438,847	6,723,759	713,675	2,293,513	255,589	6,893,434	3,614,646	2,262,109	57,029,925	1,660,632	266,408,674
At January 1	4,322,174	26,644,783	4,191,739	2,648,183	276,102	985,638	108,725	2,210,427	587,872	115,294	(722,768)	892,240	42,260,409
Acquisition of subsidiaries (see Note 9)	6,272	359,311	–	15,666	–	3,046	–	399,150	4,586	–	–	279	788,310
Depreciation and amortization	978,265	5,104,286	514,047	278,472	38,218	240,885	7,327	544,827	138,734	16,813	–	84,597	7,946,469
Disposals	(329)	(69,617)	(33,439)	(7,895)	(136,030)	(103,690)	–	(23,942)	(2,325)	–	–	(1,881)	(379,153)
Reclassifications	(1,946)	(47,058)	(1,215)	(6,508)	–	23,473	–	(40,443)	581	–	–	(14,945)	(88,051)
At December 31	5,304,436	31,991,703	4,671,132	2,927,918	178,290	1,149,352	116,052	3,090,014	729,448	132,107	(722,768)	960,290	50,527,974
Impairment	–	–	–	–	–	2,088	–	792	251	–	2,645,029	–	2,648,160
Net Book Value	₱20,888,995	₱109,337,431	₱12,767,715	₱3,795,841	₱535,385	₱1,142,073	₱139,537	₱3,802,628	₱2,884,947	₱2,130,002	₱55,107,664	₱700,322	₱213,232,540

December 31, 2016 (As Restated; Note 9)

	Building, Warehouses and Improvements	Power Plant and Equipment (see Note 21)	Transmission, Distribution Equipment and Substation	Machinery and Equipment	Flight Equipment	Transportation Equipment	Handling Equipment	Office Furniture, Fixtures and Equipment	Leasehold Improvements	Land	Construction in Progress	Others	Total
Cost													
At January 1	₱17,267,337	₱99,606,874	₱14,721,395	₱5,064,389	₱1,013,552	₱1,427,757	₱246,092	₱3,930,852	₱3,502,183	₱1,881,393	₱25,770,746	₱1,171,031	₱175,904,201
Acquisition of subsidiary (see Note 9)	5,441,126	33,537,094	104,542	–	–	325,400	–	390,532	21,244	(58,158)	135,137	80,081	39,916,998
Additions	267,696	250,232	1,053,340	90,938	7,711	267,125	–	396,853	34,016	92,500	29,270,672	316,838	32,045,921
Disposals	–	(156,278)	(773,463)	(12,475)	–	(86,276)	–	(726,851)	(296)	–	–	(6,545)	(1,761,184)
Reclassifications	2,629,230	4,281,822	938,947	854,229	–	(40,385)	9,497	567,478	4,915	138,868	(10,706,794)	14,277	(1,307,916)
At December 31	25,605,389	137,519,744	16,043,761	5,997,681	1,021,263	1,893,621	255,589	4,498,864	3,562,062	2,054,603	44,469,761	1,575,682	244,498,020
Accumulated depreciation and amortization													
At January 1	2,948,202	18,059,480	4,344,340	2,438,197	234,184	794,890	88,310	2,137,054	432,135	103,098	(722,768)	749,407	31,608,695
Acquisition of subsidiary (see Note 9)	556,977	4,096,566	95,758	–	–	139,143	–	169,008	20,162	–	–	62,128	5,139,143
Depreciation and amortization	847,357	4,034,928	438,720	222,435	41,918	181,412	6,165	428,477	135,253	12,196	–	83,408	6,431,339
Disposals	–	(26,583)	(778,294)	(12,449)	–	(74,120)	–	(719,731)	(183)	–	–	(6,504)	(1,617,864)
Reclassifications	(29,762)	480,350	91,215	–	–	(55,687)	14,250	195,618	505	–	–	4,803	701,292
At December 31	4,322,174	26,644,783	4,191,739	2,648,183	276,102	985,638	108,725	2,210,427	587,872	115,294	(722,768)	892,240	42,260,409
Net Book Value	₱21,283,215	₱110,874,961	₱11,852,022	₱3,349,498	₱745,161	₱907,983	₱146,864	₱2,288,437	₱2,974,190	₱1,939,305	₱45,192,529	₱683,442	₱202,237,611

In 2016, an adjustment was made reducing power plant equipment and steam field assets by ₱1.63 billion due to the change in accounting estimate of the asset retirement obligation. In 2015, additions to power plant equipment and steam field assets include asset retirement obligation amounting to ₱560.8 million (see Note 21).

In 2017 and 2016, additions to "Construction in progress" include capitalized borrowing costs amounting to ₱2.62 billion and ₱1.82 billion, respectively (see Note 16).

Property, plant and equipment with carrying amounts of ₱125.41 billion and ₱116.98 billion as of December 31, 2017 and 2016, respectively, are used to secure the Group's long-term debts (see Note 19).

Fully depreciated property, plant and equipment with cost amounting to ₱4.8 billion and ₱5.2 billion as of December 31, 2017 and 2016, respectively, are still in use.

A significant portion of the Group's property, plant and equipment relates to various projects under "Construction in progress" as of December 31, 2017 and 2016, as shown below:

Project Company	Estimated Cost to Complete (in millions Php)		% of Completion	
	2017	2016	2017	2016
TVI	₱10,375	₱17,813	73%	54%
Hedcor Bukidnon	2,858	6,229	75%	45%
PEC (see Note 10)	2,294	8,614	87%	61%

In November 2017, Aseagas temporarily ceased the operations of its biomass plant due to unavailability of the supply of organic effluent wastewater from source. In January 2018, after a full assessment of the plant's issues, Aseagas decided to make the plant shutdown permanent. These circumstances indicate that the carrying amount of the Aseagas' assets, which are mainly its property, plant and equipment, may not be recoverable; thus, Aseagas performed an impairment review.

As of December 31, 2017, the recoverable amount of Aseagas' property, plant and equipment was determined based on their fair value less costs of disposal. The fair value of the property, plant and equipment was based on valuation performed by an accredited independent appraiser. The fair value is the prevailing prices in the market which the property, plant and equipment can be sold less costs to be incurred on demolition, clearing and handling fees, among others, and this resulted into an insignificant recoverable amount. This valuation is under Level 3 in the fair value hierarchy. Impairment loss on property, plant and equipment recognized in the consolidated statement of income amounted to ₱2.66 billion in 2017.

Land and Improvements

	2017	2016
Cost		
At January 1	₱3,525,381	₱2,960,646
Additions	444,907	438,962
Transfers/Adjustments	(280,611)	131,070
Disposal	–	(5,297)
At December 31	₱3,689,677	₱3,525,381

14. Investment Properties - at Fair Value

December 31, 2017

	Land	Land Improvements	Buildings	Construction in Progress	Total
At January 1	₱3,999,741	₱238,843	₱1,133,806	₱–	₱5,372,390
Additions	186	6,996	14	–	7,196
Gain (loss) on fair valuation	948,543	–	(86,325)	–	862,218
Disposals	–	–	(136,650)	–	(136,650)
Transfers/adjustments	(53,282)	(149)	(15,587)	808,497	739,479
At December 31	₱4,895,188	₱245,690	₱895,258	₱808,497	₱6,844,633

December 31, 2016

	Land	Land Improvements	Buildings	Total
At January 1	₱3,976,512	₱235,558	₱971,710	₱5,183,780
Additions	13,809	3,196	1,123	18,128
Loss on fair valuation	–	–	(19,407)	(19,407)
Disposals	(423)	–	–	(423)
Transfers/adjustments	9,843	89	180,380	190,312
At December 31	₱3,999,741	₱238,843	₱1,133,806	₱5,372,390

Rental income earned from and direct operating expenses of investment properties amounted to ₱445.9 million and ₱73.5 million, respectively, in 2017; ₱419.3 million and ₱193.4 million, respectively, in 2016; and ₱385.0 million and ₱133.4 million, respectively, in 2015 (see Note 25).

As at December 31, 2017, the fair values of the properties are based on valuations performed by an accredited independent valuer. The valuation model in accordance with that recommended by the International Valuation Standards Committee has been applied.

The fair values of the Group's investment properties were determined as follows:

- In valuing the land, the Group used the Sales Comparison Approach. This is a comparative approach to value that considers the sales of similar or substitute properties and related market data and establishes a value estimate by processes involving comparison.

The appraiser gathers data on actual sales and/or listings, offers, and renewal options, and identifies the similarities and differences in the data, ranks the data according to their relevance, adjusts the sales prices of the comparable to account for the dissimilarities with the unit being appraised, and forms a conclusion as to the most reasonable and probable market value of the subject property.

The elements of comparison include location, physical characteristics, available utilities, zoning, and highest and best use. The most variable elements of comparison are the site's physical characteristics, which include its size and shape, frontage, topography and location.

Reproduction cost is the current cost of constructing a replica of the existing structures, employing the same design and similar building materials. The current cost of an identical new item.

- In valuing the land improvements and building, the Group used the Cost Approach. This is a comparative approach to the value of property or another asset that considers as a substitute for the purchase of a given property, the possibility of constructing another property that is a replica of, or equivalent to, the original or one that could furnish equal utility with no undue cost resulting from delay. It is based on the reproduction or replacement cost of the subject property or asset, less total (accrued) depreciation. In the context of asset valuation, depreciation refers to the adjustments made to the cost of reproducing or replacing the asset to reflect physical deterioration, functional (technical) obsolescence and economic (external) obsolescence in order to estimate the value of the asset in a hypothetical exchange in the market when there is no direct sales evidence available. Sound value of an asset is determined by applying the two types of depreciation such as physical deterioration and functional obsolescence. Market Value reflects all the three types of depreciation.

Fair value investment properties are estimated under Level 3 inputs.

The Group has no restrictions on the realizability of its investment properties and no contractual obligations to either purchase, construct or develop investment properties or for repairs, maintenance and enhancements.

	Fair value at December 31, 2017	Valuation technique	Significant unobservable inputs	Range (weighted average)
Land	₱4,895,188	Sales Comparison Approach	Price per square meter	₱280 - ₱25,706
Buildings and Land Improvements	1,140,948	Cost Approach	Estimated cost, remaining economic life	15 - 35 years

	Fair value at December 31, 2016	Valuation technique	Significant unobservable inputs	Range (weighted average)
Land	₱3,999,741	Sales Comparison Approach	Price per square meter	₱4,100 - ₱183,920
Buildings and Land Improvements	1,372,649	Cost Approach	Estimated cost, remaining economic life	15 - 35 years

For land, significant increases (decreases) in price per square meter would result in a significantly higher (lower) fair value of the properties.

For buildings and land improvements, significant increases (decreases) in estimated replacement cost and remaining economic life would result in a significantly higher (lower) fair value of the properties.

15. Intangible Asset - Service Concession Rights

	2017	2016
Cost:		
At January 1	₱5,199,074	₱5,011,484
Additions from internal development	175,607	45,875
Effect of translation	15,139	141,715
	5,389,820	5,199,074
Accumulated amortization:		
At January 1	1,976,951	1,784,948
Amortization (see Note 27)	351,541	199,342
Reclassifications	(979)	(7,339)
	2,327,513	1,976,951
	₱3,062,307	₱3,222,123

The amortization of intangible asset is included in "Depreciation and amortization" under "Operating Expenses" in the consolidated statements of income (see Note 27).

Service concession arrangements entered into by the Group are as follows:

- On November 24, 1996, LHC entered into a PPA with NPC, its sole customer, for the construction and operation of a 70-megawatt hydroelectric power generating facility (the Power Station) in Bakun River in Benguet and Ilocos Sur Provinces on a build-operate-transfer scheme. Under the PPA, LHC shall deliver to NPC all electricity generated over a cooperation period of 25 years until February 5, 2026.

  On the Transfer Date, as defined in the PPA, LHC shall transfer to NPC, free from any lien or encumbrance, all its rights, title and interest in and to the Power Station and all such data as operating manuals, operation summaries/transfer notes, design drawings and other information as may reasonably be required by NPC to enable it to operate the Power Station.

  Since NPC controls the ownership of any significant residual interest of the Power Station at the end of the PPA, the PPA is accounted for under the intangible asset model as LHC has the right to charge users for the public service under the service concession arrangement.

  The Power Station is treated as intangible asset and is amortized over a period of 25 years, which is the service concession period. The intangible asset with a carrying value of ₱2.13 billion and ₱2.39 billion as of December 31, 2017 and 2016 was used as collateral to secure LHC's long-term debt (see Note 19).

- On May 15, 2003, the SBMA, AEV and DLP entered into a DMSA to privatize SBMA Power Distribution System (PDS) on a rehabilitate-operate-and-transfer arrangement; and to develop, construct, lease, lease out, operate and maintain property, structures, and machineries in the Subic Bay Freeport Zone (SBFZ).

  Under the terms of the DMSA, SEZ was created to undertake the rehabilitation, operation and maintenance of the PDS (the Project), including the provision of electric power service to the customers within the Subic Bay Freeport Secured Areas of the SBFZ as well as the collection of the relevant fees from them for its services and the payment by SBMA of the service fees throughout the service period pursuant to the terms of the DMSA. The DMSA shall be effective for a 25-year period commencing on the turnover date.

  For and in consideration of the services and expenditures of SEZ, it shall be paid by the SBMA the service fees equivalent to all the earnings of the Project, provided, however, that SEZ shall remit the amount of ₱40.0 million to the SBMA at the start of every 12-month period throughout the service period, regardless of the earnings of the Project. The said remittances may be reduced by the outstanding power receivables from SBMA, including streetlights power consumption and maintenance, for the immediate preceding year.

  Since SBMA controls ownership of the equipment at the end of the agreement, the PDS are treated as intangible assets and are amortized over a period of 25 years up to year 2028, in accordance with Philippine Interpretation IFRIC 12.

  The carrying value of the intangible asset arising from the service concession arrangement amounted to ₱736.4 million and ₱727.0 million as of December 31, 2017 and 2016, respectively.

- The transmission and distribution equipment of MEZ are located within Mactan Export Processing Zone (MEPZ) II. Since MCIAA controls ownership of the equipment at the end of the agreement, the equipment are treated as intangible assets and are amortized over a period of 21 years up to year 2028, in accordance with Philippine Interpretation IFRIC 12.

  The carrying amount of the intangible asset arising from the service concession arrangement amounted to ₱105.3 million and ₱109.1 million as of December 31, 2017 and 2016, respectively.

16. Other Noncurrent Assets

	2017	2016 (As Restated; Note 9)
Input VAT and tax credit receivable, net of impairment loss of ₱50.04 million in 2017 (see Note 29)	**₱6,765,238**	₱6,766,183
Notes receivable (see Note 34)	–	2,882,456
Intangible assets:		
Franchise	**2,725,693**	2,802,654
Project development costs	**395,419**	411,499

(Forward)

	2017	2016 (As Restated; Note 9)
Customer contracts	₱42,838	₱63,968
Software and licenses	171,644	168,712
Prepaid rent and other deposits (see Note 39)	1,171,570	933,971
Advances to contractors and projects	2,215,456	476,570
Receivable from National Grid Corporation of the Philippines (NGCP)	–	146,714
Biological assets (see Note 8)	144,263	127,015
Others	1,005,830	437,442
	₱14,637,951	₱15,217,184

The customer contracts pertain to agreements between LEZ, LWC and the locators within LIMa Technology Center relating to the provision of utility services to the locators. These contracts are treated as intangible assets and are amortized over a period of 5.25 years since 2014.

Receivable from NGCP pertains to cost of installation and construction of substation and transmission facilities to be reimbursed by NGCP as part of the agreement on the advance implementation of network assets.

In December 2016, SACASUN as the borrower, ARI as the buyer, and BDO Unibank, Inc. (BDO) as the seller, entered into a Memorandum of Understanding wherein buyer and seller agree to an absolute sale and purchase of SACASUN's notes payable to BDO (the "Loan"). The parties agree to the transfer of all of BDO's rights, title, interests, benefits, and obligations in and to the Loan to ARI. The consideration for the purchase of the Loan was ₱2.88 billion, equivalent to the outstanding balance of the Loan (see Note 34).

Rollforward of intangible assets follow:

December 31, 2017

	Franchise	Project development costs	Customer contracts	Software and licenses
Balances at beginning of year	₱2,802,654	₱411,499	₱63,968	₱168,712
Additions	–	127,655	–	60,097
Business combination	–	–	24,468	141
Transfer from property and equipment	–	–	–	59
Write-off - net of reversal	–	(143,735)	(24,468)	–
Amortization	(76,961)	–	(21,130)	(57,365)
Balances at end of year	₱2,725,693	₱395,419	₱42,838	₱171,644

December 31, 2016

	Franchise	Project development costs	Customer contracts	Software and licenses
Balances at beginning of year	₱2,879,615	₱294,071	₱79,377	₱86,124
Additions	–	180,078	–	115,367
Transfer from property and equipment	–	(9,477)	–	–
Write-off	–	(53,173)	–	–
Amortization	(76,961)	–	(15,409)	(32,779)
Balances at end of year	₱2,802,654	₱411,499	₱63,968	₱168,712

17. Bank Loans

	2017	2016
Philippine peso loans	**₱23,112,700**	₱7,907,700
US dollar loans	**124,825**	–
Vietnamese dong loans	**463,615**	351,328
	₱23,701,140	₱8,259,028

The peso loans are unsecured short-term notes payable obtained from local banks with annual interest rates ranging from 2.4% to 4.0% in 2017 and 2016. These loans will mature on various dates in 2018.

The loans are covered by the respective borrower's existing credit lines with the banks and are not subject to any significant covenants and warranties.

Total interest expense on bank loans recognized in 2017, 2016 and 2015 amounted to ₱246.8 million, ₱137.7 million and ₱190.6 million, respectively (see Note 35).

18. Trade and Other Payables

	2017	2016
Trade payables (see Note 39)	**₱11,508,221**	₱12,382,792
Nontrade and other payables	**4,595,565**	3,557,662
Accrued expenses	**4,295,309**	3,721,920
Output VAT	**3,003,191**	2,453,604
Amounts due to contractors and other third parties	**1,979,367**	639,994
Unearned revenue	**35,874**	33,829
	25,417,527	22,789,801
Less noncurrent portion (see Note 34)	**880,943**	578,892
	₱24,536,584	₱22,210,909

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

Nontrade payables include amounts due to PSALM pertaining to Generation Rate Adjustment Mechanism (GRAM), Incremental Currency Exchange Rate Adjustment (ICERA), and Universal Charges. Other payables represent withholding taxes, insurance liabilities and other accrual of expenses arising in the ordinary course of business and are generally payable within 12 months from the balance sheet date.

Accrued expenses include interest on borrowings, fuel and lube costs, taxes and licenses, freight expense, materials and supplies, and energy fees that are due within 12 months. These represent ₱4.0 billion and ₱3.3 billion of the total accrued expenses as of December 31, 2017 and 2016, respectively.

Amounts due to contractors and other third parties include liabilities arising from the power plant construction (see Note 13).

19. Long-term Debts

	2017		2016 (As Restated; Note 9)	
	Annual Interest Rate	Amount	Annual Interest Rate	Amount
Company:				
Financial and non-financial institutions - unsecured	4.41% - 6.02%	₱32,000,000	4.41% - 6.02%	₱32,000,000
Subsidiaries:				
GMCP				
Financial institution - secured	LIBOR + 1.7% - 4.00%	31,946,661	LIBOR + 2.5% - 7.65%	27,116,791
TVI				
Financial institution - secured	5.50% - 6.91%	29,890,000	6.02% – 6.23%	27,570,000
TSI				
Financial institution - secured	4.51% - 5.15%	22,660,043	4.50% - 5.14%	23,970,380
TPI				
Financial institution - unsecured	LIBOR + 1.10%	15,153,755	LIBOR + 1.10%	31,000,420
AP				
Financial and non-financial institutions - unsecured	5.21% - 6.10%	13,000,000	5.21% - 6.10%	10,000,000
APRI				
Financial institution - secured	4.53% to 6.00%	10,624,640	4.53% to 6.00%	11,874,880
Hedcor Bukidnon				
Financial institution - secured	4.75% - 6.78%	9,327,700	4.75% - 6.58%	5,677,700
HSI				
Fixed rate corporate notes	4.11% to 5.42%	4,097,000	4.11% to 5.42%	4,100,000
PILMICO				
Financial institutions - secured	4.50% - 4.75%	2,830,000	5.09% - 5.65%	2,844,000
PANC				
Financial institution - secured	4.50% - 4.75%	2,690,000	4.50% - 5.35%	2,700,000
ASEAGAS				
Financial institution - secured	–	–	4.66% - 5.06%	2,434,209
VECO				
Financial institution - unsecured	4.49% - 4.81%	1,176,000	4.49% - 4.81%	1,379,000
LHC				
Financial institution - secured	2% to 2.75%	1,105,950	2% to 2.75%	1,369,631
DLP				
Financial institutions - unsecured	4.49% - 4.81%	882,000	4.26% - 4.81%	1,034,250
HI				
Financial institution - secured	5.25%	540,000	5.25%	630,000
SEZ				
Financial institutions - unsecured	5.00%	226,000	5.88% - 6.91%	282,500
CLP				
Financial institution - unsecured	4.49% - 4.81%	176,400	4.26% - 4.81%	206,850

(Forward)

	2017		2016 (As Restated; Note 9)	
	Annual Interest Rate	Amount	Annual Interest Rate	Amount
ABOITIZLAND				
Financial institutions:				
Philippine peso - secured	–	₱–	4.67% - 6.89%	₱120,000
US$ - secured	–	–	1.31% - 1.59%	97,252
PAN JSC				
Financial institutions - secured	10.50%	18,560	–	–
Joint Operation:				
PEC				
Financial institution - secured	5.50% - 7.38%	14,066,500	4.70% - 6.68%	11,723,500
Total		192,411,209		198,131,363
Deferred financing costs		(3,324,162)		(2,214,858)
Fair value adjustment		–		959,613
Embedded derivative		–		6,776
		189,087,047		196,882,894
Less current portion		20,722,330		7,698,261
		₱168,364,717		₱189,184,633

The Company

In August 2015, the Company issued a total of ₱24.0 billion bonds, broken down into ₱10.5 billion 5-year, ₱8.5 billion 7-year and ₱5.0 billion 12-year bonds at annual fixed interest rates ranging from 4.47% to 6.02%.

In November 2013, the Company issued a total of ₱8.0 billion bonds, broken down into ₱6.2 billion 7-year and ₱1.8 billion 10-year bonds at fixed interest rates ranging from 4.41% to 4.62%.

The 2015- and 2013-issued retail bonds have been rated PRS Aaa by the Philippine Rating Services Corporation (PhilRatings).

The principal amount of the above bonds shall be payable on a lump sum basis on the respective maturity date at its face value. These bonds may be redeemed in advance by the Company based on stipulated early redemption option dates and on agreed early redemption price.

GMCP

On January 18, 2010, GMCP entered into offshore and onshore facility agreements with China Development Bank Corporation (Offshore Loan) as well as BDO, Bank of the Philippine Islands (BPI), China Banking Corporation, Security Bank Corporation, and Standard Chartered Bank - Singapore (collectively for the Onshore Loan) which was fully drawn in 2012. The proceeds of the loan were used solely for the payment of Project Costs.

On August 29, 2017, GMCP entered into a Notes Facility Agreement (NFA) with local banks with BDO Capital and Investment Corporation as Lead Arranger, with the maximum principal amount of US$800.0 million, the proceeds of which will be used to refinance GMCP's existing loan obligation and for other general corporate purposes.

On September 29, 2017, US$600.0 million was drawn from the NFA, out of which US$462.4 million was used to prepay the outstanding loans.

GMCP also has an existing facility agreement with BDO to finance GMCP's working capital requirements.

Loans payable consist of the following dollar denominated loans as of December 31, 2017 (in thousands):

	Amount	Interest Rate Per Annum	Payment Schedule
NFA			
Fixed Rate Loan	$300,000	(i) Fixed rate of 2.5514% plus 1.45% margin for the first seven-year period and (ii) Fixed Rate Loan Benchmark plus 1.45% margin for the subsequent five-year period	24 semi-annual payments starting from the first Interest Payment Date
LIBOR Loan	300,000	Six-month LIBOR plus 1.70% margin	24 semi-annual payments starting from the first Interest Payment Date
Working Capital			
BDO	$15,000	LIBOR plus 1.7% applicable margin	Payable within three months
Total borrowings	615,000		
Less unamortized portion of deferred financing costs	(5,712)		
	609,288		
Less current portion	37,451		
Loans payable - net of current portion	$571,837		

TVI

On June 18, 2015, TVI entered into an omnibus agreement with local banks for a project loan facility with an aggregate principal amount of ₱31.97 billion. As of December 31, 2017, ₱29.89 billion has been drawn from the loan facility.

The loan is available in two tranches, as follows:

- Tranche A, in the amount of ₱25.97 billion, with interest rate fixed for the first eight years and will be repriced and fixed for another seven years.
- Tranche B, in the amount of ₱6.00 billion, with a fixed interest rate for fifteen years.

70% of the principal amount of the loan is payable in 22 equal semi-annual installments starting July 2019, with the remaining 30% payable in full on the final maturity date. TVI may prepay the loan in part or in full beginning on the end of the fourth year from the initial advance or on the project completion date, whichever is earlier. Any prepayment shall be subject to a certain percentage of prepayment penalty on the principal to be prepaid.

The loan is secured by a mortgage of all its assets with carrying amount of ₱34.01 billion as of December 31, 2017, and a pledge of TVI's shares of stock held by its shareholders.

TSI

On October 14, 2013, TSI entered into an omnibus agreement with local banks for a project loan facility with an aggregate principal amount of ₱24.0 billion, which was fully drawn in 2014.

On October 28, 2015, TSI entered into an additional loan agreement with principal amount of ₱1.68 billion, which was fully drawn in 2016.

The loan is secured by a mortgage of all its assets with carrying amount of ₱36.14 billion as of December 31, 2017, and a pledge of TSI's shares of stock held by AP and TPI.

interest rate ranging from 4.50% - 5.15% is fixed for the first seven years and will be repriced and fixed for another five years. Fifty percent of the principal amount of the loan is payable at semi-annual installments within 12 years with a two-year grace period, with the remaining 50% payable in full on the final maturity date.

TSI may prepay the loan in part or in full beginning on the end of the third year from the initial advance or on the project completion date, whichever is earlier. Any prepayment shall be subject to a certain percentage of prepayment penalty on the principal to be prepaid.

TPI
In December 2016, TPI executed and availed a US$623.5 million syndicated bridge loan facility to partially finance the GNPower acquisition. The loan is bears a floating interest rate based on a credit spread over applicable LIBOR, repriced every 30 days. The loan will mature on the second anniversary of the initial drawdown date, with an option for a one-year extension.

AP
In September 2014, AP issued a total of ₱10.0 billion bonds, broken down into a ₱6.6 billion 7-year bond due 2021 at an annual fixed rate equivalent to 5.21% and a ₱3.4 billion 12-year bond due 2026 at an annual fixed rate equivalent to 6.10%. The bonds have been rated PRS Aaa by PhilRatings.

In July 2017, AP issued a ₱3.00 billion 10-year bond due 2027 at an annual fixed rate equivalent to 5.34%. The bonds have been rated PRS Aaa by PhilRatings.

The principal amount of the bonds shall be payable on a lump sum basis on the respective maturity date at its face value. These bonds may be redeemed in advance by AP based on stipulated early redemption option dates and on agreed early redemption price.

APRI
On February 29, 2016, APRI entered into an omnibus agreement with BPI, Asian Development Bank (ADB) and Credit Guarantee and Investment Facility (CGIF). This has been certified to have met the requirements of the Climate Bond Standard. The loan proceeds were used for return of equity to shareholders and to fund necessary operating and capital expenditures.

The loan is available in two tranches, as follows:

a. The Notes Facility Agreement, in the amount of ₱10.7 billion, with interest rate already fixed for ten years. 41.6% of the principal amount is payable in ten equal semi-annual installments and the balance payable in another ten semi-annual installments;
b. The ADB Facility Agreement, in the amount of ₱1.8 billion, with interest rate fixed for five years and principal repayments made in ten equal semi-annual installments.

The loan is secured by mortgage of its assets with carrying amount of ₱25.64 billion as of December 31, 2017, and pledge of APRI's shares of stock held by shareholders and assignment of Project Agreements and Project Accounts.

Hedcor Bukidnon
On September 22, 2015, Hedcor Bukidnon entered into an omnibus agreement with local banks for a project loan facility with an aggregate principal amount of up to ₱10.0 billion. As of December 31, 2017, ₱9.33 billion has been drawn from the loan facility based on the agreed schedule.

The term of the loan is 15 years, and the first principal repayment will take place 42 months after the financial close, or six months after project completion. Principal repayments shall be made in equal semi-annual installments, with a balloon payment not to exceed 30% of the loan amount. Interest rate on the loan is computed at the time of each drawdown, as designated under the agreement.

The loan is secured by an assignment of trade receivables, a pledge of all issued share capital of Hedcor Bukidnon, and corporate suretyship from AP to guarantee the debt service until (a) project completion and (b) receipt of Feed-in-Tariff payments or contracting power supply agreements equivalent to at least the break-even capacity.

HSI
On November 17, 2016, HSI entered into a NFA with various institutions with Metrobank - Trust Banking Group as the Notes Facility Agent, for a loan facility with an aggregate principal amount of up to ₱4.10 billion to return equity to shareholders, and for other general corporate purposes.

The unsecured notes were issued in ten tranches with interest payable semi-annually at annual fixed rates ranging from 4.05% - 5.42% with principal maturity as follows:

Tranche	Maturity Date	Principal Amount
1	Fifteen months from issue date	₱96.8 million
2	Two (2) years from issue date	₱96.8 million
3	Three (3) years from issue date	₱84.0 million
4	Four (4) years from issue date	₱84.0 million
5	Five (5) years from issue date	₱284.0 million
6 (Series A&B)	Six (6) years from issue date	₱388.4 million
7 (Series A&B)	Seven (7) years from issue date	₱445.8 million
8	Eight (8) years from issue date	₱451.4 million
9	Nine (9) years from issue date	₱508.1 million
10 (Series A&B)	Ten (10) years from issue date	₱1,660.7 million

Prior to maturity date, HSI may redeem in whole or in part the relevant outstanding notes on any interest payment date plus a one percent prepayment penalty.

PILMICO
PILMICO availed ₱1.0 billion and ₱500 million loans from the NFA it signed on May 5, 2015, with Land Bank of the Philippines as the Note Holder on May 11, 2015 and July 13, 2015, respectively. As provided for in the NFA, the 12-year corporate notes are issued as an exempt security pursuant to Section 9.2 of RA No. 8799 and Rule 9.2(2)(B) of the amended implementing rules of the Securities Regulation Code (SRC). On February 21, 2017, the Company availed of the Repricing Option under the NFA, thereby amending the interest rate from 5.19% to 4.50%.

On October 4, 2012, PILMICO availed ₱1.4 billion loan from the NFA it signed on September 25, 2012, with LBP as the Note Holder. The NFA provided for the issuance of 5-year corporate notes in a private placement to not more than 19 institutional investors pursuant to Section 9.2 of the SRC and Rule 9.2(2) of the SRC Rules. On February 21, 2017, the Company availed of the Repricing Option under the NFA, thereby amending the interest rate from 4.75% to 4.18%.

PILMICO may early redeem in whole or in part the relevant outstanding notes on any interest payment date without premium or penalty. If prepayment is made on a different date, a certain fee shall be charged on the principal to be prepaid.

PANC

On December 29, 2016, PANC availed of a total of ₱700 million loan from NFA signed on December 28, 2016 with Security Bank Corporation as Note Holder.

On September 22, 2014, PANC availed of a total of ₱2.0 billion loan from NFA signed on September 17, 2014 with LBP as Note Holder.

The 2016 and 2014 notes are redeemable on a lump sum basis on the respective maturity dates at its face value. PANC may early redeem in whole or in part the relevant outstanding notes on any interest payment date without premium or penalty. If prepayment is made on a different date, a certain fee shall be charged on the principal to be prepaid.

Aseagas

Within the period June 2014 to September 2015, Aseagas availed of ₱2.0 billion loan from the Notes Facility and Security Agreement (NFSA) it signed on June 5, 2014 with Development Bank of the Philippines. The NFSA provided for the issuance of 12-year corporate notes subject to a fixed interest rate ranging from 4.66% to 5.06% for the first seven years and to be repriced and fixed for the remaining five years. Principal repayments are due every six months.

In April 2016, Aseagas obtained an additional loan from DBP amounting to ₱500.0 million with the same terms as the first loan. Interest rate on the new loan is fixed at 4.75%.

The loan was prepaid in December 2017.

VECO

On December 20, 2013, VECO availed of a ₱2.0 billion loan from the NFA it signed on December 17, 2013 with the Land Bank of the Philippines (LBP). The unsecured notes were issued in ten tranches of ₱200 million with interest payable semi-annually at fixed annual rates ranging from 3.50% - 4.81% and principal amortized as follows:

Tranche	Maturity Date	Principal Repayment Amount
A, B	December 20, 2014 and 2015	₱200M balloon payment on maturity date
C	December 20, 2016	₱1M each on first 2 years; ₱198M on maturity date
D	December 20, 2017	₱1M each on first 3 years; ₱197M on maturity date
E	December 20, 2018	₱1M each on first 4 years; ₱196M on maturity date
F	December 20, 2019	₱1M each on first 5 years; ₱195M on maturity date
G	December 20, 2020	₱1M each on first 6 years; ₱194M on maturity date
H	December 20, 2021	₱1M each on first 7 years; ₱193M on maturity date
I	December 20, 2022	₱1M each on first 8 years; ₱192M on maturity date
J	December 20, 2023	₱1M each on first 9 years; ₱191M on maturity date

Prior to maturity date, VECO may redeem in whole or in part the relevant outstanding notes on any interest payment date without premium or penalty. If it redeems the notes on a date other than an interest payment date, then a certain percentage of prepayment penalty on the principal amount to be prepaid shall be imposed.

LHC

On April 24, 2012, LHC entered into an omnibus agreement with Philippine National Bank and Banco De Oro to borrow US$43.1 million with maturity on April 26, 2022 and payable in 20 semi-annual installments. Interest is repriced and paid semi-annually. Annual interest rate ranges from 2.00% to 2.75%.

Intangible asset arising from service concession arrangement with carrying value of ₱2.13 billion as of December 31, 2017, was used as collateral to secure LHC's long-term debts (see Note 15).

DLP

On December 20, 2013, DLP availed of a ₱1.5 billion loan from the NFA it signed on December 17, 2013 with LBP. The unsecured notes were issued in ten tranches of ₱150 million with interest payable semi-annually at annual fixed rates ranging from 3.50% - 4.81% and principal amortized as follows:

Tranche	Maturity Date	Principal Repayment Amount
A, B	December 20, 2014 and 2015	₱150M balloon payment on maturity date
C	December 20, 2016	₱0.75M each on first 2 years; ₱148.5M on maturity date
D	December 20, 2017	₱0.75M each on first 3 years; ₱147.8M on maturity date
E	December 20, 2018	₱0.75M each on first 4 years; ₱147M on maturity date
F	December 20, 2019	₱0.75M each on first 5 years; ₱146.2M on maturity date
G	December 20, 2020	₱0.75M each on first 6 years; ₱145.5M on maturity date
H	December 20, 2021	₱0.75M each on first 7 years; ₱144.8M on maturity date
I	December 20, 2022	₱0.75M each on first 8 years; ₱144M on maturity date
J	December 20, 2023	₱0.75M each on first 9 years; ₱143.2M on maturity date

Prior to maturity date, DLP may redeem in whole or in part the relevant outstanding notes on any interest payment date without premium or penalty. If it redeems the notes on a date other than an interest payment date, then a certain percentage of prepayment penalty on the principal amount to be prepaid shall be imposed.

HI

On August 6, 2013, HI availed of a ten-year ₱900 million loan from a local bank. This loan is subject to a semi-annual principal payment with annual interest fixed at 5.25% for the first 5 years. For the remaining five years, interest rate will be repriced and fixed on the fifth anniversary from the drawdown date. The debt is secured by a pledge of HI's shares of stock held by ARI.

SEZ

On July 7, 2011, SEZ issued ₱565.0 million worth of fixed-rate notes to MBTC. Interest on the notes is subject to quarterly payment at 5% annual fixed interest rate. Principal is payable annually over 10 years at an equal amortization of ₱56.5 million.

CLP

On December 20, 2013, CLP availed of ₱300.0 million notes from the NFA it signed on December 17, 2013 with LBP. The unsecured notes were issued in ten tranches of ₱30.0 million with interest payable semi-annually at annual fixed rates ranging from 3.50% - 4.81% and principal amortized as follows:

Tranche	Maturity Date	Principal Repayment Amount
A, B	December 20, 2014 and 2015	₱30M balloon payment on maturity date
C	December 20, 2016	₱0.15M each on first 2 years; ₱29.7M on maturity date
D	December 20, 2017	₱0.15M each on first 3 years; ₱29.6M on maturity date
E	December 20, 2018	₱0.15M each on first 4 years; ₱29.4M on maturity date
F	December 20, 2019	₱0.15M each on first 5 years; ₱29.2M on maturity date
G	December 20, 2020	₱0.15M each on first 6 years; ₱29.1M on maturity date
H	December 20, 2021	₱0.15M each on first 7 years; ₱29M on maturity date
I	December 20, 2022	₱0.15M each on first 8 years; ₱28.8M on maturity date
J	December 20, 2023	₱0.15M each on first 9 years; ₱28.62M on maturity date

Prior to maturity date, CLP may redeem in whole or in part the relevant outstanding notes on any interest payment date without premium or penalty. If it redeems the notes on a date other than an interest payment date, then a certain percentage of prepayment penalty on the principal amount to be prepaid shall be imposed.

ABOITIZLAND

The SBC peso loan is a ten-year loan availed on December 21, 2007. It is subject to 28 quarterly principal amortizations of ₱7.5 million starting at the end of the 13th quarter from initial drawdown date, with the balance of ₱90.0 million payable in full at the end of the 10th year. Interest is payable quarterly at fixed rate of 6.89% for the first five years and at 4.67% for the remaining five years.

The SBC dollar loan is a ten-year loan payable in 28 quarterly principal amortizations of US$122 thousand starting at the end of the 13th quarter from initial drawdown date, with the balance of US$1.5 million due in full at the end of the 10th year. Initial drawdown was made on February 6, 2008. Interest is payable and repriced quarterly based on the prevailing 90-day LIBOR plus 1%.

The SBC peso and dollar loans have been fully repaid in December, 2017.

Long-term debt of Joint Operation

This pertains to TPI's share of the outstanding project debt of its joint operation.

In May 2014, PEC entered into an Omnibus Agreement with various local banks for a loan facility in the aggregate principal amount of up to ₱33.31 billion with maturity period of 15 years. The loan is subject to a semi-annual interest payment at annual fixed rates ranging from 5.50% - 7.38%.

The loans may be voluntarily prepaid in full or in part commencing on and from the third year of the date of initial drawdown with a prepayment penalty.

The loans are secured by a mortgage of all its assets with carrying amount of ₱30.62 billion as of December 31, 2017, and a pledge of the shares of stock held by the joint operators.

Loan covenants
The loan agreements on long-term debts of the Group provide for certain restrictions with respect to, among others, mergers or consolidations or other material changes in their ownership, corporate set-up or management, investment and guaranties, incurrence of additional debt, disposition of mortgage of assets, payment of dividends, and maintenance of financial ratios at certain levels.

These restrictions and requirements were complied with by the Group as of December 31, 2017 and 2016.

20. Customers' Deposits

	2017	2016
Transformers	**₱1,315,127**	₱2,915,591
Bill and load	**3,663,917**	2,138,587
Lines and poles	**1,115,646**	1,777,064
Others	**174,693**	209,105
	₱6,269,383	₱7,040,347

Transformers and lines and poles deposits are obtained from certain customers principally as cash bond for their proper maintenance and care of the said facilities while under their exclusive use and responsibility. These deposits are non-interest bearing and are refundable only after their related contract is terminated and the assets are returned to the Group in their proper condition and all obligations and every account of the customer due to the Group shall have been paid.

Bill deposit serves to guarantee payment of bills by a customer which is estimated to equal one month's consumption or bill of the customer.

Both the Magna Carta and Distribution Services and Open Access Rules (DSOAR) also provide that residential and non-residential customers, respectively, must pay a bill deposit to guarantee payment of bills equivalent to their estimated monthly billing. The amount of deposit shall be adjusted after one year to approximate the actual average monthly bills. A customer who has paid his electric bills on or before due date for three consecutive years, may apply for the full refund of the bill deposit, together with the accrued interests, prior to the termination of his service; otherwise, bill deposits and accrued interests shall be refunded within one month from termination of service, provided all bills have been paid.

In cases where the customer has previously received the refund of his bill deposit pursuant to Article 7 of the Magna Carta, and later defaults in the payment of his monthly bills, the customer shall be required to post another bill deposit with the distribution utility and lose his right to avail of the right to refund his bill deposit in the future until termination of service. Failure to pay the required bill deposit shall be a ground for disconnection of electric service.

Interest expense on customers' deposits amounted to ₱3.2 million in 2017, ₱2.5 million in 2016, and ₱4.2 million in 2015 (see Note 35).

The Group classified customers' deposits under noncurrent liabilities due to the expected long-term nature of these accounts.

Other customer deposits pertain mainly to deposits from real estate buyers.

The portion of customers' deposit to be refunded amounted to ₱1.41 billion as of December 31, 2017, and is presented as part of "Trade and other payables" (see Note 18).

21. Asset Retirement Obligation

Asset retirement obligation includes the estimated costs to decommission, abandon and perform surface rehabilitation on a subsidiary's steam field assets at the end of their useful lives, and the best estimate of the expenditure required to settle the obligation to decommission power plant at the end of its lease term (see Note 13).

	2017	2016
Balances at beginning of year	**₱1,821,577**	₱3,016,528
Acquisition of subsidiaries (see Note 9)	–	334,812
Change in accounting estimate	**1,056,396**	(1,627,192)
Accretion of decommissioning liability (see Note 34)	**81,087**	97,429
Balances at end of year	**₱2,959,060**	₱1,821,577

The actual dismantling and removal cost could vary substantially from the above estimate because of new regulatory requirements, changes in technology, increased cost of labor, materials, and equipment or actual time required to complete all dismantling and removal activities. Adjustment, if any, to the estimated amount will be recognized prospectively as they become known and reliably estimable.

22. Finance Lease

TLI

TLI was appointed by PSALM as Administrator under the IPP Administration Agreement, giving TLI the right to receive, manage and control the capacity of the power plant for its own account and at its own cost and risk; and the right to receive the transfer of the power plant at the end of the IPP Administration Agreement for no consideration.

In view of the nature of the IPP Administration Agreement, the arrangement has been accounted for as a finance lease. Accordingly, TLI recognized the capitalized asset and related liability of ₱44.79 billion (equivalent to the present value of the minimum lease payments using TLI's incremental borrowing rates of 10% and 12% for dollar and peso payments, respectively) in the financial statement as "Power plant" and "Finance lease obligation" accounts, respectively (see Notes 3 and 13). The discount determined at inception of the agreement is amortized over the period of the IPP Administration Agreement and is recognized as interest expense in the consolidated statement of income. Interest expense in 2017, 2016 and 2015 amounted to ₱4.76 billion, ₱4.79 billion and ₱5.29 billion, respectively (see Note 35).

Future minimum monthly dollar and peso payments under the IPP Administration Agreement and their present values as of December 31, 2017 and 2016 are as follows:

December 31, 2017

	Dollar payments	Peso equivalent of dollar payments[1]	Peso payments	Total
Within one year	$90,000	₱4,493,700	₱4,320,000	₱8,813,700
After one year but not more than five years	397,500	19,847,175	19,080,000	38,927,175
More than five years	263,000	13,131,590	12,624,000	25,755,590
Total contractual payments	750,500	37,472,465	36,024,000	73,496,465
Unamortized discount	231,130	11,540,344	12,730,867	24,271,211
Present value	519,370	25,932,121	23,293,133	49,225,254
Less current portion				3,316,165
Noncurrent portion of finance lease obligation				₱45,909,089

December 31, 2016

	US dollar payments	Philippine peso equivalent of dollar payments[2]	Philippine peso payments	Total
Within one year	$82,500	₱4,101,900	₱3,960,000	₱8,061,900
After one year but not more than five years	378,000	18,794,160	18,144,000	36,938,160
More than five years	380,000	18,893,600	18,240,000	37,133,600
Total contractual payments	840,500	41,789,660	40,344,000	82,133,660
Unamortized discount	285,051	14,172,757	15,620,699	29,793,456
Present value	555,449	27,616,903	24,723,301	52,340,204
Less current portion				2,968,491
Noncurrent portion of finance lease obligation				₱49,371,713

[1]*USD1= ₱49.93*

[2]*USD1= ₱49.72*

23. Capital Stock

Information on the Company's authorized capital stock follows:

	Number of Shares
Authorized capital stock:	
Common shares, ₱1 par value	9,600,000,000
Preferred shares, ₱1 par value	400,000,000

Outstanding capital stock are as follows:

	Number of Shares	
	2017	2016
Common shares issued	**5,694,599,621**	5,694,599,621
Less treasury shares	**60,807,064**	60,807,064
Balance at end of year	**5,633,792,557**	5,633,792,557

On November 16, 1994, the Company listed with the Philippine Securities Exchange its 3,650,385,204 common shares with a par value of ₱1.00 per share to cover the initial public offering (IPO) of 821,486,204 common shares at an offer price of ₱5.70 per share. Gross proceeds from this issuance of new shares amounted to ₱4.6 billion. Transaction costs incidental to the IPO totaling ₱528.0 million were charged against "Additional paid-in capital" in the parent company balance sheet.

On May 23, 1995 and August 30, 1996, the Company distributed 20% stock dividend equivalent to 730.08 million shares and 30% stock dividend equivalent to 1.31 billion shares, respectively. Both stock dividends were issued at ₱1.00 per share. At the end of 1996, common shares issued totaled 5.69 billion.

The preferred shares are non-voting, non-participating, non-convertible, cumulative re-issuable and redeemable and may be issued from time to time by the BOD in one or more series and fixed before issuance thereof, the number of shares in each series, and all designations, relative rights, preferences and limitations of the shares in each series. Preferred shares that are redeemed by the Company may be re-issued.

There were no preferred shares issued as of December 31, 2017 and 2016.

As of December 31, 2017, and 2016, the Company has 9,002 and 9,177 shareholders, respectively.

Treasury Shares
As of December 31, 2017 and 2016, treasury shares held by AEV totaled 60.8 million with corresponding acquisition cost of ₱521.1 million. In 2016, 79.5 million shares costing ₱544.5 million were sold for ₱5.9 billion while 15.7 million shares costing ₱112.8 million were sold for ₱885.3 million in 2015.

24. Retained Earnings

On March 7, 2017, the BOD approved the following:

a. Declaration of a regular cash dividend of ₱1.33 per share (₱7.49 billion) to all stockholders of record as of March 21, 2017. These dividends were paid on April 10, 2017.

b. Reversal of ₱1.095 billion retained earnings appropriations for funding of additional capital infusions into the following investees (amounts in thousand pesos):

Investee	Project to be Funded	Board Approval Date	Estimated Project Start Date	Estimated Project Completion Date	Appropriation	Status of Capital Infusion as of December 31, 2017
AboitizLand, Inc. and Subsidiaries	Land Acquisition	July, 2013	First quarter of 2014	End of 4th quarter of 2017	₱500,000	Deferred
Aseagas, Inc.	Plant Construction	March, 2015	August 2014	Start of 3rd quarter of 2016	345,000	Executed
PetNet, Inc.	Business Expansion	May, 2015	June 2015	December 2016	250,000	Executed
Total					₱1,095,000	

On March 8, 2016, the BOD approved the declaration of a regular cash dividend of ₱1.06 per share (₱5.89 billion) to all stockholders of record as of March 22, 2016. These dividends were paid on April 19, 2016.

On March 10, 2015, the BOD approved the declaration of a regular cash dividend of ₱1.11 per share (₱6.15 billion) to all stockholders of record as of March 24, 2015. These dividends were paid on April 20, 2015.

As mentioned in Note 19, the Company shall not permit its DE ratio to exceed 3:1 calculated based on the Company's year-end debt and consolidated equity.

The balance of retained earnings includes the accumulated equity in net earnings of subsidiaries, associates and joint arrangements amounting to ₱108.9 billion and ₱95.9 billion as at December 31, 2017 and 2016, respectively. Such amounts are not available for distribution until such time that the Company receives the dividends from the respective subsidiaries, associates and joint arrangements (see Note 10).

25. Revenues

a. Sale from Distribution of Power

The Uniform Rate Filing Requirements (UFR) on the rate unbundling released by the ERC on October 30, 2001 specified that the billing for sale and distribution of power and electricity will have the following components: Generation Charge, Transmission Charge, System Loss Charge, Distribution Charge, Supply Charge, Metering Charge, the Currency Exchange Rate Adjustment and Interclass and Lifeline Subsidies. National and local franchise taxes, the Power Act Reduction (for residential customers) and the Universal Charge are also separately indicated in the customer's billing statements.

Pursuant to Section 43(f) of Republic Act (R.A.) No. 9136, otherwise known as the Electric Power Industry Reform Act of 2001 (EPIRA), and Rule 15, section 5(a) of its Implementing Rules and Regulations (IRR), the ERC promulgated the Distribution Wheeling Rates Guidelines on December 10, 2004. These were subsequently updated and released on July 26, 2006 as the Rules for Setting Distribution Wheeling Rates (RDWR) for Privately Owned Utilities entering Performance Based Regulation (PBR).

Details of the PBR regulatory period and the date of implementation of the approved rates are as follows:

	CLP	DLP	VECO	SEZ
Current regulatory period	April 1, 2009 to March 31, 2013	July 1, 2010 to June 30, 2014	July 1, 2010 to June 30, 2014	October 1, 2011 to September 30, 2015
Date of implementation of approved distribution supply and metering charges	May 1, 2009	August 1, 2010	August 1, 2010	November 26, 2011

A reset process should have been initiated 18 months prior to the start of the third regulatory period of April 1, 2013 to March 31, 2017 for CLP, July 1, 2014 to June 30, 2018 for DLP and VECO, and October 1, 2015 to September 30, 2019 for SEZ. The reset process, however, has been delayed due to the issuance by the ERC in 2013 of an Issues Paper on the Implementation of PBR for distribution utilities under the RDWR, which seeks to revisit various matters relating to the reset process. The ERC has solicited comments from industry participants and has been holding public consultations on the Issues Paper.

Through ERC Resolution No. 25 Series of 2016 dated July 12, 2016, the ERC adopted the Resolution Modifying the RDWR. The resolution also sets forth, the schedule for the Fourth Regulatory Period.

Total sale from distribution of power amounted to ₱43.53 billion, ₱44.59 billion and ₱41.38 billion in 2017, 2016 and 2015, respectively.

b. Sale from Generation of Power and Retail Electricity
Certain subsidiaries are trading participants and direct members under the generator sector of the Wholesale Electricity Spot Market (WESM). These companies are allowed to access the WESM Market Management System through its Market Participant Interface (MPI). The MPI is the facility that allows the trading participants to submit and cancel bids and offers, and to view market results and reports. Under its price determination methodology as approved by the ERC, locational marginal price method is used in computing prices for energy bought and sold in the market on a per node, per hour basis. In the case of bilateral power supply contracts, however, the involved trading participants settle directly with their contracting parties.

Total sale of power to WESM amounted to ₱3.80 billion, ₱2.88 billion and ₱4.59 billion in 2017, 2016 and 2015, respectively.

Certain subsidiaries were issued a FIT Certificate of Compliance from the ERC which entitles them to avail the FIT rate. These subsidiaries also signed agreements with the National Transmission Corporation (NTC), the FIT administrator. These agreements enumerate the rights and obligations under the FIT rules and FIT-All guidelines, in respect to the full payment of the actual energy generation of the generator, at a price equivalent to the applicable FIT rate, for the entire duration of its FIT eligibility period.

Total sale of power under power supply agreements amounted to ₱53.61 billion in 2017, ₱32.81 billion in 2016 and ₱28.78 billion in 2015.

Certain subsidiaries have negotiated contracts with contestable customers. These contracts provide supply and delivery of electricity where capacity fees, fixed operating fees and energy fees are at fixed price/kwh or time of use.

Total sale of power under retail electricity supply agreements amounted to ₱18.07 billion, ₱8.48 billion and ₱10.23 billion in 2017, 2016 and 2015, respectively.

c. Real estate revenues consist of the following:

	2017	2016	2015
Real estate sales	**₱2,915,830**	₱1,700,479	₱2,042,335
Rental income	**445,558**	419,297	385,029
Service fees and others	**252,000**	321,078	305,514
	₱3,613,388	₱2,440,854	₱2,732,878

26. Purchased Power

Distribution
DLP, VECO, CLP and MEZ entered into contracts with NPC/PSALM for the purchase of electricity. The material terms of the contract are as follows:

	Term of Agreement with NPC/PSALM	Contract Energy (megawatt hours/year)
DLP	Ended in December 2015; extended	1,120,918
CLP	Ended in December 2015; extended	126,976

The Group's distribution utilities also entered into Transmission Service Agreements with NGCP for the transmission of electricity.

Total power purchases from the NPC/PSALM and NGCP, net of discounts, amounted to ₱9.08 billion in 2017, ₱7.52 billion in 2016 and ₱9.49 billion in 2015. The outstanding payable to the NPC/PSALM and NGCP on purchased power, presented as part of the "Trade and other payables" account in the consolidated balance sheets amounted to ₱755.7 million and ₱694.2 million as of December 31, 2017 and 2016, respectively (see Note 18).

Generation
Purchased power takes place during periods when power generated from power plants are not sufficient to meet customers' required power as stated in the power supply contracts. Insufficient supply of generated energy results from the shutdowns due to scheduled maintenance or an emergency situation. The Group purchases power from WESM to ensure uninterrupted supply of power and meet the requirements in the power supply contracts. Total purchases from WESM amounted to ₱6.26 billion in 2017, ₱1.42 billion in 2016 and ₱1.21 billion in 2015.

The Group entered into Replacement Power Contracts with certain related parties (see Note 34). Under these contracts, the Group supplies power to counterparties when additional power is needed. Correspondingly, when faced with energy shortfalls, the Group purchases power from counterparties.

Retail Electricity Supply
AESI pays PSALM monthly generation payments using the formula specified in the IPP Administration Agreement. Total generation payments to PSALM amounted to ₱1.82 billion, ₱1.90 billion and ₱1.86 billion in 2017, 2016 and 2015, respectively.

27. Costs and Expenses

Cost of generated power consists of:

	2017	2016	2015
Fuel costs	**₱22,324,825**	₱12,211,477	₱13,598,737
Steam supply costs (see Note 39)	**4,981,187**	4,108,576	3,956,979
Energy fees	**668,558**	627,751	684,279
Ancillary charges	**547,291**	340,869	262,536
Wheeling expenses	**35,895**	27,599	21,528
	₱28,557,756	₱17,316,272	₱18,524,059

Cost of goods sold consists of:

	2017	2016	2015
Raw materials used, purchases and changes in biological assets and inventories (see Notes 6 and 8)	**₱19,406,752**	₱17,065,443	₱16,659,858
Direct labor (see Note 28)	**238,647**	194,453	143,320
Manufacturing overhead			
Depreciation (see Note 13)	**524,660**	427,462	352,639
Power	**344,656**	299,942	260,419
Repairs and maintenance	**254,772**	216,502	162,956
Indirect labor (see Note 28)	**240,484**	203,257	128,345
Fuel and lubricants	**99,817**	80,142	85,519
Outside services	**94,775**	76,686	68,293
Toll milling expenses	**61,005**	54,406	57,185
Freight and handling	**55,253**	48,004	39,878
Taxes and licenses	**39,707**	35,547	34,698
Insurance	**35,506**	32,178	26,050
Medicines and vaccines	**33,931**	28,397	24,227
Pest control	**29,859**	15,342	9,749
Employees' benefits (see Notes 28 and 30)	**21,026**	14,817	8,169
Royalty fee	**11,688**	13,565	7,890
Rental	**9,712**	9,992	5,707
Office and general supplies	**–**	9,476	16,634
Others	**153,162**	114,778	78,772
	2,010,013	1,680,493	1,367,130
Cost of goods manufactured	**21,655,412**	18,940,389	18,170,308
Finished goods inventory (see Note 6)			
Beginning of year	**361,857**	307,657	148,457
End of year	**(317,007)**	(361,857)	(307,657)
	₱21,700,262	₱18,886,189	₱18,011,108

Operating expenses consist of:

	2017	2016	2015
Depreciation and amortization (see Notes 13, 15 and 16)	**₱7,869,255**	₱6,357,313	₱4,528,558
Personnel (see Notes 28 and 30)	**6,279,900**	5,206,478	4,467,203
Outside services (see Note 39)	**2,383,152**	1,736,952	1,703,314
Taxes and licenses	**2,196,046**	1,613,411	1,196,605
Repairs and maintenance	**1,704,853**	954,531	744,056
Insurance	**1,058,377**	876,943	763,939
Freight and handling	**834,893**	660,208	633,102
Transportation and travel	**467,606**	416,030	382,333
Rent (see Note 36)	**444,262**	295,615	293,705
Advertising	**425,617**	349,366	320,348
Management and professional fees (see Note 34)	**288,343**	320,176	308,654

(Forward)

	2017	2016	2015
Training and development	**₱160,953**	₱163,375	₱98,866
Utilities	**149,682**	116,685	102,330
Commissions	**145,140**	132,469	145,553
Provision for impairment of trade receivables (see Note 5)	**101,155**	22,284	526,055
Fuel and lubricants	**73,751**	312,044	427,829
Others	**1,672,930**	1,653,302	1,329,589
	₱26,255,915	₱21,187,182	₱17,972,039

Other operating expenses consist of miscellaneous items, the most significant of which are materials and supplies.

Overhead expenses consist of:

	2017	2016	2015
Depreciation and amortization (see Notes 13, 15 and 16)	**₱40,837**	₱44,615	₱42,796
Personnel (see Notes 28 and 30)	**41,061**	38,143	30,138
Repairs and maintenance	**16,986**	9,630	12,258
Fuel	**6,680**	8,918	9,805
Insurance	**4,049**	4,106	4,628
Rent	**2,042**	1,940	1,709
Others	**2,209**	2,319	2,198
	₱113,864	₱109,671	₱103,532

Other overhead expenses include training costs for aircraft personnel.

Sources of depreciation and amortization are as follows:

	2017	2016	2015
Property, plant and equipment (see Note 13)	**₱7,946,469**	₱6,431,339	₱4,465,223
Intangible asset - service concession rights (see Note 15)	**351,541**	199,342	338,031
Bearer biological assets (see Notes 8 and 16)	**–**	63,614	43,200
Other intangible assets (see Note 16)	**157,968**	135,100	109,854
	₱8,455,978	₱6,829,395	₱4,956,308

28. Personnel Expenses

	2017	2016	2015
Salaries and wages	**₱5,041,341**	₱4,107,494	₱3,491,083
Employee benefits (see Note 30)	**1,296,940**	1,160,292	1,056,870
	₱6,338,281	₱5,267,786	₱4,547,953

29. Other Income (Expense) - net

	2017	2016	2015
Change in fair value of biological assets (see Note 8)	**₱942,131**	₱388,218	₱425,720
Net unrealized fair valuation gains (see Note 36)	**862,218**	166,476	186,512
Surcharges	**435,428**	403,730	342,871
Gain on step-acquisition (see Note 9)	**310,198**	350,939	–
Non-utility operating income	**145,948**	94,916	114,108
Foreign exchange gains (losses) - net (see Note 35)	**70,221**	(40,877)	(959,461)
Rental income (see Note 34)	**10,617**	1,499	29,155
Dividend income	**5,946**	250	1,810
Gain (loss) on sale of:			
Property, plant and equipment	**(52,164)**	(50,125)	(71,402)
AFS investments	**289**	25,105	–
Loss on impairment of assets (see Notes 13 and 16)	**(3,191,748)**	–	–
Gain on redemption of shares (see Note 10)	**–**	16,051	–
Impairment loss on goodwill (see Note 12)	**–**	(169,469)	–
Others - net	**434,782**	1,314,313	154,697
	(₱26,134)	₱2,501,026	₱224,010

Surcharges represent late payment charges of a certain percentage on previous unpaid bills of customers of distribution utilities.

Included in "Net Foreign exchange gains (losses)" are the net gains and losses relating to currency forward transactions (see Note 35). "Others" comprise non-recurring items like sale of scrap and sludge oil, provision on impairment of assets and reversal of provisions. In 2016, "Others" also include income arising from the proceeds from claims of liquidating damages from contractor due to the delay in the completion of TSI's power plant amounting to ₱785.4 million.

30. Defined Retirement Benefit Plans

Under the existing regulatory framework, Republic Act 7641, otherwise known as *The Retirement Pay Law*, requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity. It further states that the employees' retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan.

The Company and its subsidiaries have funded, noncontributory, defined retirement benefit plans ("Plan") covering all regular and full-time employees and requiring contributions to be made to separately administered funds. The retirement benefit fund ("Fund") of each subsidiary is in the form of a trust being maintained and managed by AEV, under the supervision of the Board of Trustees (BOT) of the Plan. The BOT, whose members are also corporate officers, is responsible for the investment of the Fund assets. Taking into account the Plan's objectives, benefit obligations and risk capacity, the BOT periodically defines the investment strategy in the form of a long-term target structure.

The following tables summarize the components of net benefit expense recognized in the consolidated statements of income and the funded status and amounts recognized in the consolidated balance sheets for the respective plans.

Net benefit expense (recognized as part of personnel costs under operations)

	2017	2016	2015
Retirement expense recognized in the consolidated statements of income:			
Service cost	**₱338,596**	₱287,743	₱357,728
Net interest cost	**12,257**	32,725	(1,076)
	₱350,853	₱320,468	₱356,652

	2017	2016	2015
Remeasurement gains (losses) recognized in the statements of comprehensive income:			
Actuarial gains (losses) on defined benefit plan	**₱53,381**	(₱54,403)	₱34,364
Return (loss) on assets excluding amount included in net interest cost	**65,865**	77,411	(160,325)
	₱119,246	₱23,008	(₱125,961)

Net pension liabilities

	2017	2016
Present value of obligation	**₱3,609,366**	₱3,386,386
Fair value of plan assets	**(3,386,012)**	(3,153,951)
Pension liability	**₱223,354**	₱232,435

Changes in the present value of the defined benefit obligation are as follows:

	2017	2016
At January 1	₱3,386,386	₱2,916,534
Net benefit costs in the consolidated statements of income		
Current service costs	323,277	284,078
Interest cost	178,630	147,822
Past service costs	15,319	3,665
Benefits paid	(183,060)	(129,174)
Transfers and others	(47,065)	17,866
Remeasurements in other comprehensive income:		
Actuarial losses due to experience adjustments	246,357	126,982
Actuarial gains due to changes in financial assumptions	(299,738)	(72,579)
	(53,381)	54,403
Acquisition of subsidiaries (see Note 9)	(10,740)	91,192
At December 31	₱3,609,366	₱3,386,386

Changes in the fair value of plan assets are as follows:

	2017	2016
At January 1	₱3,153,951	₱2,267,709
Actual contributions	256,329	729,668
Acquisition of subsidiaries (see Note 9)	–	74,413
Interest income included in net interest cost	166,373	115,097
Actual return excluding amount included in net interest cost	65,865	77,411
Transfers and others	(47,062)	17,866
Benefits paid	(209,444)	(128,213)
At December 31	₱3,386,012	₱3,153,951

Changes in net pension liability recognized in the consolidated balance sheets are as follows:

	2017	2016
At January 1	₱232,435	₱648,825
Contribution to retirement fund	(256,329)	(729,668)
Retirement expense for the year	350,853	320,468
Actuarial gain recognized for the year	(119,246)	(23,008)
Transfers and others	(3)	–
Benefits paid from Group operating funds	26,384	(961)
Acquisition of subsidiaries	(10,740)	16,779
At December 31	₱223,354	₱232,435

The fair value of plan assets by each class as at the end of the reporting period are as follows:

	2017	2016
Cash and fixed-income investments	**₱1,612,044**	₱2,153,380
Equity instruments		
Financial institution	**4,661**	200,507
Power	**302,223**	176,674
Holding	**77,839**	213,415
Others	**1,389,245**	409,975
Fair value of plan assets	**₱3,386,012**	₱3,153,951

All equity and debt instruments held have quoted prices in active market. The remaining plan assets do not have quoted market prices in active market.

The plan assets have diverse investments and do not have any concentration risk.

The principal assumptions used as of December 31, 2017, 2016 and 2015 in determining pension benefit obligations for the Group's plans are shown below:

	2017	2016	2015
Discount rate	**5.01% - 5.31%**	3.61% - 5.60%	4.91% - 5.72%
Salary increase rate	**6%**	6%	6%

The sensitivity analysis below has been determined based on reasonable possible changes of each significant assumption on the defined benefit obligation as of December 31, 2017 and 2016, assuming all other assumptions were held constant:

December 31, 2017

	Increase (decrease) in basis points	Effect on defined benefit obligation
Discount rates	**100**	**(₱206,159)**
	(100)	**240,006**
Future salary increases	**100**	**231,623**
	(100)	**(222,457)**

December 31, 2016

	Increase (decrease) in basis points	Effect on defined benefit obligation
Discount rates	100	(₱253,755)
	(100)	405,781
Future salary increases	100	403,120
	(100)	(275,707)

The defined retirement benefit plans are funded by the Company and its subsidiaries. The Group expects to contribute approximately ₱217.7 million to the retirement benefit funds in 2018.

The average durations of the defined benefit obligation as of December 31, 2017 and 2016 are 7.78 - 28.76 years and 11.84 - 28.76 years, respectively.

The Board of Trustees reviews the performance of the plans on a regular basis. It assesses whether the retirement plans will achieve investment returns which, together with contributions, will be sufficient to pay retirement benefits as they fall due. The Group also reviews the solvency position of the different member companies on an annual basis and estimates, through the actuary, the expected contribution to the Plan in the subsequent year.

31. Income Taxes

The provision for (benefit from) income tax consists of:

	2017	2016	2015
Current			
Corporate income tax	**₱4,346,711**	₱4,518,530	₱4,630,846
Final tax	**159,077**	240,238	188,998
	4,505,788	4,758,768	4,819,844
Deferred	**77,267**	(469,105)	(495,025)
	₱4,583,055	₱4,289,663	₱4,324,819

A reconciliation of the statutory income tax rate with the Group's effective income tax rates follows:

	2017	2016	2015
Statutory income tax rate	**30.00%**	30.00%	30.00%
Tax effects of:			
Nontaxable equity in net earnings of associates and joint ventures	**(8.02)**	(8.79)	(7.19)
Tax-deductible lease payments	**(7.84)**	(7.84)	(8.87)
Non-deductible interest expense	**5.19**	5.48	6.70
Income subject to ITH	**(7.87)**	(5.33)	(6.48)
Interest income subjected to final tax at lower rates - net	**(0.82)**	(1.06)	(0.98)
Non-deductible depreciation expense	**0.97**	1.00	1.19
Gain on sale of investments already subjected to final tax	**0.00**	(0.12)	–
Non-deductible impairment provisions	**0.11**	(0.07)	1.04
Others	**1.81**	(0.25)	0.33
	13.53%	13.02%	15.74%

Net deferred income tax assets at December 31 relate to the following:

	2017	2016 (As Restated; Note 9)
Deferred income tax assets:		
Tax effects of items in other comprehensive income	₱238,357	₱150,966
Unrealized foreign exchange loss	708,160	940,832
Allowances for impairment and probable losses	283,709	274,326
Unamortized contributions for past service	143,797	121,119
MCIT	–	11,148
Accrued retirement benefits	(108,489)	737
Others	426,091	516,004
	1,691,625	2,015,132
Deferred income tax liabilities:		
Pension asset	68,797	76,910
Consumable biological assets	90,971	35,039
Unrealized foreign exchange gain	–	2,738
Others	6,227	6,567
	165,995	121,254
	₱1,525,630	₱1,893,878

Net deferred income tax liabilities at December 31 relate to the following:

	2017	2016
Deferred income tax liabilities:		
Unamortized franchise	₱817,708	₱840,796
Unrealized gain on investment property	826,254	715,504
Percentage-of-completion recognition of real estate sales and related costs	245,893	171,049
Unrealized foreign exchange gains	26,957	63,753
Unamortized customs duties and taxes capitalized	30,915	61,849
Others	11,374	35,705
	1,959,101	1,888,656
Deferred income tax assets:		
Tax effects of items in other comprehensive income	(156,367)	(14,443)
NOLCO	179,572	195,204
Allowances for:		
Impairment and probable losses	47,376	55,564
Inventory obsolescence	20,050	1,975
Unamortized past service cost	23,173	19,606
MCIT	13,076	12,581
Unrealized foreign exchange losses	8,835	7,650
Others	199,471	43,108
	335,186	321,245
	₱1,623,915	₱1,567,411

In computing for deferred income tax assets and liabilities, the tax rates used were 30% and 10%, which are the rates expected to apply to taxable income in the years in which the deferred income tax assets and liabilities are expected to be recovered or settled and considering the tax rate for renewable energy developers as allowed by the Renewable Energy Act of 2008.

The Company did not recognize its deferred income tax assets on NOLCO generated in 2017 and 2016 amounting to ₱966 million and ₱1.1 billion, respectively, and on MCIT paid in 2017 and 2016 amounting to ₱25.2 million and ₱21.4 million, respectively. Likewise, AP parent company did not recognize its deferred income tax assets on NOLCO amounting to ₱647.9 million and ₱228.1 million as of December 31, 2017 and 2016, respectively, and on MCIT amounting to ₱39.1 million and ₱43.8 million as of December 31, 2017 and 2016, respectively.

Management of both entities expect that no sufficient taxable income will be generated in the future to allow all of the corresponding deferred income tax assets to be utilized.

There are no income tax consequences to the Group attaching to the payment of dividends to its shareholders.

32. Earnings per Common Share

Earnings per common share amounts were computed as follows:

		2017	2016	2015
a.	Net income attributable to equity holders of the parent	**₱21,608,695**	₱22,473,458	₱17,679,116
b.	Weighted average number of common shares issued and outstanding	**5,633,793**	5,595,028	5,551,617
c.	Earnings per common share (a/b)	**₱3.836**	₱4.017	₱3.184

There are no dilutive potential common shares as of December 31, 2017, 2016 and 2015.

33. Operating Segment Information

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

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

- power segment, which is engaged in power generation and sale of electricity;

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

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

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

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

Segment assets do not include deferred income tax assets, pension asset and other noncurrent assets. Segment liabilities do not include deferred income tax liabilities, income tax payable and pension liability. Capital expenditures consist of additions of property, plant and equipment and intangible asset - service concession rights. Adjustments as shown below include items not presented as part of segment assets and liabilities.

Revenue is recognized to the extent that it is probable that economic benefits will flow to the Group, and that the revenue can be reliably measured. Sale of power to Manila Electric Company accounted for 24%, 36% and 38% of the power generation revenues of the Group in 2017, 2016, and 2015, respectively. There is no concentration of significant customers on any of the segments.

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

	2017							
	Power	Financial Services	Food Manufacturing	Real Estate	Infrastructure	Parent Company and Others	Eliminations	Consolidated
REVENUES								
Third parties	₱119,134,091	₱742,182	₱26,229,792	₱3,613,388	₱34,061	₱668,091	₱–	₱150,421,605
Inter-segment	257,212	–	–	60,608	–	978,922	(1,296,742)	–
Total revenue	₱119,391,303	₱742,182	₱26,229,792	₱3,673,996	₱34,061	₱1,647,013	(₱1,296,742)	₱150,421,605
RESULTS								
Segment results	₱34,173,729	₱59,705	₱1,520,218	₱618,070	(₱87,498)	₱20,598	₱271,322	₱36,576,144
Unallocated corporate income (expenses)	(1,704,000)	4,265	868,042	748,030	304	328,546	(271,322)	(26,135)
INCOME FROM OPERATIONS								36,550,009
Interest expense	(11,247,780)	(6,147)	(337,471)	(34,473)	–	(1,553,541)	62,050	(13,117,362)
Interest income	927,012	1,515	86,019	5,973	4,472	431,106	(80,402)	1,375,695
Share in net earnings of associates and joint ventures	4,697,864	4,103,964	–	(11,227)	274,517	18,284,670	(18,296,056)	9,053,732
Provision for income tax	(3,858,398)	(20,033)	(438,889)	(220,287)	(913)	(44,533)	–	(4,583,053)
NET INCOME								₱29,279,011
OTHER INFORMATION								
Segment assets	₱67,961,596	₱1,201,961	₱19,534,202	₱7,045,980	₱239,620	₱18,482,290	(₱278,155)	₱114,187,494
Investments and advances	31,248,595	33,970,808	–	1,476,052	25,463,872	108,095,256	(108,332,207)	91,922,376
Unallocated corporate assets	262,266,808	184,640	8,205,912	9,636,511	260,661	5,476,211	103,868	286,134,611
Consolidated total assets								₱492,244,481
Segment liabilities	₱235,578,591	₱363,199	₱22,592,698	₱6,395,724	₱29,590	₱32,645,631	(₱672,374)	₱296,933,059
Unallocated corporate liabilities	1,919,944	371,414	61,084	620,745	3,066	(248,543)	–	2,727,710
Consolidated total liabilities								₱299,660,769
Capital expenditures	₱16,068,050	₱17,934	₱1,218,793	₱897,635	₱9,573	₱105,460	₱–	₱18,317,445
Depreciation and amortization	₱7,596,268	₱35,289	₱576,980	₱94,648	₱6,481	₱146,312	₱–	₱8,455,978

	2016							
	Power	Financial Services	Food Manufacturing	Real Estate	Infrastructure	Parent Company and Others	Eliminations	Consolidated
REVENUES								
Third parties	₱88,992,097	₱550,347	₱23,702,446	₱2,440,854	₱–	₱729,336	₱–	₱116,415,080
Inter-segment	171,172	–	–	–	–	851,413	(1,022,585)	–
Total revenue	₱89,163,269	₱550,347	₱23,702,446	₱2,440,854	₱–	₱1,580,749	(₱1,022,585)	₱116,415,080
RESULTS								
Segment results	₱26,310,300	(₱67,207)	₱2,101,337	₱245,577	(₱10,565)	₱88,458	₱253,139	₱28,921,039
Unallocated corporate income (expenses)	1,669,212	85,684	493,150	6,245	1	499,874	(253,139)	2,501,027
INCOME FROM OPERATIONS								31,422,066
Interest expense	(7,704,011)	(7,046)	(296,344)	(5,366)	–	(1,571,520)	16,290	(9,567,997)
Interest income	1,083,535	1,526	64,393	22,668	662	285,424	(21,276)	1,436,932
Share in net earnings of associates and joint ventures	3,641,210	4,913,926	–	(3,232)	1,101,394	17,384,303	(17,385,814)	9,651,787
Provision for income tax	(3,496,140)	(16,250)	(626,833)	(25,464)	(132)	(124,844)	–	(4,289,663)
NET INCOME								₱28,653,125
OTHER INFORMATION								
Segment assets	₱73,649,187	₱1,044,046	₱7,863,363	₱5,777,703	₱106,810	₱18,062,204	(₱924,487)	₱105,578,826
Investments and advances	30,595,989	30,183,220	–	1,487,299	24,919,655	97,268,613	(97,504,315)	86,950,461
Unallocated corporate assets	252,761,718	181,305	7,165,361	8,042,819	108,058	5,355,296	163,865	273,778,422
Consolidated total assets								₱466,307,709

	2016							
	Power	Financial Services	Food Manufacturing	Real Estate	Infrastructure	Parent Company and Others	Eliminations	Consolidated
Segment liabilities	₱242,851,899	₱226,242	₱10,689,191	₱5,074,129	₱23,772	₱32,125,426	(₱1,258,683)	₱289,731,976
Unallocated corporate liabilities	1,945,775	243,259	68,830	446,523	–	(104,062)	–	2,600,325
Consolidated total liabilities								₱292,332,301
Capital expenditures	₱28,203,292	₱35,693	₱1,792,762	₱593,616	₱83,358	₱316,078	₱–	₱31,024,799
Depreciation and amortization	₱6,043,527	₱31,253	₱534,042	₱66,845	₱355	₱153,373	₱–	₱6,829,395

	2015							
	Power	Financial Services	Food Manufacturing	Real Estate	Infrastructure	Parent Company and Others	Eliminations	Consolidated
REVENUES								
Third parties	₱85,072,152	₱306,677	₱22,768,473	₱2,732,878	₱–	₱379,788	₱–	₱111,259,968
Inter-segment	101,800	–	–	–	–	969,954	(1,071,754)	–
Total revenue	₱85,173,952	₱306,677	₱22,768,473	₱2,732,878	₱–	₱1,349,742	(₱1,071,754)	₱111,259,968
RESULTS								
Segment results	₱24,696,577	(₱27,183)	₱2,104,899	₱484,682	(₱2,360)	(₱42,746)	₱214,531	₱27,418,400
Unallocated corporate income (expenses)	(396,639)	53,871	501,230	306,642	—	113,437	(214,531)	224,010
INCOME FROM OPERATIONS								27,642,410
Interest expense	(6,633,858)	(6,090)	(248,779)	(49,899)	–	(942,940)	–	(7,881,566)
Interest income	846,293	1,132	45,487	36,562	386	202,141	–	1,132,001
Share in net earnings of associates and joint ventures	3,979,947	2,533,581	–	(1,497)	75,491	15,943,715	(15,941,785)	6,589,452
Provision for income tax	(3,589,659)	(5,736)	(685,085)	4,132	(77)	(48,384)	–	(4,324,819)
NET INCOME								₱23,157,478
OTHER INFORMATION								
Segment assets	₱70,409,021	₱1,009,831	₱8,601,197	₱6,237,888	₱70,193	₱11,383,619	(₱678,328)	₱97,033,419
Investments and advances	22,551,845	25,813,726	–	1,490,531	23,818,261	91,188,162	(91,427,454)	73,435,061
Unallocated corporate assets	149,528,380	179,504	5,821,722	6,955,600	14,188	6,687,345	522,642	169,649,381
Consolidated total assets								₱340,117,861
Segment liabilities	₱138,399,444	₱180,213	₱10,311,032	₱4,713,271	₱11,410	₱36,841,079	(₱643,877)	₱189,812,572
Unallocated corporate liabilities	2,476,235	188,278	189,274	475,562	–	(8,500)	–	3,320,849
Consolidated total liabilities								₱193,133,421
Capital expenditures	₱15,701,414	₱40,236	₱1,948,168	₱319,303	₱2,848	₱1,502,040	₱–	₱19,514,009
Depreciation and amortization	₱4,322,000	₱11,920	₱433,363	₱40,128	₱5	₱148,892	₱–	₱4,956,308

34. Related Party Disclosures

Parties are considered to be related if one party has the ability to control, directly or indirectly, the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

In the normal course of business, the Group enters into transactions with related parties, principally consisting of the following:

a. Service contracts of certain associates with AEV or AP at fees based on agreed rates. Professional and technical fees paid by these associates and joint ventures to AEV and AP totaled ₱650.0 million, ₱655.1 million and ₱327.9 million in 2017, 2016 and 2015, respectively.

b. Cash deposits and placements with UBP. At prevailing rates, the deposits and money market placements earned interest income amounting to ₱316.4 million, ₱308.5 million and ₱135.8 million in 2017, 2016 and 2015, respectively.

c. Aviation services rendered by AEV Aviation to ACO and certain associates. Total aviation service income generated from these related parties amounted to ₱11.2 million in 2017, ₱10.7 million in 2016 and ₱11.0 million in 2015.

d. Lease of commercial office units by ACO and certain associates from CPDC for a period of three years. Rental income amounted to ₱8.1 million in 2017, ₱6.7 million in 2016 and ₱5.8 million in 2015.

e. Purchase of lots for residential and commercial project development by AboitizLand from ACO in 2012. The purchase was for a total consideration of ₱595.8 million, a portion of which was paid upon execution of the Contract to Sell. The remaining balance is payable on quarterly installments for the next 10 years. The current and noncurrent portion of the related liability amounted to ₱36.2 million and ₱210.8 million, respectively, as at December 31, 2017, and to ₱47.2 million and ₱245.3 million, respectively, as at December 31, 2016 (see Note 18).

f. Power sales to and purchases from certain associates and joint ventures based on the Group's power supply and purchase agreements, respectively (see Note 39).

g. Services rendered by Aboitiz Construction, Inc. (ACI), a wholly owned subsidiary of ACO, to the Group for various construction projects.

The above transactions are settled in cash.

Significant outstanding account balances with related parties as of December 31, 2017 and 2016 are as follows:

Revenue - Management, Professional and Technical Fees

	Revenue			Accounts Receivable			
	2017	2016	2015	2017	2016	Terms	Conditions
Ultimate Parent							
ACO	₱10,966	₱19,145	₱8,898	₱227	₱727	30-day; interest-free	Unsecured; no impairment
Associates and Joint Ventures							
BCBM (see Note 10)	298,612	327,203	85,800	67,193	66,339	30-day; interest-free	Unsecured; no impairment
CEDC	101,367	103,945	110,157	7,978	13,972	30-day; interest-free	Unsecured; no impairment
RCMI (see Note 10)	89,780	76,462	18,450	15,701	15,497	30-day; interest-free	Unsecured; no impairment
SFELAPCO	72,158	58,119	66,274	41,266	21,827	30-day; interest-free	Unsecured; no impairment
RCII (see Note 10)	45,418	49,767	13,650	10,219	10,086	30-day; interest-free	Unsecured; no impairment
GNPD	40,556	–	–	40,556	–	30-day; interest-free	Unsecured; no impairment
RP Energy	–	5,882	–	–	–	30-day; interest-free	Unsecured; no impairment
SNAP-Magat	3,653	5,806	1,531	328	177	30-day; interest-free	Unsecured; no impairment

(Forward)

	Revenue			Accounts Receivable			
	2017	2016	2015	2017	2016	Terms	Conditions
SNAP-Benguet	₱2,027	₱5,630	₱1,692	₱308	₱177	30-day; interest-free	Unsecured; no impairment
MORE	2,825	2,863	2,037	445	595	30-day; interest-free	Unsecured; no impairment
SNAP-Generation	1,394	206	43	14	–	30-day; interest-free	Unsecured; no impairment
UBP	1,050	67	540	613	211	30-day; interest-free	Unsecured; no impairment
FAUC (see Note 10)	–	–	4,790	–	–	30-day; interest-free	Unsecured; no impairment
CSB	–	–	1,570	–	–	30-day; interest-free	Unsecured; no impairment
CSB Land, Inc.	–	–	342	–	–	30-day; interest-free	Unsecured; no impairment
RCSI	120	–	–	159	–	30-day; interest-free	Unsecured; no impairment
	₱649,926	₱655,055	₱316,574	₱185,005	₱129,608		

Cash Deposits and Placements with UBP

	Interest Income			Outstanding Balance			
	2017	2016	2015	2017	2016	Terms	Conditions
AP	₱195,457	₱251,694	₱99,362	₱12,366,610	₱9,601,952	90 days or less; interest-bearing	No impairment
AEV	90,082	33,942	11,371	8,789,407	540,487	90 days or less; interest-bearing	No impairment
PILMICO	14,380	11,935	9,940	6,530,729	309,435	90 days or less; interest-bearing	No impairment
AIPL	6,982	4,728	4,992	141,960	382,162	90 days or less; interest-bearing	No impairment
AboitizLand	2,785	2,680	6,677	351,324	245,742	90 days or less; interest-bearing	No impairment
ASEAGAS	–	1,718	1,484	–	–	90 days or less; interest-bearing	No impairment
AEV AVIATION	1,632	621	439	309,006	33,092	90 days or less; interest-bearing	No impairment
CPDC	1,099	439	538	38,857	88,468	90 days or less; interest-bearing	No impairment
Petnet	214	319	56	74,014	49,163	90 days or less; interest-bearing	No impairment
APO Agua	–	231	386	–	55,220	90 days or less; interest-bearing	No impairment
ABOITIZ INFRACAPITAL	3,795	166	–	163,055	50,760	90 days or less; interest-bearing	No impairment
Weather Solutions, Inc.	–	–	–	2,500	–	90 days or less; interest-bearing	No impairment
	₱316,426	₱308,473	₱135,845	₱28,767,462	₱11,376,481		

Revenue - Aviation Services

	Revenue			Accounts Receivable			
	2017	2016	2015	2017	2016	Terms	Conditions
Associates and Joint Ventures							
SNAP-Magat	₱5,735	₱6,511	₱5,584	₱–	₱80	30-day; interest-free	Unsecured; no impairment
SNAP-Benguet	1,234	2,363	1,261	–	–	30-day; interest-free	Unsecured; no impairment
UBP	1,500	1,633	1,763	–	559	30-day; interest-free	Unsecured; no impairment
SNAP-Generation	2,719	98	2,368	–	–	30-day; interest-free	Unsecured; no impairment
	₱11,188	₱10,605	₱10,976	₱–	₱639		

Revenue - Rental

	Revenue			Accounts Receivable		Terms	
	2017	2016	2015	2017	2016		
Ultimate Parent							
ACO	₱3,468	₱3,405	₱2,644	₱378	₱–	30-day; interest-free	Unsecured; no impairment
Associates							
UBP	3,507	3,340	3,181	13	13	30-day; interest-free	Unsecured; no impairment
RCSI	1,116	–	–	823	–	30-day; interest-free	Unsecured; no impairment
EAUC (see Note 10)	–	–	14	–	–	30-day; interest-free	Unsecured; no impairment
	₱8,111	₱6,745	₱5,839	₱1,214	₱13		

Land Acquisition

	Purchase			Payable			
	2017	2016	2015	2017	2016	Terms	Conditions
Ultimate Parent							
ACO	₱–	₱–	₱–	₱246,930	₱292,495	Quarterly installment	Unsecured

Revenue - Sale of Power

	Revenue (see Note 26)			Receivable			
	2017	2016	2015	2017	2016	Terms	Conditions
Associate and Joint Ventures							
SFELAPCO	₱2,487,557	₱2,669,036	₱2,654,128	₱150,888	₱196,912	30-day; interest-free	Unsecured; no impairment
SNAP-RES	14,209	–	–	–	–	30-day; interest-free	Unsecured; no impairment
SNAP-Benguet	–	18,791	–	–	–	30-day; interest-free	Unsecured; no impairment
SNAP-Magat	–	13,868	–	–	–	30-day; interest-free	Unsecured; no impairment
RCBM	101,092	–	–	20,114	–	30-day; interest-free	Unsecured; no impairment
Investees of ACO							
Tsuneishi Heavy Industries (Cebu), Inc.	406,366	545,344	589,082	41,200	45,266	30-day; interest-free	Unsecured; no impairment
Metaphil International, Inc.	2,410	10,868	6,722	261	429	30-day; interest-free	Unsecured; no impairment
	₱3,011,634	₱3,257,407	₱3,249,932	₱212,463	₱242,607		

Cost of Purchased Power

	Purchases (see Note 26)			Payable			
	2017	2016	2015	2017	2016	Terms	Conditions
Associates and Joint Ventures							
CEDC	₱4,540,798	₱4,552,650	₱4,593,202	₱383,308	₱395,904	30-day; interest-free	Unsecured
SPPC	158,015	219,272	216,525	–	21,702	30-day; interest-free	Unsecured
SNAP-Magat	126,731	–	84,744	8,252	–	30-day; interest-free	Unsecured
SFELAPCO	23,592	–	–	5,237	–	30-day; interest-free	Unsecured
WMPC	–	328,000	–	–	32,900	30-day; interest-free	Unsecured
SNAP-Benguet	–	136,500	–	–	–	30-day; interest-free	Unsecured
EAUC (see Note 10)	–	–	87,411	–	–	30-day; interest-free	Unsecured
	₱4,849,136	₱5,236,422	₱4,981,882	₱396,797	₱450,506		

Capitalized Construction and Rehabilitation Costs

	Purchases			Payable			
	2017	2016	2015	2017	2016	Terms	Conditions
Fellow Subsidiary							
Aboitiz Construction, Inc.	₱727,378	₱388,172	₱–	₱1,735	₱2,583	30-day; interest-free	Unsecured

Notes Receivable

	Interest Income			Receivable			
	2017	2016	2015	2017	2016	Terms	Conditions
Joint venture							
SACASUN (see Note 16)	₱151,040	₱847	₱–	₱–	₱2,882,456	Loan agreement; interest-bearing	Unsecured

Retirement Benefit Fund

The Company's retirement benefit fund is in the form of a trust being maintained and managed by ACO under the supervision of the BOT of the plan.

The Fund has a carrying amount and a fair value of ₱771.8 million and ₱732.5 million as of December 31, 2017 and 2016, respectively. The assets and investments of the Fund are as follows:

	2017	2016
Cash and fixed-income investments	₱292,490	₱204,058
AFS investments	479,344	529,211
	₱771,834	₱733,269

Fixed-income investments represent money market placements with maturities ranging from less than a year up to five years. AFS investments mainly comprise quoted equity securities which are carried at their fair values.

The Company's retirement benefit fund for its employees has investments in the equities of the Company and one of its subsidiaries. The carrying values of these investments as of December 31, 2017 and 2016 and the gains of the Fund arising from such investments for the years then ended are as follows:

	2017		2016	
	Carrying Value	**Gain**	Carrying Value	Gain
AEV common shares	**₱77,795**	**₱20,959**	₱200,465	₱6,756
AP common shares	**192,261**	**12,506**	91,523	7,982

The above investments of the Fund were approved by the BOT. The voting rights over these equity securities are exercised by the chairman of the BOT.

Compensation of Key Management Personnel

	2017	2016	2015
Short-term benefits	**₱305,642**	₱239,477	₱213,607
Post-employment benefits	**20,261**	15,436	14,556
	₱325,903	₱254,913	₱228,163

35. Financial Risk Management Objectives and Policies

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

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

Risk Management Structure

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

Financial risk committee

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

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

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

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

Interest rate risk
The Group's exposure to market risk for changes in interest rates relates primarily to its long-term debt obligations. To manage this risk, the Group determines the mix of its debt portfolio as a function of the level of current interest rates, the required tenor of the loan, and the general use of the proceeds of its various fund raising activities. As of December 31, 2017, 16.5% of the Group's long-term debt had floating interest rates ranging from 2.0% to 10.5%, and 83.50% are with fixed rates ranging from 4.0% to 6.91%. As of December 31, 2016, 20.50% of the Group's long-term debt had floating interest rates ranging from 1.65% to 3.0%, and 79.50% are with fixed rates ranging from 3.50% to 7.65%.

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

December 31, 2017

	Less than 1 year	1-5 years	More than 5 years	Total
Long-term debts				
Floating rate	**₱15,376,379**	**₱4,836,681**	**₱10,993,807**	**₱31,206,867**

December 31, 2016

	Less than 1 year	1-5 years	More than 5 years	Total
Long-term debts				
Floating rate	₱1,705,889	₱38,308,318	₱-	₱40,014,207

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

The interest expense recognized during the period is as follows:

	2017	2016	2015
Long-term debts (see Note 19)	**₱8,059,734**	₱4,583,953	₱2,250,258
Obligations under finance lease (see Note 22)	**4,757,379**	4,794,801	5,287,369
Bank loans (see Note 17)	**246,789**	137,683	190,568
Long-term obligation on PDS and others	**50,229**	49,066	149,130
Customers' deposits (see Note 20)	**3,231**	2,494	4,241
	₱13,117,362	₱9,567,997	₱7,881,566

The interest income recognized during the period is as follows:

	2017	2016	2015
Cash and cash equivalents (see Note 4)	**₱1,348,935**	₱1,419,681	₱1,123,155
Others	**26,760**	17,252	8,846
	₱1,375,695	₱1,436,933	₱1,132,001

The following table demonstrates the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings) as of December 31, 2017, 2016 and 2015:

	Increase (decrease) in basis points	Effect on income before tax
2017	**200**	**(₱624,137)**
	(100)	**312,069**
2016	200	(₱800,284)
	(100)	400,142
2015	200	(₱33,364)
	(100)	16,682

The Group's sensitivity to an increase/decrease in interest rates pertaining to derivative instruments is expected to be insignificant in 2017 and 2016 due to their short-term maturities and immateriality relative to the total assets and liabilities of the Group.

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

Foreign exchange risk
The foreign exchange risk of the Group pertains significantly to its foreign currency denominated borrowings, including obligations under finance lease. To mitigate the risk of incurring foreign exchange losses, foreign currency holdings are matched against the potential need for foreign currency in financing equity investments and new projects. As of December 31, 2017 and 2016,

foreign currency denominated borrowings account for 27.84% and 33.75%, respectively, of total consolidated borrowings.

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

	2017		2016	
	US dollar	**Philippine peso Equivalent[1]**	US dollar	Philippine peso Equivalent[2]
Loans and receivables				
Cash and cash equivalents	**$572,576**	**₱28,588,732**	$43,569	₱2,166,248
AFS investments	**5,863**	**292,740**	6,419	319,153
Trade and other receivables	**49,715**	**2,482,288**	3,260	162,092
Derivative assets	**–**	**–**	1,098	54,595
Total financial assets	**628,154**	**31,363,760**	54,346	2,702,088
Other financial liabilities				
Bank loans	**11,785**	**588,440**	7,066	351,328
Trade and other payables	**62,033**	**3,097,290**	30,731	1,527,961
Long-term debts	**303,872**	**15,172,315**	625,456	31,097,672
Obligations under finance lease	**519,370**	**25,932,144**	555,448	27,616,875
Total financial liabilities	**897,060**	**44,790,189**	1,218,701	60,593,836
Net foreign currency denominated liabilities	**($268,906)**	**(₱13,426,429)**	($1,164,355)	(₱57,891,748)

[1]$1= ₱49.93
[2]$1= ₱49.72

The following table demonstrates the sensitivity to a reasonable possible change in the US dollar exchange rates, with all other variables held constant, of the Group's profit before tax as of December 31, 2017, 2016 and 2015.

	Increase (decrease) in US dollar rate against the Philippine peso	Effect on income before income tax
2017	**US dollar strengthens by 5%**	**(₱671,321)**
	US dollar weakens by 5%	**671,321**
2016	US dollar strengthens by 5%	(₱2,894,587)
	US dollar weakens by 5%	2,894,587
2015		
	US dollar strengthens by 5%	(₱1,251,425)
	US dollar weakens by 5%	1,251,425

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

The following table presents LHC's and GMCP's foreign currency denominated assets and liabilities:

	2017		2016	
	Philippine Peso	**US Dollar Equivalent**[1]	Philippine Peso	US Dollar Equivalent[2]
Loans and receivables:				
Cash and cash equivalents	**₱784,566**	**$15,713**	₱1,513,927	$30,449
Trade and other receivables	**383,606**	**7,683**	583,160	11,729
	1,168,172	**23,396**	2,097,087	42,178
Other financial liabilities:				
Trade and other payables	**487,004**	**9,754**	893,586	17,973
Net foreign currency denominated assets (liabilities)	**₱681,168**	**$13,642**	₱1,203,501	$24,205

[1]US$1 = ₱49.93
[2]US$1 = ₱49.72

The following tables demonstrate the sensitivity to a reasonable possible change in the US dollar exchange rate in relation to Philippine peso, with all variables held constant, of the Group's income before tax as of December 31:

2017	Effect on income before tax
US dollar appreciates against Philippine peso by 5.0%	($682)
US dollar depreciates against Philippine peso by 5.0%	682
2016	
US dollar appreciates against Philippine peso by 5.0%	($1,216)
US dollar depreciates against Philippine peso by 5.0%	1,204

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

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

As of December 31, 2017 and 2016, the Group's exposure to equity price risk is minimal.

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

made to customers with appropriate credit history and has internal mechanism to monitor the granting of credit and management of credit exposures.

Concentration risk
Credit risk concentration of the Group's receivables according to the customer category as of December 31, 2017 and 2016 is summarized in the following table:

	2017	2016
Power distribution:		
Industrial	**₱4,573,703**	₱3,589,973
Residential	**1,083,524**	1,324,289
Commercial	**1,198,568**	545,173
City street lighting	**31,680**	31,196
Power generation:		
Power supply contracts	**7,815,795**	6,945,891
Spot market	**1,676,552**	1,480,162
	₱16,379,822	₱13,916,684

The above receivables were provided with allowance for doubtful accounts amounting to ₱1.77 billion and ₱1.76 billion as of December 31, 2017 and 2016, respectively (see Note 5).

Maximum exposure to credit risk after collateral and other credit enhancements
The maximum exposure of the Group's financial instruments is equivalent to the carrying values as reflected in the consolidated balance sheets and related notes, except that the credit risk associated with the receivables from customers is mitigated because some of these receivables have collaterals.

Maximum exposure to credit risk for collateralized loans is shown below:

	2017			2016		
	Carrying Value	Financial Effect of Collateral in Mitigating Credit Risk	Maximum Exposure to Credit Risk	Carrying Value	Financial Effect of Collateral in Mitigating Credit Risk	Maximum Exposure to Credit Risk
Trade receivables:						
Power distribution	₱6,887,475	₱6,887,475	₱–	₱5,490,631	₱5,490,631	₱–

Financial effect of collateral in mitigating credit risk is equivalent to the fair value of the collateral or the carrying value of the loan, whichever is lower.

Credit quality

The credit quality per class of financial assets that are neither past due nor impaired is as follows:

December 31, 2017

	Neither past due nor impaired			Past due or individually impaired	
	High grade	Standard grade	Sub-standard grade		Total
Cash and cash equivalents	₱64,870,214	₱–	₱–	₱–	₱64,870,214
Restricted cash	2,642,327	–	–	–	2,642,327
Trade and other receivables					
Trade receivables					
Power	11,991,483	44,623	–	4,302,516	16,338,622
Food manufacturing	133,135	854,686	369,852	986,634	2,344,307
Real estate	1,491,846	505,713	–	1,656,740	3,654,299
Holding and others	605,144	169,196	14,456	123,884	912,680
Other receivables	3,179,071	58,876	–	242,029	3,479,976
AFS investments					
Quoted shares of stock	760,724	–	–	–	760,724
Unquoted shares of stock	12,070	–	–	–	12,070
HTM investments	189,216	–	–	–	189,216
Derivative asset	341,941	–	–	–	341,941
	₱86,217,171	₱1,633,094	₱384,308	₱7,311,803	₱95,546,376

December 31, 2016

	Neither past due nor impaired			Past due or individually impaired	
	High grade	Standard grade	Sub-standard grade		Total
Cash and cash equivalents	₱63,857,528	₱–	₱–	₱–	₱63,857,528
Restricted cash	2,100,611	–	–	–	2,100,611
Trade and other receivables					
Trade receivables					
Power	9,402,997	155,379	–	4,358,308	13,916,684
Food manufacturing	84,867	765,397	348,517	649,847	1,848,628
Real estate	2,361,300	214,626	455	278,784	2,855,165
Holding and others	1,345,040	17,336	39,449	73,086	1,474,911
Other receivables	3,520,960	56,766	504	215,388	3,793,618
AFS investments					
Quoted shares of stock	233,765	–	–	–	233,765
Unquoted shares of stock	329,983	–	–	–	329,983
Derivative asset	291,860	–	–	–	291,860
	₱83,528,911	₱1,209,504	₱388,925	₱5,575,413	₱90,702,753

High grade - pertain to receivables from customers with good favorable credit standing and have no history of default.

Standard grade - pertain to those customers with history of sliding beyond the credit terms but pay a week after being past due.

Sub-standard grade - pertain to those customers with payment habits that normally extend beyond the approved credit terms, and has high probability of being impaired.

The Group evaluated its cash and cash equivalents as high quality financial assets since these are placed in financial institutions of high credit standing.

With respect to AFS investments and derivative asset, the Group evaluates the counterparty's external credit rating in establishing credit quality.

The aging analysis per class of financial assets that are past due but not impaired is as follows:

December 31, 2017

			Past due but not impaired				
	Total	Neither past due nor impaired	Less than 30 days	31 days to 1 year	Over 1 year up to 3 years	Over 3 years	Impaired
Loans and receivables							
Cash and cash equivalents	₱64,870,214	₱64,870,214	₱–	₱–	₱–	₱–	₱–
Restricted cash	2,642,327	2,642,327	–	–	–	–	–
Trade and other receivables							
Trade receivables							
Power	16,338,622	12,036,106	1,038,459	1,489,219	–	–	1,774,838
Food manufacturing	2,344,307	1,357,673	577,815	306,459	–	–	102,360
Real estate	3,654,299	1,997,559	255,975	1,338,732	–	–	62,033
Holding and others	912,680	788,796	–	107,264	–	–	16,620
Other receivables	3,479,976	3,237,947	127,831	113,875	–	–	323
AFS investments							
Quoted shares of stock	760,724	760,724	–	–	–	–	–
Unquoted shares of stock	12,070	12,070	–	–	–	–	–
HTM investments	189,216	189,216	–	–	–	–	–
Derivative asset	341,941	341,941	–	–	–	–	–
	₱95,546,376	₱88,234,573	₱2,000,080	₱3,355,549	₱–	₱–	₱1,956,174

December 31, 2016

			Past due but not impaired				
	Total	Neither past due nor impaired	Less than 30 days	31 days to 1 year	Over 1 year up to 3 years	Over 3 years	Impaired
Loans and receivables							
Cash and cash equivalents	₱63,857,528	₱63,857,528	₱–	₱–	₱–	₱–	₱–
Restricted cash	2,100,611	2,100,611	–	–	–	–	–
Trade and other receivables							
Trade receivables							
Power	13,916,684	9,558,376	1,463,997	1,132,675	–	–	1,761,636
Food manufacturing	1,848,628	1,198,781	379,608	160,934	–	–	109,305
Real estate	2,855,165	2,576,381	–	276,491	–	–	2,293
Holding and others	1,474,911	1,401,825	–	67,288	–	–	5,798
Other receivables	3,793,618	3,578,230	11,178	204,210	–	–	–
AFS investments							
Quoted shares of stock	233,765	233,765	–	–	–	–	–
Unquoted shares of stock	329,983	329,983	–	–	–	–	–
Derivative asset	291,860	291,860	–	–	–	–	–
	₱90,702,753	₱85,127,340	₱1,854,783	₱1,841,598	₱–	₱–	₱1,879,032

Trade and other receivables that are individually determined to be impaired at the balance sheet date relate to debtors that are in significant financial difficulties and have defaulted on payments and accounts under dispute and legal proceedings.

Liquidity Risk

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

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

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

In managing its long-term financial requirements, the policy of the Group is that not more than 25% of long term borrowings should mature in any twelve-month period. As of December 31, 2017 and 2016, the portion of the total long-term debt, inclusive of customers' deposits, that will mature in less than one year is 9.83% and 4.19%, respectively. For its short-term funding, the policy of the Group is to ensure that there are sufficient working capital inflows to match repayments of short-term debt.

Cash and cash equivalents and trade and other receivables, which are all short-term in nature, have balances of ₱64.9 billion and ₱24.2 billion as of December 31, 2017, respectively and of ₱64.0 billion and ₱21.7 billion as of December 31, 2016, respectively (see Notes 4 and 5). These financial assets will be used to fund short-term and operational liquidity needs of the Group.

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

December 31, 2017

	Total carrying value	Contractual undiscounted payments				
		Total	On demand	Less than 1 year	1-5 years	> 5 years
Financial liabilities:						
Operating						
Trade and other payables*	₱21,636,503	₱21,636,503	₱1,573,803	₱19,465,764	₱596,936	₱–
Customers' deposits	6,269,383	6,269,383	–	600	89,703	6,179,080
Financing						
Bank loans	23,701,140	23,711,309	–	23,711,309	–	–
Long-term debts	189,087,047	240,997,376	–	26,867,224	117,503,925	96,626,227
Obligations under finance lease	49,225,254	73,496,465	–	8,813,700	38,927,175	25,755,590
Long-term obligation on PDS	226,071	440,000	–	40,000	200,000	200,000
Others						
Derivative liabilities	47,577	47,577	–	47,577	–	–
	₱290,192,975	₱366,598,613	₱1,573,803	₱78,946,174	₱157,317,739	₱128,760,897

**Excludes statutory liabilities*

December 31, 2016

	Total carrying value	Contractual undiscounted payments				
		Total	On demand	Less than 1 year	1-5 years	> 5 years
Financial liabilities:						
Operating						
Trade and other payables*	₱18,757,325	₱18,757,325	₱233,245	₱18,278,797	₱231,106	₱14,177
Customers' deposits	7,040,347	7,040,347	–	–	33,648	7,006,699
Financing						
Bank loans	8,259,028	8,267,154	–	8,267,154	–	–
Long-term debts	196,882,894	220,807,423	–	12,312,633	98,696,279	109,798,511
Obligations under finance lease	52,340,204	82,133,660	–	8,061,900	36,938,160	37,133,600
Long-term obligation on PDS	237,248	440,000	–	40,000	200,000	200,000
Others						
Derivative liabilities	360,877	360,877	–	127,442	233,435	–
	₱283,877,923	₱337,806,786	₱233,245	₱47,087,926	₱136,332,628	₱154,152,987

**Excludes statutory liabilities*

Capital Management

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

Certain entities within the Group that are registered with the Board of Investments (BOI) are required to raise a minimum amount of capital in order to avail of their registration incentives. As of December 31, 2017 and 2016, these entities have complied with this requirement as applicable (see Note 38).

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

Gearing ratios of the Group as of December 31, 2017 and 2016 are as follows:

	2017	2016 (As Restated; Note 9)
Bank loans	**₱23,701,140**	₱8,259,028
Long-term obligations	**238,312,301**	249,223,098
Cash and cash equivalents (including restricted cash)	**(67,512,541)**	(65,958,139)
Net debt (a)	**194,500,900**	191,523,987
Equity	**192,583,712**	173,975,408
Equity and net debt (b)	**₱387,084,612**	₱365,499,395
Gearing ratio (a/b)	**50.25%**	52.40%

Part of the Group's capital management is to ensure that it meets financial covenants attached to long-term borrowings. Breaches in meeting the financial covenants would permit the banks to immediately call loans and borrowings. The Group is in compliance with the financial covenants attached to its long-term debt as of December 31, 2017 and 2016 (see Note 19).

No changes were made in the objectives, policies or processes during the years ended December 31, 2017 and 2016.

Financial and Other Risk Relating to Livestock

The Group is exposed to financial risks arising from the change in cost and supply of feed ingredients and the selling price of hogs, all of which are determined by constantly changing market forces of supply and demand, and other factors. The other factors include environmental regulations, weather conditions and livestock diseases which the Group has little control. The mitigating factors are listed below:

- The Group is subject to risks relating to its ability to maintain animal health status considering that it has no control over neighboring livestock farms. Livestock health problems could adversely impact production and consumer confidence. However, the Group monitors the health of its livestock on a daily basis and proper procedures are put in place.

- The livestock industry is exposed to risk associated with the supply and price of raw materials, mainly grain prices. Grain prices fluctuate depending on the harvest results. The shortage in the supply of grain will result in adverse fluctuation in the price of grain and will ultimately increase production cost. The Group monitors the prices of grains regularly. The formulation of feeds at a least cost being done by the Group considers the appropriate nutrients the hogs need. It is the Group's policy not to enter into forward contracts until a firm commitment is in place.

36. Financial Instruments

Fair Value of Financial Instruments

Fair value is defined as the amount at which the financial instrument could be sold in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in a forced liquidation or sale. Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models, as appropriate.

A financial instrument is regarded as quoted in an active market if quoted prices are readily available from an exchange, dealer, broker, pricing services or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis. For a financial instrument with an active market, the quoted market price is used as its fair value. On the other hand, if transactions are no longer regularly occurring even if prices might be available and the only observed transactions are forced transactions or distressed sales, then the market is considered inactive. For a financial instrument with no active market, its fair value is determined using a valuation technique (e.g. discounted cash flow approach) that incorporates all factors that market participants would consider in setting a price.

Set out below is a comparison by category of carrying amounts and fair values of the Group's financial instruments whose fair values are different from their carrying amounts.

	2017		2016	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial liabilities				
Obligations under finance lease	₱49,225,254	₱43,462,850	₱52,340,204	₱49,699,074
Long-term debt - fixed rate	157,880,180	151,225,731	155,217,817	155,854,200
Long-term obligation on PDS	226,071	326,655	237,248	414,135
	₱207,331,505	₱195,015,236	₱207,795,269	₱205,967,409

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

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

Obligations under finance lease
The fair value of the finance lease obligation was calculated by discounting future cash flows using discount rates of 5.86% to 10.05% for dollar payments and 1.79% to 5.99% for peso payments in 2017; and 5.83% to 8.43% for dollar payments and 1.78% to 6.57% for peso payments in 2016. The disclosed fair value is determined using Level 3 inputs.

Fixed-rate borrowings
The fair value of fixed rate interest-bearing loans is based on the discounted value of future cash flows using the applicable rates for similar types of loans. Interest-bearing loans were discounted using credit-adjusted interest rates ranging from 3.10% to 6.17% in 2017 and 2.47% to 7.20% in 2016. The disclosed fair value is determined using Level 3 inputs.

Variable-rate borrowings
Where the repricing of the variable-rate interest-bearing instruments is frequent (i.e., three-month repricing), the carrying value approximates the fair value. Otherwise, the fair value is determined by discounting the principal plus the known interest payment using current market rates.

Long-term obligation on PDS
The fair value of the long-term obligations on PDS is calculated by discounting expected future cash flows at prevailing market rates. Discount rates used in discounting the obligation ranges from 2.70% to 4.66% in 2017 and 3.83% to 4.47% in 2016. The disclosed fair value is determined using Level 3 inputs.

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

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

Derivative asset and liabilities
The fair value is calculated by reference to prevailing interest rate differential and spot exchange rate as of valuation date, taking into account its remaining term to maturity. The Group enters into derivative financial instruments with financial institutions with investment grade credit ratings. Derivative valued using a valuation technique with market observable inputs pertains to a foreign exchange forward contract. The most applied valuation technique is forward pricing. The model incorporates various inputs including the credit quality of counterparty and foreign exchange spot and forward rates.

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

Interest rate swaps
In August 2012, LHC entered into an interest rate swap agreement effective October 31, 2012 to fully hedge its floating rate exposure on its US dollar denominated loan. Under the interest rate swap agreement, LHC, on a semi-annual basis, pays a fixed rate of 1.505% per annum and receives variable interest at 6-month LIBOR plus margin. The interest payments and receipts are based on the outstanding USD notional amount simultaneous with the interest payments on the hedged loan. Similar with the hedged loan, the interest rate swap has amortizing notional amounts which cover a period up to final maturity. LHC designated the swap as a cash flow hedge.

As of December 31, 2017, the outstanding notional amount and derivative asset as a result of the swap amounted to US$22.2 million and ₱15.8 million, respectively. As of December 31, 2016, the outstanding notional amount and derivative asset as a result of the swap amounted to US$27.7 million and ₱15.2 million, respectively.

GMCP (see Note 9), has an interest rate swap agreement to hedge the variability in the interest cash flows on the entire amount of its Onshore - Tranche B loans (see Note 19). Under the swap agreement, GMCP pays a fixed rate of 4.37% and receives 6-month LIBOR rate, semi-annually from January 29, 2010 until March 29, 2021. GMCP designated the swap as a cash flow hedge. On September 29, 2017, the IRS agreement was terminated following the prepayment of the loan (see Note 19). As a result of the termination, the outstanding value of the derivative liability amounting to US$4.5 million was derecognized in cumulative translation adjustments.

On September 29, 2017, GMCP entered into an IRS agreement to hedge the variability in the interest cash flows on the entire amount of its LIBOR Loan (see Note 19), which bears interest based on six-month US LIBOR. Under the swap agreement, GMCP pays a fixed rate of 2.18% and receives six-month US LIBOR rate, semi-annually from March 29, 2018 until September 27, 2024. The interest rate swap settlement dates coincide with the semi-annual interest payment dates of the NFA. GMCP designated the swap as a cash flow hedge.

As of December 31, 2017, the outstanding notional amount and derivative asset as a result of the swap amounted to US$300.0 million and ₱49.9 million, respectively. As of December 31, 2016, the outstanding notional amount and derivative asset as a result of the swap amounted to US$105.1 million and ₱331.0 million, respectively.

Interest rate cap (IRC)
GMCP (see Note 9), has an interest rate cap to hedge the variability in the interest cash flows above a certain maximum interest rate on the outstanding amount of its Onshore - Tranche A loans (see Note 19). The IRC has an outstanding notional amount of US$34.4 million, and a derivative liability amount of ₱19.5 million, as of December 31, 2016. Under the IRC agreement, GMCP will receive an amount based upon the outstanding notional amount and the excess of the 6-month LIBOR over the 2.00% cap rate and pays a fixed interest of 0.69% as a premium for the IRC on each settlement date. If the 6-month LIBOR is below 2.00%, no payment will be received by GMCP. The settlement dates shall be on semi-annual basis from March 29, 2015 until March 29, 2021. GMCP designated the swap as a cash flow hedge. On September 29, 2017, the IRC agreement was terminated following the prepayment of the loan (see Note 19). As a result of the termination, the outstanding value of the derivative asset was derecognized in cumulative translation adjustments.

Foreign currency forward contracts
On November 26, 2015, Hedcor Bukidnon entered into a deliverable forward contract to manage its foreign currency risks associated with its Euro denominated purchases. As of December 31, 2017 and 2016, the outstanding sell U.S. Dollar buy Euro forward contract has an aggregate notional of €2.5 million and €6.4 million, respectively. The maturity of the derivatives begins on December 21, 2015 until April 25, 2018.

On November 26, 2015, Hedcor Bukidnon also entered into a non-deliverable forward contract to manage its exposure to exchange rate fluctuations associated with US dollar denominated purchases. As of December 31, 2017 and 2016, the contract has an aggregate notional amount of US$2.6 million and US$6.9 million, respectively that will be fully settled within 2018.

Hedcor Bukidnon designated these foreign currency hedging transactions as cash flow hedges.

Par forward contracts
AP enters into short-term forward contracts with counterparty banks to manage foreign currency risks associated with foreign currency-denominated liabilities and purchases. As of December 31, 2017 the aggregate notional amount of the par forward contract is US$39.0 million.

In 2015, TVI entered into par forward contracts to hedge the foreign currency risk arising from the forecasted US Dollar denominated payments under the Engineering, Procurement Construction (EPC) contract related to the construction of a power plant. As of December 31, 2017 and 2016, the aggregate notional amount of the par forward contracts is US$23.7 million and US$47.6 million, respectively.

In 2014, the Group's Joint Operation entered into par forward contracts to hedge the foreign currency risk arising from the forecasted US Dollar denominated payments under the EPC contract related to the construction of a power plant. The par forward contracts were designated as cash flow hedges. As of December 31, 2017 and 2016, the aggregate notional amount of the par forward contracts is ₱254.3 million and ₱700.0 million, respectively.

The movements in fair value changes of all derivative instruments for the year ended December 31, 2017 and 2016 are as follows:

	2017	2016
At beginning of year	**(₱69,016)**	₱563,366
Additions due to business combination (see Note 9)	–	(350,574)
Net changes in fair value of derivatives designated as accounting hedges	**105,483**	36,859
Net changes in fair value of derivatives not designated as accounting hedges	**5,339**	(127,039)
Derecognition recognized in cumulative translation adjustments	**240,960**	–
Fair value of settled instruments	**11,598**	(191,628)
At end of year	**₱294,364**	(₱69,016)

The net gains and losses from the net fair value changes of derivatives not designated as accounting hedges are included as "Foreign exchange losses - net" under "Other income - net".

The changes in the fair value of derivatives designated as accounting hedges were deferred in equity under "Cumulative translation adjustments."

The net movement of changes to cumulative translation adjustment relating to revaluation of derivatives is as follows:

	2017	2016
Balance at beginning of year (net of tax)	**(₱176,936)**	₱147,337
Changes in fair value recorded in equity	**75,935**	62,586
	(101,001)	209,923
Additions due to business combination (see Note 9)	–	(257,500)
Derecognition	**147,881**	–
Transfers to construction in progress	**(57,959)**	(178,646)
Changes in fair value transferred to profit or loss	**127,328**	10,191
Balance at end of year before deferred tax effect	**116,249**	(216,032)
Deferred tax effect	**23,630**	39,096
Balance at end of year (net of tax)	**₱139,879**	(₱176,936)

The Group has not bifurcated any embedded derivatives as of December 31, 2017 and 2016.

Fair Value Hierarchy

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

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data

As of December 31, 2017 and 2016, the Group held the following financial instruments that are measured and carried or disclosed at fair value:

December 31, 2017

	Total	Level 1	Level 2	Level 3
Carried at fair value:				
AFS investments	**₱760,724**	**₱760,724**	**₱–**	**₱–**
Derivative asset	**341,941**	**–**	**341,941**	**–**
Derivative liability	**47,577**	**–**	**47,577**	**–**
Disclosed at fair value:				
Obligations under finance lease	**43,462,850**	**–**	**–**	**43,462,850**
Long-term debt - fixed rate	**151,225,731**	**–**	**–**	**151,225,731**
Long-term obligation on PDS	**326,655**	**–**	**–**	**326,655**

December 31, 2016

	Total	Level 1	Level 2	Level 3
Carried at fair value:				
AFS investments	₱233,765	₱233,765	₱–	₱–
Derivative asset	291,860	–	291,860	–
Derivative liability	360,877	–	360,877	–
Disclosed at fair value:				
Obligations under finance lease	49,699,074	–	–	49,699,074
Long-term debt - fixed rate	155,854,200	–	–	155,854,200
Long-term obligation on PDS	414,135	–	–	414,135

During the years ended December 31, 2017 and 2016, there were no transfers between level 1 and level 2 fair value measurements and transfers into and out of level 3 fair value measurement.

37. Notes to Consolidated Statement of Cash Flows

The following are the cash flow movements of the Group's financing liabilities in 2017:

			Non-cash Changes					
	January 1, 2017	Net cash flows	Amortized deferred financing costs	Foreign exchange movement	Changes in fair values	Accreted interest	Others	December 31, 2017
Current interest-bearing loans and borrowings, excluding obligations under finance leases	₱15,997,289	(₱36,121,212)	₱38,913	₱97,555	₱–	₱–	₱64,450,925	₱44,463,470
Current obligations under finance leases	2,968,491	(7,877,292)	–	–	–	–	8,224,966	3,316,165
Non-current interest-bearing loans and borrowings, excluding obligations under finance leases	189,381,881	43,968,605	504,732	727,105	(6,776)	28,823	(66,053,583)	168,550,787
Non-current obligations under finance leases	49,371,713	–	–	97,139	–	4,665,203	(8,224,966)	45,909,089
Derivatives	360,877	–	–	–	(313,300)	–	–	47,577
Total liabilities from financing activities	₱258,080,251	(₱29,899)	₱543,645	₱921,799	(₱320,076)	₱4,694,026	(₱1,602,658)	₱262,287,088

38. Registrations with the Department of Energy and BOI

a. Certain power generation companies in the Group have been registered with the BOI. Accordingly, they are entitled to, among others, ITH incentives covering four (4) to seven (7) years. To be able to avail of the incentives, the companies are required to maintain a minimum equity level. As of December 31, 2017 and 2016, these companies have complied with the requirements.

b. On March 19, 2014, the BOI approved the registration of PANC's swine offsite nursery farm as "expanding producer of hogs" on a nonpioneer status under Omnibus Investment Code of 1987. This registration entitles PANC's swine offsite nursery farm to an ITH for a period of three (3) years form the actual start of commercial operations, in July 2014, whoever comes first, but in no case earlier than the date of registration. As of December 31, 2017, PANC has complied with the terms and conditions indicated in this BOI registration.

   On October 9, 2015, the BOI approved the registration of Pilmico's feedmill plant expansion as "Expanding Producer of Animal Feeds" (2015-210) on a nonpioneer status under the Omnibus Investment Code of 1987. Said registration entitles PILMICO to an ITH for a period of three years from January 2016 or actual start of commercial operations, whichever is earlier but in no case earlier than the date of registration. As of December 31, 2017, PILMICO has complied with the terms and conditions indicated in this BOI registration.

c. On June 24, 2016, the BOI approved the registration of Pilmico's feedmill plant expansion as "Expanding Producer of Animal Feeds" (2016-129) on a nonpioneer status under the Omnibus Investment Code of 1987. Said registration entitles PILMICO to an ITH for a period of three years from July 2016 or actual start of commercial operations, whichever is earlier but in no case earlier than the date of registration. As of December 31, 2017, PILMICO has complied with the terms and conditions indicated in this BOI registration.

d. On April 7, 2015, the BOI approved the registration of PANC's poultry layer farm as "New Producer of Table Eggs and By- Products (Culled Chicken and Manure)" on a nonpioneer status under the Omnibus Investment Code of 1987. This registration entitles PANC to an ITH for a period of four years from October 2015 or start of commercial operations, whichever is earlier, but in no case earlier than the date of registration. As of December 31, 2017, PANC has complied with the terms and conditions indicated in this BOI registration.

e. On June 16, 2017, the BOI approved the registration of PANC's breeder farm 2 as "New Producer of Hogs and Pork Meat" on a nonpioneer status under the Omnibus Investment Code of 1987. This registration entitles PANC to an ITH for a period of three years from July 2017 or start of commercial operations, whichever is earlier, but in no case earlier than the date of registration. As of December 31, 2017, PANC has complied with the terms and conditions indicated in this BOI registration.

f. The BOI has also approved AboitizLand's application as a new/expanding developer of low cost mass housing projects. It is entitled to, among others, ITH incentives for a period for three (3) to four (4) years. It is also required to maintain certain equity requirements prior to availment of the incentives. As of December 31, 2016, AboitizLand's ITH entitlement has expired.

39. Rate Regulation, Power Supply and Other Agreements

a. Certain subsidiaries are subject to the ratemaking regulations and regulatory policies by the ERC.

b. APRI Agreements
Total steam supply cost incurred by APRI, reported as part of "Cost of generated power" amounted to ₱4.98 billion in 2017, ₱4.11 billion in 2016 and ₱3.96 billion in 2015.

Geothermal Resource Sales Contract
On May 26, 2013, APRI's steam supply contract with Chevron Geothermal Philippines Holdings, Inc. (CGPHI) shifted to a GRSC. The change is due to an existing provision under the government's existing contract with CGPHI when the Tiwi-Makban facilities were bidded out under the former's privatization program. Under the GRSC, the effective steam price of APRI payable to CGPHI will be at a premium to coal.

To ensure that APRI will continue to remain competitive in the market, a two-month interim agreement supplementing the GRSC was implemented on August 4, 2013 and extended until February 25, 2015. Upon expiration in 2015, this was further extended until June 28, 2018.

Lease Agreement with PSALM
On May 25, 2009, APRI entered into a lease agreement with PSALM for a parcel of land owned by the latter on which a portion of the assets purchased under the Asset Purchase Agreement (APA) is situated. The lease term is for a period of twenty-five (25) years commencing from the Closing Date as defined in the APA which falls on May 25, 2009. The rental fees for the whole term of 25 years amounting to ₱492.0 million were paid in full after the receipt by APRI of the Certificate of Effectivity on the lease. Total land lease charged to operations amounted to ₱19.7 million in 2017, 2016 and 2015.

c. Coal Supply Agreements
TLI enters into short-term coal supply agreements. Outstanding coal supply agreements as of December 31, 2017 have aggregate supply amounts of 2,240,000 MT (equivalent dollar value is estimated to be at US$190 million) which are due for delivery from January 2017 to December 2018. Terms of payment are by letter of credit where payment is due at sight against presentation of documents, and by telegraphic transfer where payment is due within 7 days from receipt of original invoice.

GMCP has a current coal supply agreement with PT Arutmin Indonesia (Seller) for the delivery of coal, which is effective until November 2, 2019. In addition, a supply backstop deed was included in the coal supply agreement wherein PT Kaltim Prima Coal (Obligor) irrevocably and unconditionally undertakes for the benefit of GMCP the due and punctual performance of the Seller of each and all of their obligations, duties and undertakings pursuant to the coal supply agreement, when and such obligations, duties and undertakings shall become due and performable according to the terms of the coal supply agreement; provided that the undertaking of the Obligor hereunder shall be limited to 1,000,000 tonnes of substitute coal per delivery year.

d. Construction of civil and electromechanical works, procurement and installation of solar panels and project management related to the construction of the San Carlos Solar Plant. Total purchase commitments entered into by Sacasun from its contracts amounted to ₱526.7 million as of December 31, 2017.

Sacasun entered into a contract for lease of land where the power plant is located. The contract pertains to rent for 25 years renewable upon mutual agreement by the parties. Prepaid rent amounts to ₱50.8 million and ₱10.0 million as of December 31, 2017 and 2016, respectively.

e. PEC enters into EPC contracts with suppliers relating to the construction of the 400MW coal fired power plant. Total EPC contract price for the complete performance of these contracts amount to US$398.0 million and ₱7.00 billion. As of December 31, 2017 and 2016, the joint operation has a retention payable amounting to ₱400.0 million and ₱334.4 million, respectively, which is presented as "Other noncurrent liability" in the balance sheets.

f. GMCP
In August 2007, a 25-year lease agreement with Authority of the Freeport Area of Bataan for land at Bataan Economic Zone, used as an access road and right of way for electric power transmission lines.

In January 2010, a 50-year land lease agreement with PMR Group Retirement Plan, Inc. (PGRPI), used for its power plant facilities. GMCP, upon mutual agreement of PGRPI, has the right and option to extend the lease for a period of twenty-five years. In August 2016, GMCP entered into another lease agreement with PGRPI for land to be used for staff house.

g. Sacasun
Sacasun entered into a contract for lease of land where the power plant is located. The contract pertains to rent for 25 years renewable upon mutual agreement by the parties. Prepaid rent amounts to ₱50.8 million and ₱10.0 million as of December 31, 2017 and 2016, respectively.

h. HI, HTI and HSI
HI, HTI and HSI entered into contracts with various lot owners for lease of land where their power plants are located. Terms of contract are for a period of 1 to 50 years renewable upon mutual agreement by the parties.

i. Therma Mobile
On April 26, 2014, a 10-year lease for portions of the breakwater area of the Navotas Fishport Complex (NFPC), including the mooring facility, marine and land transmission lines.

j. EAUC
Lease agreement with PEZA for a piece of land located inside Mactan Economic Zone for its power plant facilities.

Future minimum lease payments under the non-cancellable operating leases of GMCP, Sacasun, HI, HTI, HSI, Therma Mobile and EAUC are as follows (amounts in millions):

	2017	2016
Not later than 1 year	**₱252.3**	₱166.9
Later than 1 year but not later than 5 years	**736.7**	503.6
Later than 5 years	**5,619.7**	4,036.5

Total lease charged to operations related to these contracts amounted to ₱163.7 million in 2017, ₱38.5 million in 2016, and ₱33.1 million in 2015.

40. Contingencies

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

AP obtained standby letters of credit (SBLC) and is acting as surety for the benefit of certain associates and a subsidiary in connection with loans and credit accommodations. It provided SBLC for STEAG, SNAP-Magat, SNAP-Benguet, and CEDC in the amount of ₱1.04 billion in 2017, ₱1.15 billion in 2016 and ₱1.49 billion in 2015.

41. Other Matters

a. Renewable Energy Act of 2008

On January 30, 2009, R.A. No. 9513, *An Act Promoting the Development, Utilization and Commercialization of Renewable Energy Resources and for Other Purposes*, which shall be known as the "Renewable Energy Act of 2008" (the Act), became effective. The Act aims to (a) accelerate the exploration and development of renewable energy resources such as, but not limited to, biomass, solar, wind, hydro, geothermal and ocean energy sources, including hybrid systems, to achieve energy self-reliance, through the adoption of sustainable energy development strategies to reduce the country's dependence on fossil fuels and thereby minimize the country's exposure to price fluctuations in the international markets, the effects of which spiral down to almost all sectors of the economy; (b) increase the utilization of renewable energy by institutionalizing the development of national and local capabilities in the use of renewable energy systems, and promoting its efficient and cost-effective commercial application by providing fiscal and non-fiscal incentives; (c) encourage the development and utilization of renewable energy resources as tools to effectively prevent or reduce harmful emissions and thereby balance the goals of economic growth and development with the protection of health and environment; and (d) establish the necessary infrastructure and mechanism to carry out mandates specified in the Act and other laws.

As provided for in the Act, renewable energy (RE) developers of RE facilities, including hybrid systems, in proportion to and to the extent of the RE component, for both power and non-power applications, as duly certified by the DOE, in consultation with the BOI, shall be entitled to incentives, such as, ITH, duty-free importation of RE machinery, equipment and materials, zero percent VAT rate on sale of power from RE sources, and tax exemption of carbon credits, among others.

The Group expects that the Act may have significant effect on the operating results of some of its subsidiaries and associates that are RE developers. Impact on the operating results is expected to arise from the effective reduction in taxes.

b. EPIRA of 2001
RA No. 9136 was signed into law on June 8, 2001 and took effect on June 26, 2001. The law provides for the privatization of NPC and the restructuring of the electric power industry. The Implementing Rules and Regulations (IRR) were approved by the Joint Congressional Power Commission on February 27, 2002.

R.A. No. 9136 and the IRR impact the industry as a whole. The law also empowers the ERC to enforce rules to encourage competition and penalize anti-competitive behavior.

R.A. No. 9136, the EPIRA, and the covering IRR provides for significant changes in the power sector, which include among others:

i. The unbundling of the generation, transmission, distribution and supply and other disposable assets of a company, including its contracts with IPPs and electricity rates;
ii. Creation of a WESM; and
iii. Open and non-discriminatory access to transmission and distribution systems.

The law also requires public listing of not less than 15% of common shares of generation and distribution companies within 5 years from the effectivity date of the EPIRA. It provides cross ownership restrictions between transmission and generation companies and a cap of 50% of its demand that a distribution utility is allowed to source from an associated company engaged in generation except for contracts entered into prior to the effectivity of the EPIRA.

There are also certain sections of the EPIRA, specifically relating to generation companies, which provide for a cap on the concentration of ownership to only 30% of the installed capacity of the grid and/or 25% of the national installed generating capacity.

c. Temporary Restraining Order (TRO) affecting Power Generation Companies trading in WESM
On December 19, 2013, Bayan Muna representatives filed a Petition for Certiorari against the ERC and the Manila Electric Company (MERALCO) with the Supreme Court (SC). On December 20, 2013, National Association of Electricity Consumers for Reforms filed a Petition for Certiorari and/or Prohibition against MERALCO, ERC and DOE. These cases raised and questioned, among others, the alleged substantial increase in MERALCO's power rates for the billing period of November 2013, the legality of Sections 6, 29 and 45 of the EPIRA, the failure of ERC to protect consumers from the high energy prices and the perceived market collusion of the generation companies.

These cases were consolidated by the SC which issued a TRO for a period of 60 days from December 23, 2013 to February 21, 2014, preventing MERALCO from collecting the increase in power rates for the billing period of November 2013. The TRO was subsequently extended for another 60 days ending April 22, 2014 by the SC. Thereafter, the TRO was extended indefinitely.

MERALCO, in turn, filed a counter-petition impleading generation companies supplying power to the WESM. The SC also ordered all the parties in the consolidated cases to file their respective pleadings in response to MERALCO's counter-petition. The Supreme Court set the consolidated cases for oral arguments last January 21, February 4 and 11, 2014. After hearing, all parties were ordered to file their comments and/or memorandum. The case is now submitted for resolution.

As a result of the TRO, Meralco has not been able to fully bill its consumers for the generation costs for the supply month of November 2013; and in turn, it has not been able to fully pay its suppliers of generation costs. As of December 31, 2017, the SC has not lifted the TRO.

d. Imposition of financial penalties on Therma Mobile by the Philippine Electricity Market Corporation (PEMC)

This case involves an investigation of Therma Mobile in the dispatch of its power barges during the November and December 2013 supply period. As a result of the Meralco price hike case brought before the SC, the SC ordered the ERC to investigate anti-competitive behavior and abuse of market power allegedly committed by some WESM participants.

PEMC conducted the investigation under the "Must-Offer" rules of the WESM Rules.

PEMC initially found that Therma Mobile violated the "Must-Offer Rule" during the period under investigation. In its letter dated January 30, 2015, the PEM Board imposed financial penalties amounting to ₱234.9 million on Therma Mobile. According to the PEM Board, the penalties will be collected from Therma Mobile through the WESM settlement process.

Therma Mobile maintains that there is no basis for the PEMC decision. It did not violate the Must-Offer Rule, for the period ended, as it was physically impossible for Therma Mobile to transmit more than 100MW to Meralco. Although Therma Mobile's rated capacity is 234 MW (Net), it could only safely, reliably and consistently deliver 100MW during the November and December 2013 supply period because of transmission constraints. Therma Mobile's engines and transmission lines were still undergoing major repairs to address issues on post rehabilitation.

Last February 13, 2015, Therma Mobile filed a notice of dispute with the PEMC to refer the matter to dispute resolution under the WEM Rules and the WESM Dispute Resolution Market Manual.

Therma Mobile also filed a Petition for the Issuance of Interim Measures of Protection with the Regional Trial Court (RTC) of Pasig to hold off enforcement of the payment of the penalties during the pendency of the Therma Mobile and PEMC dispute resolution proceedings. Last February 24, 2015, the RTC issued in favor of Therma Mobile an ex parte 20-day Temporary Order of Protection directing PEMC to refrain from (a) demanding and collecting from Therma Mobile the ₱234.9 million financial penalty; (b) charging and accruing interest on the financial penalty; and (c) transmitting the PEMC-ECO investigation report to the ERC.

On April 1, 2015, the RTC granted the prayer for the issuance of Writ of Preliminary Injunction, which ruling was assailed by the PEMC and elevated to the Court of Appeals (CA) via Petition for Review. On December 15, 2015, the CA issued a Decision confirming the RTC's findings. Therma Mobile is in receipt of PEMC's Motion for Reconsideration, and in compliance with a Resolution of the CA, has filed a comment on the said motion.

e. Therma Marine Case

In 2013, ERC issued Final Approval of various ESAs of Therma Marine with some modifications on ERC's provisionally approved rates which directed both parties to devise a scheme for the refund of the difference between the final and the provisionally approved rates.

On November 25, 2013, ERC issued its order for Therma Marine to refund the amount of ₱180.0 million to its customers for a period of 6 months with equal installments per month.

On August 27, 2014, ERC issued an order directing NGCP to refund its customers the amount of ₱12.7 million and the corresponding VAT for a period of twelve months. As such, Therma Marine will refund the said amount to NGCP and the latter will refund the same to its customers.

In 2015, ERC issued Provisional Approvals (PA) on ESA contracts extensions with capacity fees lower than the previously approved rates. Therma Marine filed MRs on these PAs. During the last quarter of 2015, ERC issued Final Approvals on some of these ESA's sustaining the decision in the PA's, thus Therma Marine filed MRs on the final decisions. To date, there has been no resolution on the MRs on the Final Approvals.

f. ERC Case No. 2013-077 MC

On August 29, 2013, MERALCO filed a petition for dispute resolution against TLI/APRI , among other Successor Generating Companies ("SGCs") under ERC Case No. 2013-077 MC. The case arose from a claim of refund of the alleged over charging of transmission line losses pursuant to the ERC Order dated March 4, 2013 and July 1, 2013 in ERC Case No. 2008-083 MC.

On September 20, 2013, TLI, together with the other SGCs, filed a Joint Motion to Dismiss arguing that MERALCO's petition should be dismissed for failure to state a cause of action and ERC's lack of jurisdiction over the subject matter of the case. The Joint Motion to Dismiss has since then been submitted for resolution with the ERC. To date, the ERC has yet to render its decision on the Joint Motion to Dismiss.

g. Sergio Osmena III vs. PSALM, Emmanuel R. Ledesma, Jr., SPC Power Corporation (SPC) and Therma Power Visayas, Inc. (TPVI)

In 2009, SPC acquired through a negotiated bid the 153.1MW Naga Land-Based Gas Turbine Power Plant ("Naga Plant") in Naga, Cebu. In the same year, it entered into a Land Lease Agreement (LLA) with PSALM, which includes SPC's right to top (RTT) the price of a winning bidder for the sale of any property in the vicinity of the leased premises.

PSALM subsequently bid out the Naga Plant located in the leased premises. On April 30, 2014 and after two failed biddings, PSALM issued a Notice of Award to TPVI for submitting the highest bid for the Naga Plant. SPC wrote PSALM of its intent to exercise its RTT the winning bid, on the condition that the LLA would be for a term of 25 years from closing date.

Senator Sergio Osmeña III filed with the Supreme Court (SC) a Petition for Certiorari and Prohibition with prayer for issuance of a TRO and/or Writ of Preliminary Injunction dated June 16, 2014 (the "Case") with PSALM, Emmanuel R. Ledesma, SPC and TPVI as respondents to enjoin PSALM from making the award of the Naga Plant to SPC. In his petition, Sen. Osmeña argued that the RTT should be held invalid as it defeats the purpose of a fair and transparent bidding for a government asset and it discourages interested bidders considering the unfair advantage given to SPC.

On July 25, 2014, PSALM awarded the contract to SPC, despite TPVI's objection on the ground that SPC did not validly exercise its right to top because of its qualified offer. Thereafter, an APA for the Naga Plant was executed between PSALM and SPC.

On September 28, 2015, the SC declared in the Case that the RTT and the APA executed in favor of SPC are null and void. The parties thereafter filed various motions for reconsideration which the SC subsequently denied.

On March 16, 2016, TPVI filed its Manifestation/Motion praying that the Notice of Award dated April 30, 2014 be reinstated and that respondent PSALM be ordered to execute the Asset Purchase Agreement ("NPPC-APA"), Land Lease Agreement ("NPPC-LLA") and other documents to implement TPVI's acquisition of the Naga Plant.

On April 6, 2016, the SC issued a Resolution that required PSALM and SPC to comment on TPVI's Manifestation/Motion. In the same Resolution, the SC denied the motion for leave to file and admit SPC's second motion for reconsideration and referral to the SC en banc.

On July 19, 2016, TPVI filed its Manifestation with Omnibus Motion to clarify the motion dated March 16, 2016 and for early resolution. TPVI prayed that the SC Decision dated September 28, 2015 be clarified, and if necessary, be amended to include in its "fallo" that the Notice of Award in favor of TPVI be reinstated.

In response to various motions, the SC issued a Notice of Judgment and Resolution dated October 5, 2016 clarifying that the nullification of SPC's right to top did not invalidate the entire bidding process. Thus, the SC ordered the reinstatement of the Notice of Award dated April 30, 2014 in favor of TPVI. Further, the SC annulled and set aside the APA and the LLA executed between SPC and PSALM and directed PSALM to execute with dispatch the NPPC-APA and the NPPC-LLA in favor of TPVI.

On October 26, 2016, SPC filed an Urgent Motion for Reconsideration with Alternative Motion to Refer to the En Banc of the SC. SPC reiterated its prayer for the reversal of the October 5, 2016 Resolution, denial of TPVI's Manifestation/Motion and for the conduct of a new round of bidding for the Naga Plant. PSALM also filed its Motion for Reconsideration with Leave and prayed that the SC's October 5, 2016 Resolution be re-examined and/or reconsidered.

In its Resolution dated November 28, 2016, the SC denied SPC's and PSALM's motions for reconsideration (of the October 5, 2016 Resolution) with finality. The SC ordered that no further pleadings, motions, letters, or other communications shall be entertained in the Case, and it ordered the issuance of Entry of Judgment.

Notwithstanding the above SC Resolution, SPC filed its Motion for Leave to File and Admit (Motion for Reconsideration dated 9 December 2016) with attached Motion for Reconsideration dated December 9, 2016. Thereafter, SPC filed its Supplemental Motion/Petition for Referral to the Banc dated January 16, 2017.

On February 14, 2017, TPVI received a copy of the Entry of Judgment which states that the October 5, 2016 Resolution of the SC has become final and executory on November 28, 2016.

h. DLP Case

On December 7, 1990, certain customers of DLP filed before the then Energy Regulatory Board (ERB) a letter-petition for recovery claiming that with the SC's decision reducing the sound appraisal value of DLP's properties, DLP exceeded the 12% Return on Rate Base (RORB). The ERB's order dated June 4, 1998, limited the computation coverage of the refund from January 19, 1984 to December 14, 1984. No amount was indicated in the ERB order as this has yet to be recomputed.

The CA, in Court of Appeals General Register Special Proceeding (CA-GR SP) No. 50771, promulgated a decision dated February 23, 2001 which reversed the order of the then ERB, and expanded the computation coverage period from January 19, 1984 to September 18, 1989.

The SC in its decision dated November 30, 2006 per GR150253 reversed the CA's decision CA-GR SP No. 50771 by limiting the period covered for the refund from January 19, 1984 to December 14, 1984, approximately 11 months. The respondent/customers filed a Motion for Reconsideration with the SC, which was denied with finality by the SC in its Order dated July 4, 2007.

The SC, following its decision dated November 30, 2006, ordered the ERC to proceed with the refund proceedings instituted by the respondents with reasonable dispatch.

On March 17, 2010, the ERC directed DLP to submit its proposed scheme in implementing the refund to its customers. In compliance with the order, the DLP filed its compliance stating that DLP cannot propose a scheme for implementing a refund as its computation resulted to no refund.

A clarificatory meeting was held where DLP was ordered to submit its memoranda.

On October 4, 2010, in compliance with the ERC directive, DLP submitted its memoranda reiterating that no refund can be made. After which, no resolution has been received by DLP from the ERC as of December 31, 2017.

i. LHC Franchise Tax Assessment

In 2007, the Provincial Treasurer of Benguet issued a franchise tax assessment against LHC, requiring LHC to pay franchise tax amounting to approximately ₱40.4 million, inclusive of surcharges and penalties covering the years 2002 to 2007. In 2008, LHC has filed for a petition for the annulment of the franchise tax assessment, based primarily on the fact that LHC is not liable for franchise tax because it does not have a franchise to operate the business. Section 6 of R.A. No. 9136 provides that power generation shall not be considered a public utility operation. As such, an entity engaged or which shall engage in power generation and supply of electricity shall not be required to secure a national franchise. Accordingly, no provision has been made in the consolidated financial statements. To date, the case remains pending.

j. Open Access and Retail Competition

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

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

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

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

The implementation of Open Access enabled the Group to increase its contracted capacity through the delivery of power to affiliate and non-affiliate RES companies. The Group has two wholly owned subsidiaries that are licensed RES. Open Access allowed the Group's RES subsidiaries to enter into contracts with the eligible contestable customers.

On December 19, 2013, the ERC issued Resolution 22 Series of 2013, which amended the rules for the issuance of licenses to retail electricity suppliers. Items amended include the following:

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

Due to the restrictions placed to qualify for a RES license under Resolution 22, the Retail Electricity Suppliers Association has filed a TRO and injunction with the Pasig RTC. Hearings are being conducted to challenge the legality and constitutionality of the resolution. Currently, ERC is working on revising certain provisions of Resolution 22.

k. RA No. 10963

RA No. 10963 or the Tax Reform for Acceleration and Inclusion Act (TRAIN) was signed into law on December 19, 2017 and took effect January 1, 2018, making the new tax law enacted as of the balance sheet date. Although the TRAIN changes existing tax law and includes several provisions that will generally affect businesses on a prospective basis, the management assessed that the same will not have any significant impact on the consolidated financial statement balances as of the balance sheet date.

42. Events after the Reporting Period

a. To comply with the requirements of Section 43 of the Corporation Code, on March 8, 2018, the BOD approved the following:

- Declaration of a regular cash dividend of ₱1.28 per share (₱7.21 billion) to all stockholders of record as of March 22, 2018. These dividends will be taken out of the unrestricted retained earnings as of December 31, 2017, and will be paid on April 12, 2018. Said declaration is in compliance with the Company's policy of distributing a regular dividend equivalent to at least 33% of previous year's consolidated net income.

- Appropriation of ₱4.2 billion of the retained earnings as of December 31, 2017 for the additional capital infusion into Aboitiz Infracapital, Inc. to finance its capital infusion into Apo Agua Infrastructura, Inc. for the funding of the construction of a bulk water treatment facility, as follows:

Investee	Project to be Funded	Board Approval Date	Estimated Project Start Date	Estimated Project Completion Date	Appropriation (In thousands)
Apo Agua Infrastructura, Inc.	Plant Construction	January 2018	2nd quarter of 2018	1st quarter of 2021	₱4,200,000

- Reversal of ₱1.622 billion retained earnings appropriation that was set up in 2016 for the funding of the ₱1.0 billion purchase price adjustment for the acquisition of the Philippine business of Lafarge S.A. and the ₱622 million capital infusion into Apo Agua Infrastructura, Inc.

b. On February 9, 2018, AEV signed a Share Purchase Agreement for the sale of its 51% stake in PETNET to City Savings Bank, Inc. (CitySavings) and Union Properties, Inc. for a cash consideration of ₱1.2 billion. The sale and the resulting consolidation of all of AEV's existing interests in banking and financial services will unlock shareholder value from the synergies between the core businesses of CitySavings and PETNET.

INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY SCHEDULES

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 8, 2018. 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.

[redacted]

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. 6621311, January 9, 2018, Makati City

March 8, 2018

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS DIVISION-CEBU
RECEIVED
APR 06 2018
OPQA SECTION INITIAL

ABOITIZ EQUITY VENTURES, INC.
AND SUBSIDIARIES

Supplementary Schedules
to the Financial Statements
Required by the Securities and Exchange Commission
For the Year Ended December 31, 2017

and

Independent Auditor's Report

Philippine
Pesos

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

Supplementary Schedules Required
By the Securities and Exchange Commission
As of and for the Year Ended December 31, 2017

NA: NOT APPLICABLE

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

SCHEDULE A - FINANCIAL ASSETS

AS OF DECEMBER 31, 2017
(Amounts in Thousands)

Name of Issuing Entity	Number of Shares	Amount Shown in the Balance Sheet	Value Based on Market Quotation at Balance Sheet Date	Income Received or Accrued
Cash In Bank				
Agribank, Song Than branch	Not applicable	P 620	Not applicable	P -
ANZ	Not applicable	59,074	Not applicable	108
Allied Bank	Not applicable	30,852	Not applicable	24
ANZ, Ho Chi Minh City branch	Not applicable	106	Not applicable	-
Asian United Bank	Not applicable	40,012	Not applicable	19
Banco de Oro	Not applicable	3,114,919	Not applicable	69,372
Bank of Commerce	Not applicable	4,650	Not applicable	27
Bank of the Philippine Islands	Not applicable	1,211,543	Not applicable	9,806
BDO Unibank, Inc.	Not applicable	-	Not applicable	20
China Banking Corporation	Not applicable	18,798	Not applicable	119
China Trust Banking Corporation	Not applicable	5,722	Not applicable	8
CIMB Niaga	Not applicable	964	Not applicable	15
Citibank	Not applicable	9,488	Not applicable	-
City Savings Bank	Not applicable	2,513	Not applicable	-
Development Bank of the Philippines	Not applicable	207	Not applicable	3
Eastwest Banking Corporation	Not applicable	5,392	Not applicable	86
Hongkong Shanghai Banking Corporation	Not applicable	302,518	Not applicable	10
HSBC, Ho Chi Minh City branch	Not applicable	155	Not applicable	-
ING Bank N.V.	Not applicable	364,836	Not applicable	7,576
Landbank of the Philippines	Not applicable	69,831	Not applicable	107
Maybank Corporation	Not applicable	8,709	Not applicable	27
Metropolitan Bank and Trust Company	Not applicable	281,862	Not applicable	1,272
Mizuho Corporatet Bank, Ltd.	Not applicable	494	Not applicable	2
Natixis, Ho Chi Minh City branch	Not applicable	-	Not applicable	23
One Network Bank	Not applicable	5,446	Not applicable	-
PB Com	Not applicable	5,527	Not applicable	4
Philippine Business Bank	Not applicable	7,779	Not applicable	11
Philippine National Bank	Not applicable	398,384	Not applicable	219
Philippine Veterans Bank	Not applicable	424	Not applicable	-
Rizal Commercial Banking Corporation	Not applicable	376,418	Not applicable	682
Robinson's Bank	Not applicable	3,284	Not applicable	15
Sacombank, Di Ann branch	Not applicable	1,875	Not applicable	-
Sacombank, Dong Thap branch	Not applicable	1,425	Not applicable	4
SCB, Dong Thap branch	Not applicable	15	Not applicable	8
Security Bank Corporation	Not applicable	229,915	Not applicable	3,612
Standard Chartered Bank	Not applicable	222,856	Not applicable	4,717
Sterling Bank of Asia	Not applicable	6,941	Not applicable	13
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	Not applicable	11,603	Not applicable	2
Union Bank of the Philippines	Not applicable	5,725,334	Not applicable	42,954
United Coconut Planters Bank	Not applicable	5,963	Not applicable	22
Vietcombank, Dong Thap branch	Not applicable	1,307	Not applicable	14

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

SCHEDULE A - FINANCIAL ASSETS

AS OF DECEMBER 31, 2017
(Amounts in Thousands)

Name of Issuing Entity	Number of Shares	Amount Shown in the Balance Sheet	Value Based on Market Quotation at Balance Sheet Date	Income Received or Accrued
Vietcombank, Ho Chi Minh City branch	Not applicable	1,600	Not applicable	-
Vietcombank, Song Than brabch	Not applicable	10,743	Not applicable	50
Vietinbank, Dong Thap branch	Not applicable	37	Not applicable	5
TOTAL		P 12,550,161		P 140,956
Money Market Placements				
Allied Banking Corporation	Not applicable	P -	Not applicable	P -
Banco de Oro	Not applicable	575,415	Not applicable	3,506
Bank of the Philippine Islands	Not applicable	1,338,550	Not applicable	110,646
BDO Private Bank, Inc.	Not applicable	50,000	Not applicable	1,552
BDO Unibank, Inc.	Not applicable	123,891	Not applicable	320
China Trust Banking Corporation	Not applicable	1,106,030	Not applicable	558
City Savings Bank	Not applicable	7,898,851	Not applicable	388,102
Deutsche Bank Manila	Not applicable	-	Not applicable	813
Deutsche Global Liquidity Series P.L.C	Not applicable	-	Not applicable	207
First Metro Investment Corporation	Not applicable	55,000	Not applicable	174,714
Hongkong & Shanghai Banking Corporation	Not applicable	10,005	Not applicable	176
Metropolitan Bank and Trust Company	Not applicable	2,728,030	Not applicable	56,694
Mizuho Corporate Bank, Ltd.	Not applicable	653,978	Not applicable	15,490
Philippine National Bank	Not applicable	6,660	Not applicable	59
Rizal Commercial Banking Corporation	Not applicable	9,161	Not applicable	155
Sacombank, Dong Thap branch - VND	Not applicable	76,261	Not applicable	3,919
Security Bank Corporation	Not applicable	13,127,261	Not applicable	148,456
Standard Chartered Bank	Not applicable	147,856	Not applicable	4,841
Union Bank of the Philippines	Not applicable	23,042,128	Not applicable	273,472
United Coconut Planters Bank	Not applicable	10,212	Not applicable	-
Vietinbank, Dong Thap branch	Not applicable	426,797	Not applicable	10,639
TOTAL		P 51,790,066		P 1,194,319
Trade Receivables				
Power	Not applicable	P 16,338,622	Not applicable	Not applicable
Real estate	Not applicable	3,654,299	Not applicable	Not applicable
Food manufacturing	Not applicable	2,344,307	Not applicable	Not applicable
Financial services	Not applicable	266,312	Not applicable	Not applicable
Holding and others	Not applicable	645,368	Not applicable	Not applicable
TOTAL		P 23,249,908		
Other Receivables				
Advances to contractors	Not applicable	P 105,690	Not applicable	Not applicable
Dividends receivable	Not applicable	792,000	Not applicable	Not applicable
Accrued revenues	Not applicable	724,820	Not applicable	Not applicable
Non-trade receivables	Not applicable	461,527	Not applicable	Not applicable
Others	Not applicable	1,395,939	Not applicable	Not applicable
TOTAL		P 3,479,976		
Available-For-Sale (AFS) Investments				

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

SCHEDULE A - FINANCIAL ASSETS

AS OF DECEMBER 31, 2017
(Amounts in Thousands)

Name of Issuing Entity	Number of Shares	Amount Shown in the Balance Sheet	Value Based on Market Quotation at Balance Sheet Date	Income Received or Accrued
Publicly-listed:				
Empire East Land, Inc.	4,377,063	P 2,845	P 2,845	P -
Megaworld Properties, Inc.	1,842,750	9,509	9,509	-
Filinvest Development Corporation	160,316	1,242	1,242	9
Filinvest Land, Inc.	303,515	571	571	19
Others	21,795,453	35,325	-	-
Non-publicly-listed:				
Cebu Holdings, Inc.	1	1,038	-	-
Cebu Country Club	3	9,600	-	-
Equitable Banking Corporation	8,050	793	-	-
Philippine Long Distance and Telephone Company	44,344	560	-	-
Others	2,882	79	-	-
Investment in Bonds/Exchange Traded Funds/Unit Investment Trust Fund				
Banco de Oro	-	507,479	-	15,473
Union Bank of the Philippines	2,050,350	203,753	203,753	127
TOTAL		P 772,794	P 217,920	P 15,628

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

SCHEDULE C - AMOUNTS RECEIVABLE FROM RELATED PARTIES
WHICH ARE ELIMINATED DURING THE CONSOLIDATION
OF FINANCIAL STATEMENTS

AS DECEMBER 31, 2017
(Amounts in Thousands)

Name and Designation of Debtor	Beginning Balance	Additions	Deductions: Amounts Collected	Deductions: Amounts Written Off	Current	Non-Current	Ending Balance
TRADE							
Pilmico Animal Nutrition Corporation	P (895)	P 2,333	P -	P -	P 1,438	P -	P 1,438
Filagri, Inc.	19	-	(19)	-	-	-	-
AEV Aviation, Inc.	1	-	(1)	-	-	-	-
Cebu Praedia Development Corporation	12	-	(4)	-	8	-	8
Aboitiz Infracapital, Inc.	-	4,127		-	4,127	-	4,127
APO Agua Infrastructura, Inc.	615	-	(615)	-	-	-	-
Lima Water Coporation	92	479	-	-	571	-	571
Weather Solutions, Inc.	-	44	-	-	44	-	44
PETNET, Inc.	902	-	(307)	-	595	-	595
Aboitizland, Inc.	6,473	-	(1,360)	-	5,113	-	5,113
Cebu Industrial Park Developers, Inc.	121	-	(77)	-	44	-	44
Lima Land, Inc.	232	-	(8)	-	224	-	224
Aboitiz Power Corporation	24,063	10,291	-	-	34,354	-	34,354
Aboitiz Energy Solutions, Inc.	286	-	(250)	-	36	-	36
Aboitiz Renewables, Inc.	-	43,211	-	-	43,211	-	43,211
Advent Energy, Inc.	120	-	(120)	-	-	-	-
AP Renewables, Inc.	(1,741)	950	-	-	(791)	-	(791)
Balamban Enerzone Corp.	3,922	-	(3,902)	-	20	-	20
Cebu Private Power Corporation	260	-	(174)	-	86	-	86
Cotabato Ice Plant, Inc.	(724)	-	(3)	-	(727)	-	(727)
Cotabato Light and Power Company	681	-	(237)	-	444	-	444
Davao Light and Power Co., Inc.	3,340	-	(3,637)	-	(297)	-	(297)
East Asia Utilities Corp.	1,180	-	(781)	-	399	-	399
Hedcor Bukidnon, Inc.	10	664	-	-	674	-	674
Hedcor Sabangan, Inc.	-	85	-	-	85	-	85
Hedcor Sibulan, Inc.	298	497	-	-	795	-	795
Hedcor Tudaya, Inc.	12	67	-	-	79	-	79
Hedcor, Inc.	35	2,508	-	-	2,543	-	2,543
Lima Enerzone Corporation	5,363	-	(2,184)	-	3,179	-	3,179
Luzon Hydro Corporation	(19)	406	-	-	387	-	387
Mactan Enerzone Corporation	3,248	-	(2,951)	-	297	-	297
Manila-Oslo Renewable Enterprise, Inc.	595	-	(150)	-	445	-	445
San Carlos Sun Power, Inc.	49	162	-	-	211	-	211
SN Aboitiz Power - Benguet	177	457	-	-	634	-	634
SN Aboitiz Power - Generation	-	14	-	-	14	-	14
SN Aboitiz Power - Magat	177	-	(177)	-	-	-	-
SN Power Philippines, Inc.	14	-	(14)	-	-	-	-
Subic Enerzone Corporation	13,088	-	(10,469)	-	2,619	-	2,619
Therma Luzon, Inc.	6,092	-	(6,912)	-	(820)	-	(820)
Therma Marine, Inc.	476	363	-	-	839	-	839
Therma Mobile, Inc.	710	-	(413)	-	297	-	297
Therma Power Visayas, Inc.	-	4,536	-	-	4,536	-	4,536
Therma Power, Inc.	-	90	-	-	90	-	90
Therma South, Inc.	2,118	1,651	-	-	3,769	-	3,769
Visayan Electric Company	123,447	-	(23,688)	-	99,759	-	99,759
NON-TRADE							
Cebu Praedia Development Corporation	425,484	1,458	(295,484)	-	131,458	-	131,458
Pilmico Foods Corporation	700,000	5,812	(410,000)	-	295,812	-	295,812
Davao Light and Power Co., Inc.	2,541,552	-	(2,541,552)	-	-	-	-
Cotabato Light and Power Company	19,512	-	(19,512)	-	-	-	-
Adventenergy, Inc.	-	300,000	-	-	300,000	-	300,000
Total	P 3,881,397	P 380,205	P (3,325,001)	P -	P 936,601	P -	P 936,601

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

SCHEDULE D - INTANGIBLE ASSETS AND OTHER ASSETS

AS OF DECEMBER 31, 2017
(Amount in Thousands)

Description	Beginning Balance	Additions At Cost	DEDUCTIONS Charged to Costs and Expenses	DEDUCTIONS Charged to Other Accounts	Other Changes Additions (Deductions)	Discontinued Operation	Ending Balance
A. Intangibles							
Goodwill	P 41,249,629	P 59,060	P -	P -	P -	P -	P 41,308,689
Intangible asset - service concession right	3,222,123	175,607	(351,541)	-	16,118	-	3,062,307
B. Other Noncurrent Assets							
Input VAT and tax credit receivable	6,766,183	-	(945)	-	-	-	6,765,238
Intangible assets:							
Franchise	2,802,654	-	(76,961)	-	-	-	2,725,693
Project development costs	411,499	127,655	(143,735)	-	-	-	395,419
Customer contracts	63,968	-	(21,130)	-	-	-	42,838
Software and licenses	168,712	60,097	(57,365)	-	200	-	171,644
Notes receivable	2,882,456	-	-	-	(2,882,456)	-	-
Prepaid rent and other deposits	933,971	237,599	-	-	-	-	1,171,570
Advances to contractors and projects	476,570	1,738,886	-	-	-	-	2,215,456
Receivable from NGCP	146,714	-	(146,714)	-	-	-	-
Bearer biological assets - net	127,015	17,248	-	-	-	-	144,263
Others	437,443	568,387	-	-	-	-	1,005,830
Total	P59,688,937	P2,984,539	(P798,391)	P -	(P2,866,138)	P -	P59,008,947

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

SCHEDULE E - LONG-TERM DEBT

AS OF DECEMBER 31, 2017
(Amounts in Thousands)

Name of Issuer and Type of Obligation	Amount Authorized by Indentures	Amount Shown as Current	Amount Shown as Long-Term	Remarks
Parent Company:				
First Metro Investment Corporation	7,959,742	-	7,959,742	
BPI Capital Corporation	23,856,002	-	23,856,002	
Subsidiaries:				
Aboitiz Power Corporation	12,901,982	-	12,901,982	
AP Renewables, Inc.	10,410,513	1,769,664	8,640,849	
Hedcor, Inc.	537,468	-	537,468	
Hedcor Bukidnon, Inc.	9,204,359	-	9,204,359	
Hedcor Sibulan, Inc.	4,053,196	-	4,053,196	
Cotabato Light and Power Company	176,400	30,150	146,250	
Davao Light & Power Company, Inc.	882,000	150,750	731,250	
Subic Enerzone Corporation	226,000	56,500	169,500	
Pagbilao Energy Corporation	13,781,094	440,995	13,340,099	
Luzon Hydro Corporation	1,102,602	-	1,102,602	
Therma Power, Inc.	14,893,383	14,893,383	-	
Therma South, Inc.	22,456,980	1,281,262	21,175,718	
Therma Visayas, Inc.	29,532,592	1,869,922	27,662,670	
GMCP	30,421,764	-	30,421,764	
Visayan Electric Company	1,173,167	200,125	973,042	
Pilmico Foods Corporation	2,820,474	19,583	2,800,891	
Pilmico Animal Nutrition Corp.	2,678,769	9,996	2,668,773	
Pilmico Animal Nutrition Joint Stock Company (JSC)	18,560	-	18,560	
Total	**P189,087,047**	**P20,722,330**	**P168,364,717**	

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

SCHEDULE H - CAPITAL STOCK

AS OF DECEMBER 31, 2017
(Amounts in Thousands)

Title of Issue	Number of Shares Authorized	Number of Shares Issued and Outstanding	Number of Shares Reserved for Options, Warrants, Conversions, and Other Rights	Number of Shares Held By		
				Affiliates	Directors, Officers and Employees	Others
COMMON SHARES	9,600,000	5,633,793	-	2,737,173	383,732	2,512,888
PREFERRED SHARES	400,000	-	-	-	-	-

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

SCHEDULE I - TRADE AND OTHER RECEIVABLES FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS

AS DECEMBER 31, 2017
(Amounts in Thousands)

Related Party	Balances			Volume			Terms
	Trade	Non-trade	Total	Sales	Rental	Advances	
TRADE							
Pilmico Foods Corporation	P -	P -	P -	P 286,535	P 1,919	P -	30 days
Pilmico Animal Nutrition Corporation	1,438	-	1,438	13,724	37	-	30 days
Filagri, Inc.	-	-	-	4	-	-	30 days
AEV Aviation, Inc.	-	-	-	2,066	2	-	30 days
Cebu Praedia Development Corporation	8	-	8	2,195		-	30 days
Aboitiz Infracapital, Inc.	4,127	-	4,127	11,249	783	-	30 days
APO Agua Infrastructura, Inc.	-	-	-	3,144	26	-	30 days
Lima Water Coporation	571	-	571	873	-	-	30 days
Weather Solutions, Inc.	44	-	44	-	-	-	30 days
PETNET, Inc.	595	-	595	5,061	21	-	30 days
Aboitizland, Inc.	5,113	-	5,113	29,158	3,216	-	30 days
Cebu Industrial Park Developers, Inc.	44	-	44	2,107	-	-	30 days
Lima Land, Inc.	224	-	224	3,691	-	-	30 days
Misamis Oriental Land Development Corp.	-	-	-	540	-	-	
Aboitiz Power Corporation	34,354	-	34,354	88,603	2,017	-	30 days
Aboitiz Energy Solutions, Inc.	36	-	36	2,315	1	-	30 days
Aboitiz Power Distributed Energy, Inc.	-	-	-	348	-	-	30 days
Aboitiz Renewables, Inc.	43,211	-	43,211	73,640	-	-	30 days
Abovant Holdings, Inc.	-	-	-	72	-	-	30 days
Adventenergy, Inc.	-	-	-	756	-	-	30 days
AP Renewables, Inc.	(791)	-	(791)	15,577	62	-	30 days
Aseagas Corporation	-	-	-	2,391	7	-	30 days
Balamban Enerzone Corp.	20	-	20	1,695	-	-	30 days
Cebu Private Power Corporation	86	-	86	2,934	10	-	30 days
Cotabato Ice Plant, Inc.	(727)	-	(727)	-	-	-	30 days
Cotabato Light and Power Company	444	-	444	3,891	1	-	30 days
Davao Light and Power Co., Inc.	(297)	-	(297)	69,383	16	-	30 days
East Asia Utilities Corp.	399	-	399	2,158	-	-	30 days
Hedcor Bukidnon, Inc.	674	-	674	4,717	12	-	30 days
Hedcor Sabangan, Inc.	85	-	85	645	-	-	30 days
Hedcor Sibulan, Inc.	795	-	795	5,660	-	-	30 days
Hedcor Tudaya, Inc.	79	-	79	586	-	-	30 days
Hedcor, Inc.	2,543	-	2,543	9,896	27	-	30 days
Hijos de F. Escano, Inc.	-	-	-	55	-	-	30 days
Lima Enerzone Corporation	3,179	-	3,179	12,839	-	-	30 days
Luzon Hydro Corporation	387	-	387	2,730	-	-	30 days
Mactan Enerzone Corporation	297	-	297	6,553	-	-	30 days
Manila-Oslo Renewable Enterprise, Inc.	445	-	445	2,844	9	-	30 days
Prism Energy, Inc.	-	-	-	620	-	-	30 days
San Carlos Sun Power, Inc.	211	-	211	1,277	-	-	30 days
SN Aboitiz Power - Benguet	634	-	634	3,242	2	-	30 days
SN Aboitiz Power - Generation	14	-	14	335	-	-	30 days
SN Aboitiz Power - Magat	-	-	-	3,651	2	-	30 days
SN Aboitiz Power - Res, Inc.	-	-	-	5	-	-	30 days
SN Power Philippines, Inc.	-	-	-	513	-	-	30 days
Subic Enerzone Corporation	2,619	-	2,619	19,116	-	-	30 days
Therma Luzon, Inc.	(820)	-	(820)	5,699	38	-	30 days
Therma Marine, Inc.	839	-	839	7,914	23	-	30 days
Therma Mobile, Inc.	297	-	297	3,852	71	-	30 days
Therma Power Visayas, Inc.	4,536	-	4,536	21,826	60		30 days
Therma Power, Inc.	90	-	90	1,071	-	-	30 days
Therma South, Inc.	3,769	-	3,769	22,579	35	-	30 days
Visayan Electric Company	99,759	-	99,759	283,518	16	-	30 days
NON-TRADE							
Cebu Praedia Development Corporation	-	131,458	131,458	-	-	130,000	on demand
Pilmico Foods Corporation	-	295,812	295,812	-	-	290,000	on demand
Adventenergy, Inc.	-	300,000	300,000	-	-	300,000	on demand
Total	P 209,331	P 727,270	P 936,601	P 1,045,853	P 8,413	P 720,000	

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

SCHEDULE J- TRADE AND OTHER PAYABLES TO RELATED PARTIES
WHICH ARE ELIMINATED DURING THE CONSOLIDATION
OF FINANCIAL STATEMENTS

AS DECEMBER 31, 2017
(Amounts in Thousands)

Related Party	Balances			Volume			Terms
	Trade	Non-trade	Total	Purchases	Rental	Advances	
AEV Aviation, Inc.	P -	P -	P -	P -	P 25,160	P -	on demand
Cebu Praedia Development Corporation	-	555	555	-	7,607	-	on demand
Total	P -	P 555	P 555	P -	P 32,767	P -	

Aboitiz Equity Ventures, Inc.
32nd Street, Bonifacio Global City
Taguig City, Metro Manila

Statement of Reconciliation of Retained Earnings Available for Dividend Declaration
For the year ended December 31, 2017
(Amounts in Philippine Currency and in Thousands)

Unappropriated Retained Earnings, beginning	**24,573,776**
Adjustments:	
Less: **Unrealized income, net of tax**	
Unrealized foreign exchange gains - net (except those attributable to Cash and Cash Equivalents)	-
Add: **Effect of changes in accounting for employee benefits (PAS 19)**	-
Less: **Adjustments directly made to retained earnings:**	
Treasury Shares	521,132
Unappropriated Retained Earnings, as adjusted to available for dividend distribution, beginning	**24,052,644**
Net Income based on the face of audited financial statements	8,492,206
Less: **Unrealized income, net of tax**	
Unrealized foreign exchange gains - net (except those attributable to Cash and Cash Equivalents)	-
Net Income Realized	**8,492,206**
Less: **Adjustments directly made to retained earnings:**	
Cash dividends paid	7,492,944
Appropriations of Retained Earnings during the period	(1,095,000)
Treasury Shares sold	-
Retained Earnings available for Dividend, as of year-end	**26,146,906**

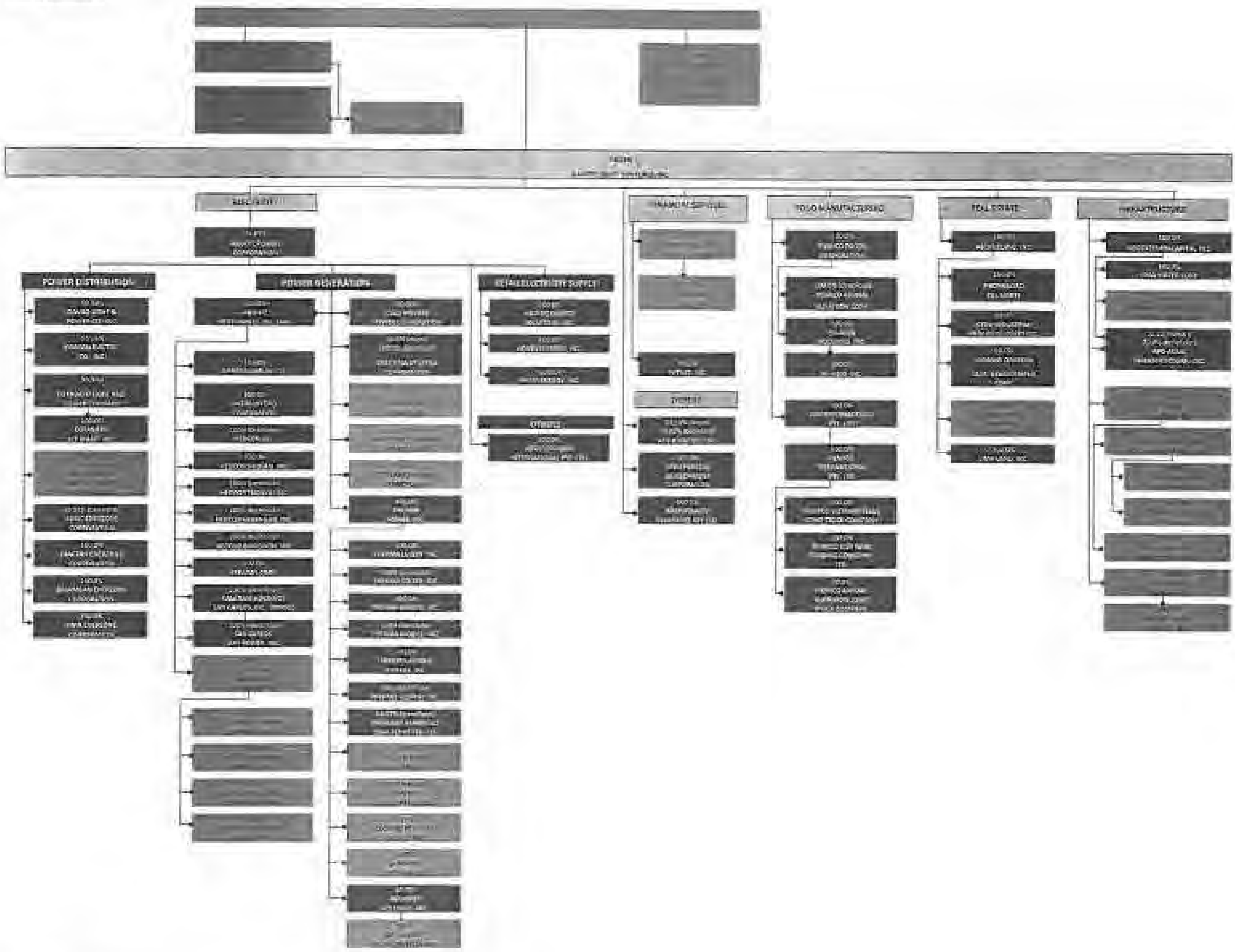
ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

SCHEDULE OF RELEVANT FINANCIAL RATIOS

	FORMULA	DEC 2016	DEC 2017
LIQUIDITY RATIOS			
Current ratio	Current assets / Current liabilities	2.51	1.56
Acid test ratio	Cash + Marketable Securities + Accounts Receivable + Other Liquid Assets / Current liabilities	2.09	1.25
SOLVENCY RATIOS			
Debt to equity ratio	Total liabilities / Total equity	1.68	1.56
Asset to equity ratio	Total assets / Total equity	2.68	2.56
Net debt to equity ratio	Debt - cash & cash equivalents / Total equity	1.11	1.02
Gearing ratio	Debt - cash & cash equivalents / Total equity + (Debt - cash & cash equivalents)	52.40%	50.25%
Interest coverage ratio	EBIT / Net interest expense	5.05	3.88
PROFITABILITY RATIOS			
Operating Margin	Operating Profit / Total revenues	24.8%	24.3%
Return on Equity	Net income after tax / Total equity (adjusted for cash dividend)	16.54%	14.46%

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES
CONGLOMERATE MAPPING
As of December 31, 2017

Legend:
- Parent Company
- Reporting Company
- Co-Subsidiary
- Subsidiary
- Associate or Joint Venture
- Other Related Parties



Aboitiz Equity Ventures, Inc. and Subsidiaries

Schedule of Philippine Financial Reporting Standards and Interpretations
Effective as of December 31, 2017

Standards and Interpretations		Remarks
Philippine Financial Reporting Standards (PFRS)		
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	Adopted
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters	Not Applicable
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters	Not Applicable
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters	Not Applicable
	Amendments to PFRS 1: Government Loans	Not Applicable
PFRS 2	Share-based Payment	Not Applicable
	Amendments to PFRS 2: Vesting Conditions and Cancellations	Not Applicable
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions	Not Applicable
	Amendments to PFRS 2: Definition of Vesting Condition	Not Applicable
PFRS 3 (Revised)	Business Combinations	Adopted
	Amendments to PFRS 3: Accounting for Contingent Consideration in a Business Combination	Adopted
	Amendments to PFRS 3: Scope Exceptions for Joint Ventures	Adopted
PFRS 4	Insurance Contracts	Adopted
	Amendments to PFRS 4: Financial Guarantee Contracts	Adopted
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations	Adopted
	Amendment to PFRS 5: Changes in Methods of Disposal	Adopted
PFRS 6	Exploration for and Evaluation of Mineral Resources	Not Applicable
PFRS 7	Financial Instruments: Disclosures	Adopted
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	Adopted
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	Adopted
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	Adopted
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	Adopted
	Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities	Adopted
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures	See footnote[1]
	Amendments to PFRS 7: Additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in PFRS 9	See footnote[1]
	Amendments to PFRS 7: Servicing Contracts	Adopted
	Amendments to PFRS 7: Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements	Adopted
PFRS 8	Operating Segments	Adopted
	Amendments to PFRS 8: Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets	Adopted
PFRS 9	Financial Instruments: Classification and Measurement of Financial Assets	Not Early Adopted
	Financial Instruments: Classification and Measurement of Financial Liabilities	Not Early Adopted
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures	See footnote[1]
	PFRS 9, Financial Instruments (Hedge Accounting and amendments to PFRS 9, PFRS 7 and PAS 39)	See footnote[1]
	PFRS 9, Financial Instruments (2014)	See footnote[1]
	Amendments to PFRS 9: Prepayment Features with Negative Compensation	See footnote[1]
PFRS 10	Consolidated Financial Statements	Adopted
	Amendments to PFRS 10: Transition Guidance	Adopted
	Amendments to PFRS 10: Investment Entities	Adopted
	Amendments to PFRS 10: Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture	See footnote[1]
	Amendments to PFRS 10: Investment Entities: Applying the Consolidation Exception	Not Applicable

Schedule of Philippine Financial Reporting Standards and Interpretations
Effective as of December 31, 2017

Standards and Interpretations		Remarks
Philippine Financial Reporting Standards (PFRS)		
PFRS 11	Joint Arrangements	Adopted
	Amendments to PFRS 11: Transition Guidance	Adopted
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations	Adopted
PFRS 12	Disclosure of Interests in Other Entities	Adopted
	Amendments to PFRS 12: Transition Guidance	Adopted
	Amendments to PFRS 12: Investment Entities	Adopted
	Amendment to PFRS 12, Clarification of the Scope of the Standard	Adopted
PFRS 13	Fair Value Measurement	Adopted
	Amendments to PFRS 13: Short-term Receivables and Payables	Adopted
	Amendments to PFRS 13: Portfolio Exception	Adopted
PFRS 14	Regulatory Deferral Accounts	Not Applicable
PFRS 15	Revenue from Contracts with Customers	See footnote[1]
PFRS 16	Leases	See footnote[1]
Philippine Accounting Standards (PAS)		
PAS 1 (Revised)	Presentation of Financial Statements	Adopted
	Amendment to PAS 1: Capital Disclosures	Adopted
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	Adopted
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	Adopted
	Amendment to PAS 1: Disclosure Initiative	Adopted
PAS 2	Inventories	Adopted
PAS 7	Statement of Cash Flows	Adopted
	Amendment to PAS 7: Disclosure Initiative	Adopted
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	Adopted
PAS 10	Events after the Reporting Period	Adopted
PAS 11	Construction Contracts	Adopted
PAS 12	Income Taxes	Adopted
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	Adopted
	Amendments to PAS 12, Income Taxes, Recognition of Deferred Tax Assets for Unrealized Losses	Adopted
PAS 16	Property, Plant and Equipment	Adopted
	Amendments to PAS 16: Revaluation Method - Proportionate Restatement of Accumulated Amortization	Adopted
	Amendments to PAS 16: Clarification of Acceptable Methods of Depreciation and Amortization	Adopted
	Amendments to PAS 16: Bearer Plants	Not Applicable
PAS 17	Leases	Adopted
PAS 18	Revenue	Adopted
PAS 19 (Amended)	Employee Benefits	Adopted
	Amendments to PAS 19: Defined Benefit Plans: Employee Contributions	Adopted
	Amendment to PAS 19: Discount Rate: Regional Market Issue	Adopted
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance	Not Applicable
PAS 21	The Effects of Changes in Foreign Exchange Rates	Adopted
	Amendment: Net Investment in a Foreign Operation	Adopted
PAS 23 (Revised)	Borrowing Costs	Adopted
PAS 24 (Revised)	Related Party Disclosures	Adopted
	Amendments to PAS 24: Key Management Personnel Services	Adopted
PAS 26	Accounting and Reporting by Retirement Benefit Plans	Adopted
PAS 27 (Amended)	Separate Financial Statements	Adopted
	Amendments to PAS 27 (Amended): Investment Entities	Adopted
	Amendments to PAS 27: Equity Method in Separate Financial Statements	Adopted

Schedule of Philippine Financial Reporting Standards and Interpretations
Effective as of December 31, 2017

Standards and Interpretations		Remarks
Philippine Financial Reporting Standards (PFRS)		
PAS 28 (Amended)	Investments in Associates and Joint Ventures	Adopted
	Amendments to PAS 28, Investment Entities: Applying the Consolidation Exception	See footnote[1]
	Amendments to PAS 28: Measuring an Associate or Joint Venture at Fair Value	See footnote[1]
	Amendments to PAS 28: Long-term interests in Associates and Joint Ventures	See footnote[1]
	Amendments to PFRS 10 and PAS 28: Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture	See footnote[1]
PAS 29	Financial Reporting in Hyperinflationary Economies	Not Applicable
PAS 32	Financial Instruments: Disclosure and Presentation	Adopted
	Financial Instruments: Presentation	Adopted
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	Adopted
	Amendment to PAS 32: Classification of Rights Issues	Adopted
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	Adopted
PAS 33	Earnings per Share	Adopted
PAS 34	Interim Financial Reporting	Adopted
	Amendment to PAS 34: Disclosure of Information 'Elsewhere in the Interim Financial Report'	Adopted
PAS 36	Impairment of Assets	Adopted
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-financial Assets	Adopted
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	Adopted
PAS 38	Intangible Assets	Adopted
	Amendments to PAS 38: Revaluation Method - Proportionate Restatement of Accumulated Amortization	Adopted
	Amendments to PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization	See footnote[1]
PAS 39	Financial Instruments: Recognition and Measurement	Adopted
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	Adopted
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions	Adopted
	Amendments to PAS 39: The Fair Value Option	Adopted
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts	Adopted
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	Adopted
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets – Effective Date and Transition	Adopted
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives	Adopted
	Amendment to PAS 39: Eligible Hedged Items	Adopted
	Amendments to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting	Adopted
PAS 40	Investment Property	Adopted
	Amendments to PAS 40: Clarifying the Interrelationship Between PFRS 3 and PAS 40 when Classifying Property as Investment Property or Owner-occupied Property	Adopted
	Amendments to PAS 40: Investment Property, Transfers of Investment Property	See footnote[1]
PAS 41	Agriculture	Adopted
	Amendments to PAS 41: Bearer Plants	Not Applicable

Philippine Interpretations - International Financial Reporting Interpretations Committee (IFRIC)

IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities	Adopted
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments	Not Applicable
IFRIC 4	Determining Whether an Arrangement Contains a Lease	Adopted
IFRIC 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	Not Applicable
IFRIC 6	Liabilities Arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment	Not Applicable
IFRIC 7	Applying the Restatement Approach under PAS 29, Financial Reporting in Hyperinflationary Economies	Not Applicable
IFRIC 8	Scope of PFRS 2	Not Applicable

Schedule of Philippine Financial Reporting Standards and Interpretations
Effective as of December 31, 2017

Standards and Interpretations		Remarks
Philippine Financial Reporting Standards (PFRS)		
IFRIC 9	Reassessment of Embedded Derivatives	Adopted
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives	Adopted
IFRIC 10	Interim Financial Reporting and Impairment	Adopted
IFRIC 11	Scope of PFRS 2	Not Applicable
IFRIC 12	Service Concession Arrangements	Adopted
IFRIC 13	Customer Loyalty Programmes	Adopted
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	Adopted
	Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement	Adopted
IFRIC 15	Agreements for the Construction of Real Estate	Effective date deferred
IFRIC 16	Hedges of a Net Investment in a Foreign Operation	Not Applicable
IFRIC 17	Distributions of Non-cash Assets to Owners	Adopted
IFRIC 18	Transfers of Assets from Customers	Adopted
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	Adopted
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine	Not Applicable
IFRIC 21	Levies	Adopted
IFRIC 22	Foreign Currency Transactions and Advance Consideration	See footnote[1]
IFRIC 23	Uncertainty over Income Tax Treatments	See footnote[1]

Philippine Interpretations - Standing Interpretations Committee (SIC)

SIC 7	Introduction of the Euro	Not Applicable
SIC 10	Government Assistance - No Specific Relation to Operating Activities	Not Applicable
SIC 12	Consolidation - Special Purpose Entities	Adopted
	Amendment to SIC - 12: Scope of SIC 12	Adopted
SIC 13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers	Adopted
SIC 15	Operating Leases - Incentives	Adopted
SIC 21	Income Taxes - Recovery of Revalued Non-Depreciable Assets	Adopted
SIC 25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders	Adopted
SIC 27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	Adopted
SIC 29	Service Concession Arrangements: Disclosures	Adopted
SIC 31	Revenue - Barter Transactions Involving Advertising Services	Not Applicable
SIC 32	Intangible Assets - Web Site Costs	Adopted

[1] Effective subsequent to December 31, 2017

aboitiz
Equity Ventures

SECURITIES & EXCHANGE COMMISSION
SEC Building, EDSA Greenhills
Mandaluyong, Metro Manila

STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS

The management of **Aboitiz Equity Ventures, Inc. (Parent)** is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2016 and 2015, 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 or members.

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 or members, has expressed its opinion on the fairness of [redacted] of such audit.

JON RAMON M. ABOITIZ
Chairman of the Board

[redacted]

ERRAMON I. ABOITIZ
President & Chief Executive Officer

[redacted]

MANUEL R. LOZANO
Senior Vice President - Chief Financial Officer

Signed this 7th day of March, 2017.

Passion for better ways
www.aboitiz.com

aboitiz
Equity Ventures

Republic of the Philippines)
Taguig City) S.S.

Before me, a notary public in and for the city named above, personally appeared:

Name	Passport/CTC	Date/Place Issued
Jon Ramon M. Aboitiz	[redacted]	[redacted]
Erramon I. Aboitiz		
Manuel R. Lozano		

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 2 2 2017 day of ________ 2017.

Doc. No. 98 ;
Page No. 21 ;
Book No. I ;
Series of 2017.

ATTY. RACQUEL ROSE M. GUMIA
ROLL NO. 60028
NOTARY PUBLIC
TAGUIG CITY, PHILS.

[redacted]
Notary Public for Taguig City
Notarial Commission No. 51
Until December 31, 2018
NAC Tower, 32nd Street, Bonifacio Global City, Taguig City
PTR No. A-3162202; Taguig City; January 04, 2017
IBP No. 010832; Davao City; March 19, 2017
Roll No. 60028
MCLE No. V-0011250

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BOA/PRC Reg. No. 0001,
December 14, 2015, valid until December 31, 2018
SEC Accreditation No. 0012-FR-4 (Group A),
November 10, 2015, valid until November 9, 2018

INDEPENDENT AUDITOR'S REPORT

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, 2016 and 2015, 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, 2016, 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, 2016 and 2015, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2016 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.

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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.

Accounting for Business Combinations: Acquisition of GNPower Mariveles Coal Plant Ltd. Co. (GMCP) and GNPower Dinginin Ltd. Co. (GNPD)

As disclosed in Note 9 to the consolidated financial statements, on October 4, 2016, the Group, through Therma Power, Inc. (TPI), entered into a Purchase and Sale Agreement to acquire partnership interests in GMCP and GNPD held by affiliated investment funds of The Blackstone Group L.P. for US$1.2 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's judgment involved in determining the acquisition date and the existence of control.

Philippine Financial Reporting Standards (PFRS) 3, *Business Combinations*, allows the fair value of assets acquired to be continually refined for a period of one year after the acquisition date in cases where judgment is required to ensure the adjustments made reflect new information obtained about facts and circumstances that existed as of acquisition date. As of December 31, 2016, the accounting for this business combination was provisionally determined.

Audit Response
We obtained an understanding of the transaction through discussions with management and our review of the Purchase and Sale Agreement. We also reviewed management's accounting for the business acquisition, including the provisional purchase price allocation and goodwill, and the assessment of control in accordance with PFRS 3, *Business Combinations*, and PFRS 10, *Consolidated Financial Statements*. We evaluated management's assessment of the acquisition date and performed procedures to check the results of operations commencing from the acquisition date. We also evaluated the presentation and the disclosure of the transaction in the consolidated financial statements.

Accounting for Business Combinations: Increased ownership in East Asia Utilities Corporation (EAUC)

As disclosed in Note 9 to the consolidated financial statements, on June 14, 2016, Aboitiz Power Corporation (APC), through TPI, acquired the remaining 50% ownership interest in EAUC from El Paso Philippines Energy Company, Inc. for ₱513.2 million, and consolidated EAUC as of the acquisition date. As of December 31, 2016, EAUC is a wholly owned subsidiary of APC. Based on the quantitative materiality of the acquisition and the significant degree of management judgment that the remeasurement of previously-held interest and purchase price allocation requires, we have determined this to be a key audit matter.

Audit response
We reviewed the sale/purchase agreement covering the acquisition and evaluated the payment of the purchase price to the sellers. We also involved our internal specialist in reviewing the valuation methodologies and assumptions used in valuing acquired assets, including the fair value of the previously-held interest. We then compared the key assumptions used in the provisional purchase price allocation against historical trends and external data.

Revenue Recognition of Distribution Utilities

The Group's revenue from the sale of electricity accounts for 38% 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. Disclosures related to this matter are provided in Notes 3 and 25 of 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.

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. AEV'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 receivables, which requires significant management judgment. The Group's disclosure on investments in associates is in Note 10 to the consolidated financial statements.

Audit Response
Our audit procedures included, among other things, requesting the statutory auditor of UBP to perform an audit on the relevant financial information of UBP for the purpose of the consolidated financial statements of the Group. We met with the statutory auditor of UBP and discussed the risk assessment, audit strategy and significant developments in UBP. We also performed a review of the working papers at the statutory auditor's office, which included a review of the loans and receivables of UBP including the inputs and assumptions for specific and collective impairment assessment. We recomputed the Group's share in the net income of UBP and assessed the disclosures on the investment in associate in the consolidated financial statements.

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Consolidation Process

As disclosed in Note 2 to the consolidated financial statements, 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 and business segment information are in Notes 3 and 33 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, 2016, 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, 2016 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 Leovina Mae V. Chu.

SYCIP GORRES VELAYO & CO.

[redacted]

Leovina Mae V. Chu
Partner
CPA Certificate No. 99910
SEC Accreditation No. 1199-AR-1 (Group A),
June 22, 2015, valid until June 21, 2018
Tax Identification No. 209-316-911
BIR Accreditation No. 08-001998-96-2015
January 5, 2015, valid until January 4, 2018
PTR No. 5908776, January 3, 2017, Makati City

March 7, 2017

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November 10, 2015, valid until November 9, 2018

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
Aboitiz Equity Ventures, Inc.

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, 2016 and 2015, 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, 2016, 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, 2016 and 2015, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2016 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.

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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.

Accounting for Business Combinations: Acquisition of GNPower Mariveles Coal Plant Ltd. Co. (GMCP) and GNPower Dinginin Ltd. Co. (GNPD)

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Audit Response
We obtained an understanding of the transaction through discussions with management and our review of the Purchase and Sale Agreement. We also reviewed management's accounting for the business acquisition, including the provisional purchase price allocation and goodwill, and the assessment of control in accordance with PFRS 3, *Business Combinations*, and PFRS 10, *Consolidated Financial Statements*. We evaluated management's assessment of the acquisition date and performed procedures to check the results of operations commencing from the acquisition date. We also evaluated the presentation and the disclosure of the transaction in the consolidated financial statements.

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Audit response
We reviewed the sale/purchase agreement covering the acquisition and evaluated the payment of the purchase price to the sellers. We also involved our internal specialist in reviewing the valuation methodologies and assumptions used in valuing acquired assets, including the fair value of the previously-held interest. We then compared the key assumptions used in the provisional purchase price allocation against historical trends and external data.

Revenue Recognition of Distribution Utilities

The Group's revenue from the sale of electricity accounts for 38% 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. Disclosures related to this matter are provided in Notes 3 and 25 of 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.

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. AEV'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 receivables, which requires significant management judgment. The Group's disclosure on investments in associates is in Note 10 to the consolidated financial statements.

Audit Response
Our audit procedures included, among other things, requesting the statutory auditor of UBP to perform an audit on the relevant financial information of UBP for the purpose of the consolidated financial statements of the Group. We met with the statutory auditor of UBP and discussed the risk assessment, audit strategy and significant developments in UBP. We also performed a review of the working papers at the statutory auditor's office, which included a review of the loans and receivables of UBP including the inputs and assumptions for specific and collective impairment assessment. We recomputed the Group's share in the net income of UBP and assessed the disclosures on the investment in associate in the consolidated financial statements.

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Consolidation Process

As disclosed in Note 2 to the consolidated financial statements, 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 and business segment information are in Notes 3 and 33 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, 2016, 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, 2016 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 Leovina Mae V. Chu.

SYCIP GORRES VELAYO & CO.

[redacted]

Leovina Mae V. Chu
Partner
CPA Certificate No. 99910
SEC Accreditation No. 1199-AR-1 (Group A),
June 22, 2015, valid until June 21, 2018
Tax Identification No. 209-316-911
BIR Accreditation No. 08-001998-96-2015
January 5, 2015, valid until January 4, 2018
PTR No. 5908776, January 3, 2017, Makati City

March 7, 2017

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BOA/PRC Reg. No. 0001,
December 14, 2015, valid until December 31, 2018
SEC Accreditation No. 0012-FR-4 (Group A),
November 10, 2015, valid until November 9, 2018

INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY SCHEDULES

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, 2017. 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.

[redacted]

Leovina Mae V. Chu
Partner
CPA Certificate No. 99910
SEC Accreditation No. 1199-AR-1 (Group A),
June 22, 2015, valid until June 21, 2018
Tax Identification No. 209-316-911
BIR Accreditation No. 08-001998-96-2015
January 5, 2015, valid until January 4, 2018
PTR No. 5908776, January 3, 2017, Makati City

March 7, 2017

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Amounts in Thousands)

	December 31	
	2016	2015
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	**₱63,857,528**	₱63,581,884
Trade and other receivables (Note 5)	**21,732,203**	18,828,936
Inventories (Note 6)	**10,221,448**	7,945,304
Derivative asset (Note 36)	**188,417**	185,283
Other current assets (Notes 7 and 8)	**9,579,230**	6,492,012
Total Current Assets	**105,578,826**	97,033,419
Noncurrent Assets		
Property, plant and equipment (Notes 13 and 19)	**201,894,769**	143,997,702
Investments and advances (Note 10)	**86,950,461**	73,435,061
Investment properties (Notes 14 and 29)	**5,372,390**	5,183,780
Intangible asset - service concession rights (Note 15)	**3,222,123**	3,226,536
Land and improvements (Note 13)	**3,525,381**	2,960,646
Goodwill (Notes 9 and 12)	**38,174,105**	2,073,972
Deferred income tax assets (Note 31)	**2,207,259**	699,549
Trade receivables - net of current portion (Note 5)	**277,771**	224,395
Derivative asset - net of current portion (Note 36)	**977,769**	378,083
Available-for-sale (AFS) investments (Note 3)	**563,748**	367,716
Net pension assets (Note 30)	**115,264**	106,621
Other noncurrent assets (Notes 8 and 16)	**15,217,185**	10,430,383
Total Noncurrent Assets	**358,498,225**	243,084,444
TOTAL ASSETS	**₱464,077,051**	₱340,117,863
LIABILITIES AND EQUITY		
Current Liabilities		
Bank loans (Note 17)	**₱8,259,028**	₱8,883,056
Trade and other payables (Notes 18, 34 and 38)	**22,210,909**	18,565,557
Derivative liability (Note 36)	**127,442**	–
Current portions of:		
Long-term debts (Note 19)	**7,698,261**	3,133,346
Long-term obligation on Power Distribution System (PDS) (Note 15)	**40,000**	40,000
Obligations under finance lease (Notes 13 and 22)	**2,968,491**	2,583,754
Income tax payable	**685,215**	957,497
Total Current Liabilities	**41,989,346**	34,163,210

(Forward)

	December 31	
	2016	2015
Noncurrent Liabilities		
Noncurrent portions of:		
Obligations under finance lease (Notes 13 and 22)	**₱49,371,713**	₱51,085,100
Long-term debts (Note 19)	**187,533,762**	95,414,386
Long-term obligations on PDS (Note 15)	**197,248**	207,184
Trade payables (Notes 18 and 34)	**578,892**	302,202
Derivative liability - net of current portion (Note 36)	**233,435**	–
Customers' deposits (Note 20)	**7,040,347**	6,581,459
Asset retirement obligation (Note 21)	**1,821,577**	3,016,528
Deferred income tax liabilities (Note 31)	**1,567,411**	1,607,906
Net pension liability (Note 30)	**347,699**	755,446
Total Noncurrent Liabilities	**248,692,084**	158,970,211
Total Liabilities	**290,681,430**	193,133,421
Equity Attributable to Equity Holders of the Parent		
Capital stock (Note 23)	**5,694,600**	5,694,600
Additional paid-in capital (Note 23)	**13,013,197**	7,683,568
Other equity reserves:		
Gain on dilution (Note 2)	**5,376,176**	5,376,176
Excess of book value over acquisition cost of an acquired subsidiary (Note 9)	**469,540**	469,540
Acquisition of non-controlling interests (Note 2)	**(1,577,075)**	(1,577,075)
Accumulated other comprehensive income:		
Net unrealized mark-to-market gains on AFS investments	**9,106**	14,188
Cumulative translation adjustments (Note 36)	**34,262**	176,379
Actuarial losses on defined benefit plans (Note 30)	**(783,891)**	(795,967)
Share in actuarial losses on defined benefit plans of associates and joint ventures (Note 10)	**(513,132)**	(334,456)
Share in cumulative translation adjustments of associates and joint ventures (Note 10)	**(95,378)**	(193,921)
Share in net unrealized mark-to-market losses on AFS investments of associates (Note 10)	**(3,938,424)**	(3,748,731)
Retained earnings (Note 24)		
Appropriated	**2,717,000**	–
Unappropriated	**120,390,178**	106,521,242
Treasury stock at cost (Note 23)	**(521,132)**	(1,065,585)
	140,275,027	118,219,958
Non-controlling Interests	**33,120,594**	28,764,484
Total Equity	**173,395,621**	146,984,442
TOTAL LIABILITIES AND EQUITY	**₱464,077,051**	₱340,117,863

See accompanying Notes to Consolidated Financial Statements.

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

(Amounts in Thousands, Except Earnings Per Share Amounts)

	Years Ended December 31		
	2016	2015	2014
REVENUES			
Sale of:			
Power and electricity (Note 25)	**₱88,585,890**	₱84,874,038	₱86,136,648
Goods	**21,848,393**	20,982,378	17,862,179
Real estate (Notes 13 and 25)	**2,440,854**	2,732,878	3,267,741
Fair value of swine (Note 8)	**1,854,053**	1,786,095	1,878,236
Service fees (Note 38)	**1,453,336**	827,222	252,028
Others (Note 34)	**232,554**	57,357	470,458
	116,415,080	111,259,968	109,867,290
COSTS AND EXPENSES			
Cost of generated and purchased power (Notes 6, 26, 27 and 38)	**46,226,259**	46,426,239	50,870,515
Cost of goods sold (Notes 6 and 27)	**18,886,189**	18,011,108	14,722,760
Operating expenses (Notes 27, 34, 38 and 39)	**21,187,182**	17,972,039	17,383,920
Cost of real estate sales (Note 6)	**1,084,740**	1,328,650	2,235,576
Overhead expenses (Note 27)	**109,671**	103,532	108,789
	87,494,041	83,841,568	85,321,560
OPERATING PROFIT	**28,921,039**	27,418,400	24,545,730
Share in net earnings of associates and joint ventures (Note 10)	**9,651,787**	6,589,452	7,244,241
Interest expense (Notes 22 and 35)	**(9,567,997)**	(7,881,566)	(6,696,445)
Interest income (Notes 4, 34 and 35)	**1,436,933**	1,132,001	591,136
Other income - net (Notes 5, 29 and 34)	**2,501,026**	224,010	1,906,530
INCOME BEFORE INCOME TAX	**32,942,788**	27,482,297	27,591,192
PROVISION FOR INCOME TAX (Note 31)	**4,289,663**	4,324,819	4,026,326
NET INCOME	**₱28,653,125**	₱23,157,478	₱23,564,866
ATTRIBUTABLE TO:			
Equity holders of the parent	**₱22,473,458**	₱17,679,116	₱18,380,620
Non-controlling interests	**6,179,667**	5,478,362	5,184,246
	₱28,653,125	₱23,157,478	₱23,564,866
EARNINGS PER SHARE (Note 32)			
Basic and diluted, for net income for the year attributable to ordinary equity holders of the parent	**₱4.017**	₱3.184	₱3.324

See accompanying Notes to Consolidated Financial Statements.

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in Thousands)

	Years Ended December 31		
	2016	2015	2014
NET INCOME ATTRIBUTABLE TO:			
Equity holders of the parent	**₱22,473,458**	₱17,679,116	₱18,380,620
Non-controlling interests	**6,179,667**	5,478,362	5,184,246
	28,653,125	23,157,478	23,564,866
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified to consolidated statements of income:			
Movement in net unrealized mark-to-market gains (losses) on AFS investments	**(5,848)**	(439)	1,405
Movement in cumulative translation adjustments, net of tax	**(203,067)**	174,906	64,539
Share in movement in cumulative translation adjustments of associates and joint ventures (Note 10)	**128,173**	119,113	13,068
Share in movement in net unrealized mark-to-market gains (losses) on AFS investments of associates (Note 10)	**(189,693)**	(2,245,010)	1,914,372
	(270,435)	(1,951,430)	1,993,384
Items that will not be reclassified to consolidated statements of income:			
Movement in actuarial gains (losses) on defined benefit plans, net of tax	**12,076**	(87,519)	149,154
Share in movement in actuarial losses on defined benefit plans of associates and joint ventures, net of tax	**(178,244)**	(8,751)	(172,593)
	(166,168)	(96,270)	(23,439)
TOTAL COMPREHENSIVE INCOME	**₱28,216,522**	₱21,109,778	₱25,534,811
ATTRIBUTABLE TO:			
Equity holders of the parent	**₱22,068,509**	₱15,543,938	₱20,353,550
Non-controlling interests	**6,148,013**	5,565,840	5,181,261
	₱28,216,522	₱21,109,778	₱25,534,811

See accompanying Notes to Consolidated Financial Statements.

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2016, 2015 AND 2014

(Amounts in Thousands, Except Dividends Per Share Amounts)

	Attributable to equity holders of the parent																
												Retained Earnings					
	Capital Stock: Common (Note 23)	Additional Paid-in Capital (Note 23)	Gain on Dilution (Note 2)	Excess of Book Value Over Acquisition Cost of an Acquired Subsidiary (Note 9)	Acquisition of Non-controlling Interest (Note 2)	Net Unrealized Mark-to-Market Gains on AFS Investments	Cumulative Translation Adjustment (Note 36)	Actuarial Losses on Defined Benefit Plans, net of tax (Note 30)	Share in Actuarial Losses on Defined Benefit Plans of Associates and Joint Ventures (Note 10)	Share in Cumulative Translation Adjustments of Associates and Joint Ventures (Note 10)	Share in Net Unrealized Mark to-Market Losses on AFS Investments of Associates (Note 10)	Appropriated (Note 24)	Unappropriated (Note 24)	Treasury Stock (Note 23)	Total	Non-controlling Interest	Total
Balances at January 1, 2016	₱5,694,600	₱7,683,568	₱5,376,176	₱469,540	(₱1,577,075)	₱14,188	₱176,379	(₱795,967)	(₱334,456)	(₱193,921)	(₱3,748,731)	₱–	₱106,521,242	(₱1,065,585)	₱118,219,958	₱28,764,484	₱146,984,442
Net income for the year	–	–	–	–	–	–	–	–	–	–	–	–	22,473,458	–	22,473,458	6,179,667	28,653,125
Other comprehensive income																	
Movement of net unrealized mark-to-market losses on AFS investments	–	–	–	–	–	(5,082)	–	–	–	–	–	–	–	–	(5,082)	(766)	(5,848)
Movement in cumulative translation adjustments	–	–	–	–	–	–	(142,117)	–	–	–	–	–	–	–	(142,117)	(60,950)	(203,067)
Actuarial gains on defined benefit plans, net of tax	–	–	–	–	–	–	–	12,076	–	–	–	–	–	–	12,076	–	12,076
Share in movement in actuarial losses on defined benefit plan of associates and joint ventures	–	–	–	–	–	–	–	–	(178,676)	–	–	–	–	–	(178,676)	432	(178,244)
Share in cumulative translation adjustment of associates and joint ventures	–	–	–	–	–	–	–	–	–	98,543	–	–	–	–	98,543	29,630	128,173
Share in movement in unrealized mark-to-market losses on AFS investments of associates	–	–	–	–	–	–	–	–	–	–	(189,693)	–	–	–	(189,693)	–	(189,693)
Total comprehensive income (loss) for the year	–	–	–	–	–	(5,082)	(142,117)	12,076	(178,676)	98,543	(189,693)	–	22,473,458	–	22,068,509	6,148,013	28,216,522
Cash dividends - ₱1.06 per share (Note 24)	–	–	–	–	–	–	–	–	–	–	–		(5,887,522)	–	(5,887,522)	–	(5,887,522)
Appropriation during the year	–	–	–	–	–	–	–	–	–	–	–	2,717,000	(2,717,000)	–	–	–	–
Cash dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	(4,456,950)	(4,456,950)
Sale of treasury shares	–	5,329,629	–	–		–	–	–	–	–	–	–	–	544,453	5,874,082	–	5,874,082
Changes in non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	2,665,047	2,665,047
Balances at December 31, 2016	₱5,694,600	₱13,013,197	₱5,376,176	₱469,540	(₱1,577,075)	₱9,106	₱34,262	(₱783,891)	(₱513,132)	(₱95,378)	(₱3,938,424)	₱2,717,000	₱120,390,178	(₱521,132)	₱140,275,027	₱33,120,594	₱173,395,621

	Attributable to equity holders of the parent															
	Capital Stock: Common (Note 23)	Additional Paid-in Capital (Note 23)	Gain on Dilution (Note 2)	Excess of Book Value Over Acquisition Cost of an Acquired Subsidiary (Note 9)	Acquisition of Non-controlling Interest (Note 2)	Net Unrealized Mark-to-Market Gains on AFS Investments	Cumulative Translation Adjustment (Note 36)	Actuarial Losses on Defined Benefit Plans, net of tax (Note 30)	Share in Actuarial Losses on Defined Benefit Plans of Associates and Joint Ventures (Note 10)	Share in Cumulative Translation Adjustments of Associates and Joint Ventures (Note 10)	Share in Net Unrealized Mark to-Market Losses on AFS Investments of Associates (Note 10)	Retained Earnings (Note 24)	Treasury Stock (Note 23)	Total	Non-controlling Interest	Total
Balances at January 1, 2015	₱5,694,600	₱6,911,044	₱5,376,176	₱469,540	(₱1,577,075)	₱14,627	₱35,533	(₱708,448)	(₱315,444)	(₱277,293)	(₱1,496,305)	₱94,995,596	(₱1,178,397)	₱107,944,154	₱26,990,810	₱134,934,964
Net income for the year	–	–	–	–	–	–	–	–	–	–	–	17,679,116	–	17,679,116	5,478,362	23,157,478
Other comprehensive income																
Movement of net unrealized mark-to-market losses on AFS investments	–	–	–	–	–	(439)	–	–	–	–	–	–	–	(439)	–	(439)
Movement in cumulative translation adjustments	–	–	–	–	–	–	140,846	–	–	–	–	–	–	140,846	34,060	174,906
Actuarial losses on defined benefit plans, net of tax	–	–	–	–	–	–	–	(87,519)	–	–	–	–	–	(87,519)	–	(87,519)
Share in movement in actuarial losses on defined benefit plan of associates and joint ventures	–	–	–	–	–	–	–	–	(19,012)	–	–	–	–	(19,012)	10,261	(8,751)
Share in cumulative translation adjustment of associates and joint ventures	–	–	–	–	–	–	–	–	–	83,372	–	–	–	83,372	35,741	119,113
Share in movement in unrealized mark-to-market losses on AFS investments of associates	–	–	–	–	–	–	–	–	–	–	(2,252,426)	–	–	(2,252,426)	7,416	(2,245,010)
Total comprehensive income (loss) for the year	–	–	–	–	–	(439)	140,846	(87,519)	(19,012)	83,372	(2,252,426)	17,679,116	–	15,543,938	5,565,840	21,109,778
Cash dividends - ₱1.11 per share (Note 24)	–	–	–	–	–	–	–	–	–	–	–	(6,153,470)	–	(6,153,470)	–	(6,153,470)
Cash dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	–	–	(4,243,450)	(4,243,450)
Sale of treasury shares	–	772,524	–	–		–	–	–	–	–	–	–	112,812	885,336	–	885,336
Changes in non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	–	–	451,284	451,284
Balances at December 31, 2015	₱5,694,600	₱7,683,568	₱5,376,176	₱469,540	(₱1,577,075)	₱14,188	₱176,379	(₱795,967)	(₱334,456)	(₱193,921)	(₱3,748,731)	₱106,521,242	(₱1,065,585)	₱118,219,958	₱28,764,484	₱146,984,442

	Capital Stock: Common (Note 23)	Additional Paid-in Capital (Note 23)	Gain on Dilution (Note 2)	Excess of Book Value Over Acquisition Cost of an Acquired Subsidiary (Note 9)	Acquisition of Non-controlling Interest (Note 2)	Net Unrealized Mark-to-Market Gains on AFS Investments	Cumulative Translation Adjustment (Note 36)	Actuarial Losses on Defined Benefit Plans, net of tax (Note 30)	Share in Actuarial Losses on Defined Benefit Plans of Associates and Joint Ventures (Note 10)	Share in Cumulative Translation Adjustments of Associates and Joint Ventures (Note 10)	Share in Net Unrealized Mark to-Market Losses on AFS Investments of Associates (Note 10)	Retained Earnings (Note 24)	Treasury Stock (Note 23)	Total	Non-controlling Interest	Total
	Attributable to equity holders of the parent															
Balances at January 1, 2014	₱5,694,600	₱6,110,957	₱5,376,176	₱469,540	(₱1,262,862)	₱7,881	(₱14,534)	(₱857,602)	(₱156,925)	(₱295,546)	(₱3,403,534)	₱86,554,345	(₱1,295,163)	₱96,927,333	₱25,622,139	₱122,549,472
Net income for the year	–	–	–	–	–	–	–	–	–	–	–	18,380,620	–	18,380,620	5,184,246	23,564,866
Other comprehensive income																
Movement of net unrealized mark-to-market gains on AFS investments	–	–	–	–	–	6,746	–	–	–	–	–	–	–	6,746	(5,341)	1,405
Movement in cumulative translation adjustments	–	–	–	–	–	–	50,067	–	–	–	–	–	–	50,067	14,472	64,539
Actuarial gains on defined benefit plans, net of tax	–	–	–	–	–	–	–	149,154	–	–	–	–	–	149,154	–	149,154
Share in movement in actuarial losses on defined benefit plan of associates and joint ventures	–	–	–	–	–	–	–	–	(158,519)	–	–	–	–	(158,519)	(14,074)	(172,593)
Share in cumulative translation adjustment of associates and joint ventures	–	–	–	–	–	–	–	–	–	18,253	–	–	–	18,253	(5,185)	13,068
Share in movement in unrealized mark-to-market gains on AFS investments of associates	–	–	–	–	–	–	–	–	–	–	1,907,229	–	–	1,907,229	7,143	1,914,372
Total comprehensive income (loss) for the year	–	–	–	–	–	6,746	50,067	149,154	(158,519)	18,253	1,907,229	18,380,620	–	20,353,550	5,181,261	25,534,811
Excess of acquisition cost over carrying value of non-controlling interests (Note 2)	–	–	–	–	(314,213)	–	–	–	–	–	–	–	–	(314,213)	–	(314,213)
Cash dividends - ₱1.80 per share (Note 24)	–	–	–	–	–	–	–	–	–	–	–	(9,939,369)	–	(9,939,369)	–	(9,939,369)
Cash dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	–	–	(3,752,913)	(3,752,913)
Sale of treasury shares	–	800,087	–	–		–	–	–	–	–	–	–	116,766	916,853	–	916,853
Changes in non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	–	–	(59,677)	(59,677)
Balances at December 31, 2014	₱5,694,600	₱6,911,044	₱5,376,176	₱469,540	(₱1,577,075)	₱14,627	₱35,533	(₱708,448)	(₱315,444)	(₱277,293)	(₱1,496,305)	₱94,995,596	(₱1,178,397)	₱107,944,154	₱26,990,810	₱134,934,964

See accompanying Notes to Consolidated Financial Statements.

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in Thousands)

	Years Ended December 31		
	2016	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱32,942,788**	₱27,482,297	₱27,591,192
Adjustments for:			
Interest expense (Note 35)	**9,567,997**	7,881,566	6,696,445
Depreciation and amortization (Note 27)	**6,829,395**	4,956,308	5,160,897
Net unrealized foreign exchange losses	**1,532,081**	1,392,912	188,901
Provision for decline in value of project costs and various assets	**372,828**	138,553	64,677
Write-off of goodwill on investment (Note 12)	**169,469**	–	–
Unrealized mark-to-market losses (gains) on derivatives	**3,316**	(317,645)	897
Provision for impairment loss on investments and advances (Note 10)	–	13,937	2,834
Dividend income (Note 29)	**(250)**	(1,810)	(89)
Loss (gain) on sale of:			
Property, plant and equipment (Note 13)	**(50,125)**	71,402	(15,958)
AFS investments (Note 3)	**(25,105)**	–	23
Investment in subsidiary and associate (Notes 9 and 10)	**(16,051)**	–	(638,878)
Net unrealized valuation gain on investment property (Notes 14 and 29)	**(166,476)**	(186,512)	(5,001)
Unrealized excess of fair value over historical acquisition cost (Notes 9 and 29)	**(350,939)**	–	–
Interest income	**(1,436,933)**	(1,132,001)	(591,136)
Share in net earnings of associates and joint ventures (Note 10)	**(9,651,787)**	(6,589,452)	(7,244,241)
Operating income before working capital changes	**39,720,208**	33,709,555	31,210,563
Decrease (increase) in:			
Trade and other receivables	**(894,679)**	(499,797)	(5,034)
Inventories	**(810,917)**	(638,947)	1,514,708
Pension asset	–	24,942	–
Other current assets	**(1,559,481)**	(2,669,217)	(560,495)
Increase (decrease) in:			
Trade and other payables (Note 9)	**(24,234)**	351,764	(2,600,976)
Pension liability	**(59,559)**	123,329	–
Long-term obligation on PDS	–	(40,000)	(40,000)
Customers' deposits	**510,517**	953,714	605,996
Net cash generated from operations	**36,881,855**	31,315,343	30,124,762
Income and final taxes paid	**(4,868,433)**	(4,056,356)	(3,020,302)
Net cash flows from operating activities	**32,013,422**	27,258,987	27,104,460
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash dividends received (Note 10)	**8,608,988**	5,126,894	5,957,286
Interest received	**1,472,936**	1,123,646	506,094
Proceeds from sale of common shares and redemption of preferred shares of associates and joint ventures (Note 10)	**51,976**	2,649,204	637,732
Proceeds from sale of:			
AFS investments	**37,155**	214,555	456
Property, plant and equipment	**168,381**	145,378	25,176

(Forward)

	Years Ended December 31		
	2016	2015	2014
Acquisition through business combination, net of cash acquired (Note 9)	**(₱44,572,591)**	₱101,374	(₱1,229,760)
Disposal of a subsidiary, net of cash disposed (Note 9)	–	–	254,343
Additions to:			
AFS investments	**(213,931)**	–	(1,173)
Land and improvements (Note 13)	**(438,962)**	(685,642)	(200,083)
Property, plant and equipment and investment properties (Notes 13 and 14)	**(31,024,798)**	(19,514,009)	(16,651,075)
Investments in and advances to associates (Note 10)	**(12,408,168)**	(24,229,823)	(1,400,685)
Increase in intangible asset - service concession rights (Note 15)	**(45,875)**	(20,046)	(36,286)
Increase in other noncurrent assets	**(6,303,485)**	(1,504,063)	(2,285,272)
Net cash flows used in investing activities	**(84,668,374)**	(36,592,532)	(14,423,247)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from availment of long-term debts - net of transaction costs (Note 19)	**74,674,514**	44,494,653	22,788,325
Net proceeds from (settlements of) bank loans	**(625,532)**	1,055,647	3,666,100
Proceeds from issuance of treasury shares (Note 23)	**5,874,083**	885,336	916,853
Acquisition of non-controlling interests (Note 9)	–	–	(1,010,045)
Interest paid	**(5,002,512)**	(3,350,218)	(2,033,042)
Cash dividends paid and other changes to non-controlling interest	**(4,434,075)**	(4,243,450)	(3,752,913)
Cash dividends paid to equity holders of the parent (Note 24)	**(5,887,523)**	(6,153,470)	(9,939,369)
Payments of:			
Long-term debts (Note 19)	**(4,232,593)**	(2,813,140)	(2,002,259)
Obligations under finance lease (Note 21)	**(7,517,917)**	(7,482,447)	(6,970,625)
Net cash flows from financing activities	**52,848,445**	22,392,911	1,663,025
NET INCREASE IN CASH AND CASH EQUIVALENTS	**193,493**	13,059,366	14,344,238
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**82,151**	40,952	19,138
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**63,581,884**	50,481,566	36,118,190
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	**₱63,857,528**	₱63,581,884	₱50,481,566

See accompanying Notes to Consolidated Financial Statements.

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in Thousands, Except Par Value, Earnings Per Share, Number of Shares, and When Otherwise Indicated)

1. Corporate Information

Aboitiz Equity Ventures, Inc. (the Company) was originally incorporated in the Philippines as Cebu Pan Asian Holdings, Inc. and registered with the Securities and Exchange Commission on September 11, 1989. The Company changed its corporate name to the present one on December 29, 1993 and its ownership was opened to the general public through an initial public offering of its shares on November 16, 1994 (see Note 23).

The Company and its subsidiaries (collectively referred to as the "Group") are engaged in various business activities mainly in the Philippines, including power generation and distribution, food manufacturing, banking and financial services, real estate development, and infrastructure (see Note 33). The Company is the publicly-listed holding and management company of the Group. The parent and the ultimate parent of the Company is Aboitiz & Company, Inc. (ACO).

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

The consolidated financial statements of the Group were approved and authorized for issue in accordance with a resolution by the Board of Directors (BOD) of the Company on March 7, 2017.

2. Basis of Preparation, Statement of Compliance and Summary of Significant Accounting Policies

Basis of Preparation

The accompanying consolidated financial statements of the Group have been prepared on a historical cost basis, except for derivative financial instruments, quoted AFS investments and investment properties which are measured at fair value, and agricultural produce and biological assets which are measured at fair value less estimated costs to sell. The consolidated financial statements are presented in Philippine peso, which is the Company's functional currency, and all values are rounded to the nearest thousands, except for earnings per share and exchange rates and as otherwise indicated.

Statement of Compliance

The consolidated financial statements of the Group are prepared in compliance with Philippine Financial Reporting Standards (PFRSs).

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except for the new and revised standards and Philippine Interpretations which were applied starting January 1, 2016. These new and revised standards and interpretations did not have any significant impact on the Group's financial statements:

- Amendments to PFRS 10, *Consolidated Financial Statements*, PFRS 12, *Disclosure of Interests in Other Entities*, and PAS 28, *Investments in Associates and Joint Ventures*, *Investment Entities: Applying the Consolidation Exception*
  The amendments clarify that the exemption in PFRS 10 from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity that measures all of its subsidiaries at fair value. They also clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity parent is consolidated. The amendments also allow an investor (that is not an investment entity and has an investment entity associate or joint venture) to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries when applying the equity method.

  These amendments are not applicable to the Group since none of the entities within the Group is an investment entity nor does the Group have investment entity associates or joint ventures.

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

  The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation.

  These amendments do not have any impact on the Group as there has been no interest acquired in a joint operation during the period.

- PFRS 14, *Regulatory Deferral Accounts*
  PFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of PFRS. Entities that adopt PFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements.

  Since the Group is an existing PFRS preparer, this standard would not apply.

- Amendments to PAS 1*, Presentation of Financial Statements, Disclosure Initiative*
  The amendments are intended to assist entities in applying judgment when meeting the presentation and disclosure requirements in PFRS. They clarify the following:

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

  These amendments do not have any impact to the Group.

- Amendments to PAS 16, *Property, Plant and Equipment* and PAS 38, *Intangible Assets*, *Clarification of Acceptable Methods of Depreciation and Amortization*
  The amendments clarify the principle in PAS 16 and PAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets.

  These amendments are applied prospectively and do not have any impact to the Group given that the Group has not used a revenue-based method to depreciate or amortize its property, plant and equipment and intangible assets.

- Amendments to PAS 16 and PAS 41, *Agriculture: Bearer Plants*
  The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of PAS 41. Instead, PAS 16 will apply. After initial recognition, bearer plants will be measured under PAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of PAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, will apply.

  The amendments are applied retrospectively and do not have any impact on the Group as the Group does not have any bearer plants.

- Amendments to PAS 27, *Separate Financial Statements*, *Equity Method in Separate Financial Statements*

  The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying PFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively.

  These amendments do not have any impact on the Group's consolidated financial statements.

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

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

  - Amendment to PFRS 5*, Noncurrent Assets Held for Sale and Discontinued Operations, Changes in Methods of Disposal*

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

  - Amendment to PFRS 7, *Financial Instruments: Disclosures, Servicing Contracts*

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

  - Amendment to PFRS 7, *Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*

    This amendment is applied retrospectively and clarifies that the disclosures on offsetting of financial assets and financial liabilities are not required in the condensed interim financial report unless they provide a significant update to the information reported in the most recent annual report.

  - Amendment to PAS 19, *Employee Benefits, Discount Rate: Regional Market Issue*

    This amendment is applied prospectively and clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

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

New Standards and Interpretation Issued and Effective after December 31, 2016
The Group will adopt the standards enumerated below when these become effective. Except as otherwise indicated, the Group does not expect the adoption of these new and amended PFRSs, PAS and Philippine Interpretations to have significant impact on its financial statements.

Effective January 1, 2017

- Amendment to PFRS 12, *Clarification of the Scope of the Standard* (Part of *Annual Improvements to PFRSs* 2014-2016 cycle)
  The amendments clarify that the disclosure requirements in PFRS 12, other than those relating to summarized financial information, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale.

- Amendments to PAS 7, *Statement of Cash Flows*, *Disclosure Initiative*
  The amendments to PAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). On initial application of the amendments, entities are not required to provide comparative information for preceding periods. Early application of the amendments is permitted.

  Application of amendments will result in additional disclosures in the 2017 consolidated financial statements of the Group.

- Amendments to PAS 12, *Income Taxes*, *Recognition of Deferred Tax Assets for Unrealized Losses*
  The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

  Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognized in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact. Early application of the amendments is permitted.

  These amendments are not expected to have any impact on the Group.

Effective January 1, 2018

- Amendments to PFRS 2, *Share-based Payment*, *Classification and Measurement of Share-based Payment Transactions*
  The amendments to PFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

  On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and if other criteria are met. Early application of the amendments is permitted.

  These amendments will not be applicable to the Group since it has no share-based payment arrangements.

- Amendments to PFRS 4, *Insurance Contracts*, *Applying PFRS 9, Financial Instruments, with PFRS 4*
  The amendments address concerns arising from implementing PFRS 9, the new financial instruments standard before implementing the forthcoming insurance contracts standard. They allow entities to choose between the overlay approach and the deferral approach to deal with the transitional challenges. The overlay approach gives all entities that issue insurance contracts the option to recognize in other comprehensive income, rather than profit or loss, the volatility that could arise when PFRS 9 is applied before the new insurance contracts standard is issued. On the other hand, the deferral approach gives entities whose activities are predominantly connected with insurance an optional temporary exemption from applying PFRS 9 until the earlier of application of the forthcoming insurance contracts standard or January 1, 2021.

  The overlay approach and the deferral approach will only be available to an entity if it has not previously applied PFRS 9.

  These amendments will not have any significant impact on the Group's consolidated financial statements.

- PFRS 15*, Revenue from Contracts with Customers*
  PFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under PFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in PFRS 15 provide a more structured approach to measuring and recognizing revenue.

  The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under PFRSs. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018.

The Group will adopt PFRS 15 on January 1, 2018. The Group started its assessment of the impact of PFRS 15 in the fourth quarter of 2016 by attending briefings conducted for the Group and analyzing the different revenue streams of the various businesses in the Group. It will continue with the assessment during the second quarter of 2017 by performing in-depth review of representative contracts with customers and considering further interpretations and industry practices on certain provisions of PFRS 15.

- PFRS 9*, Financial Instruments*
  PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39*, Financial Instruments: Recognition and Measurement*, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

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

  The Group is currently assessing the impact of adopting this standard and expects that the adoption will not materially affect its consolidated financial statements.

- Amendments to PAS 28, *Measuring an Associate or Joint Venture at Fair Value* (Part of *Annual Improvements to PFRSs* 2014-2016 Cycle)
  The amendments clarify that an entity that is a venture capital organization, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. They also clarify that if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (a) the investment entity associate or joint venture is initially recognized; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent. The amendments should be applied retrospectively, with earlier application permitted.

  These amendments are not applicable to the Group since none of the entities within the Group is a venture capital organization or an investment entity, nor does the Group have investment entity associates or joint ventures.

- Amendments to PAS 40, *Investment Property*, *Transfers of Investment Property*
  The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in

management's intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. Retrospective application is only permitted if this is possible without the use of hindsight.

These amendments will not have any significant impact on the Group's consolidated financial statements.

- Philippine Interpretation IFRIC-22, *Foreign Currency Transactions and Advance Consideration*
  The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the nonmonetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. The interpretation may be applied on a fully retrospective basis. Entities may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognized on or after the beginning of the reporting period in which the entity first applies the interpretation or the beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.

  These amendments will not have any significant impact on the Group's consolidated financial statements.

Effective January 1, 2019

- PFRS 16, *Leases*
  Under the new standard, lessees will no longer classify their leases as either operating or finance leases in accordance with PAS 17. Rather, lessees will apply the single-asset model. Under this model, lessees will recognize the assets and related liabilities for most leases on their balance sheets, and subsequently, will depreciate the lease assets and recognize interest on the lease liabilities in their profit or loss. Leases with a term of 12 months or less or for which the underlying asset is of low value are exempted from these requirements.

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

  Entities may early adopt PFRS 16 but only if they have also adopted PFRS 15. When adopting PFRS 16, an entity is permitted to use either a full retrospective or a modified retrospective approach, with options to use certain transition reliefs.

  The Group is currently assessing the impact of PFRS 16 and plans to adopt the new standard on the required effective date.

Deferred effectivity

- Amendments to PFRS 10 and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
  The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

  On January 13, 2016, the Financial Reporting Standards Council postponed the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board has completed its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

Basis of Consolidation

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

			2016		2015	
	Nature of Business	Place of Incorporation	**Direct**	**Indirect**	Direct	Indirect
Aboitiz Power Coporation (AP)						
and Subsidiaries	Power	Philippines	**76.88%**	**–**	76.88%	–
Aboitiz Energy Solutions, Inc. (AESI)	Power	Philippines	**–**	**100.00**	–	100.00
Balamban Enerzone Corporation (BEZ)	Power	Philippines	**–**	**100.00**	–	100.00
Mactan Enerzone Corporation (MEZ)	Power	Philippines	**–**	**100.00**	–	100.00
East Asia Utilities Corporation (EAUC)	Power	Philippines	**–**	**100.00**	–	50.00
Lima Enerzone Corporation (LEZ)	Power	Philippines	**–**	**100.00**	–	100.00
Subic Enerzone Corporation (SEZ)	Power	Philippines	**–**	**100.00**	–	100.00
Cotabato Light & Power Co., Inc. (CLP)	Power	Philippines	**–**	**99.94**	–	99.94
Cotabato Ice Plant, Inc.	Manufacturing	Philippines	**–**	**100.00**	–	100.00
Davao Light & Power Co., Inc. (DLP)	Power	Philippines	**–**	**99.93**	–	99.93
Visayan Electric Co., Inc. (VECO)	Power	Philippines	**–**	**55.26**	–	55.26
Aboitiz Renewables Inc. (ARI) and						
Subsidiaries	Power	Philippines	**–**	**100.00**	–	100.00
AP Renewables, Inc. (APRI)	Power	Philippines	**–**	**100.00**	–	100.00
Hedcor, Inc. (HI)	Power	Philippines	**–**	**100.00**	–	100.00
Hedcor Mt. Province, Inc.*	Power	Philippines	**–**	**100.00**	–	100.00
Hedcor Benguet, Inc.*	Power	Philippines	**–**	**100.00**	–	100.00
Hedcor Bukidnon, Inc.*	Power	Philippines	**–**	**100.00**	–	100.00
Hedcor Kabayan, Inc.*	Power	Philippines	**–**	**100.00**	–	100.00
Hedcor Cordillera, Inc.*	Power	Philippines	**–**	**100.00**	–	100.00
Hedcor Ifugao, Inc.*	Power	Philippines	**–**	**100.00**	–	100.00
Hedcor Kalinga, Inc. *	Power	Philippines	**–**	**100.00**	–	100.00
Hedcor Itogon, Inc.*	Power	Philippines	**–**	**100.00**	–	100.00
Hedcor Manolo Fortich, Inc.*	Power	Philippines	**–**	**100.00**	–	100.00
Hedcor Sabangan, Inc. (Hedcor Sabangan)	Power	Philippines	**–**	**100.00**	–	100.00
Hedcor Sibulan, Inc. (HIS)	Power	Philippines	**–**	**100.00**	–	100.00
Hedcor Tamugan, Inc. (HTI)*	Power	Philippines	**–**	**100.00**	–	100.00
Hedcor Tudaya, Inc. (Hedcor Tudaya)	Power	Philippines	**–**	**100.00**	–	100.00
Kookaburra Equity Ventures, Inc.	Holding	Philippines	**–**	**100.00**	–	100.00
Mt. Apo Geopower, Inc. *	Power	Philippines	**–**	**100.00**	–	100.00
Cleanergy, Inc. (CI)*	Power	Philippines	**–**	**100.00**	–	100.00
Hydro Electric Development Corporation	Power	Philippines	**–**	**99.97**	–	99.97

(Forward)

	Nature of Business	Place of Incorporation	2016 Direct	2016 Indirect	2015 Direct	2015 Indirect
Luzon Hydro Corporation (LHC)	Power	Philippines	–	**100.00**	–	100.00
Bakun Power Line Corporation*	Power	Philippines	–	**100.00**	–	100.00
AP Solar Tiwi, Inc.*	Power	Philippines	–	**100.00**	–	100.00
Aseagas Corporation (Aseagas)*	Power	Philippines	–	**100.00**	–	–
Cordillera Hydro Corporation (CHC)*	Power	Philippines	–	**100.00**	–	100.00
Negron Cuadrado Geopower, Inc. (NCGI)*	Power	Philippines	–	**100.00**	–	100.00
Tagoloan Hydro Corporation*	Power	Philippines	–	**100.00**	–	100.00
Luzon Hydro Company Limited*	Power	Philippines	–	**100.00**	–	100.00
Therma Power, Inc. (TPI) and Subsidiaries	Power	Philippines	–	**100.00**	–	100.00
Abovant Holdings, Inc.	Power	Philippines	–	**60.00**	–	60.00
Therma Power Visayas, Inc. *	Power	Philippines	–	**100.00**	–	100.00
Therma Luzon, Inc. (TLI)	Power	Philippines	–	**100.00**	–	100.00
Therma Marine, Inc. (Therma Marine)	Power	Philippines	–	**100.00**	–	100.00
Therma Mobile, Inc. (Therma Mobile)	Power	Philippines	–	**100.00**	–	100.00
Therma South, Inc. (TSI)	Power	Philippines	–	**100.00**	–	100.00
Therma Central Visayas, Inc. *	Power	Philippines	–	**100.00**	–	100.00
Therma Subic, Inc.*	Power	Philippines	–	**100.00**	–	100.00
Therma Mariveles Holdings L.P. (formerly World Power Holdings, L.P.)**	Holding	Cayman Islands	–	**100.00**	–	–
Therma Mariveles, LLC (formerly SG GNPower, LLC)**	Holding	United States	–	**100.00**	–	–
Therma Mariveles Consulting Services, LLC (formerly Sithe Global Consulting Services, LLC)**	Holding	United States	–	**100.00**	–	–
Therma Mariveles Holding Cooperatief U.A. (formerly SG Philippines Holding Cooperatief U.A.)**	Holding	Netherlands	–	**100.00**	–	–
Therma Mariveles B.V. (formerly Sithe Global Camaya B.V.)**	Holding	Netherlands	–	**100.00**	–	–
Therma Mariveles Holdings, Inc. **	Holding	Netherlands	–	**100.00**	–	–
GNPower Mariveles Coal Plant Ltd. Co. (GMCP) **	Power	Philippines	–	**82.82**	–	–
Therma Dinginin L.P. (formerly Sithe Global Power, L.P.)**	Holding	Cayman Islands	–	**100.00**	–	–
Therma Dinginin, LLC (formerly SG GNPD, LLC)**	Holding	United States	–	**100.00**	–	–
Therma Dinginin Offshore Services Inc. (formerly GNPD Offshore Services, Inc.)**	Holding	United States	–	**100.00**	–	–
Therma Dinginin Holding Cooperatief U.A. (formerly SG GNPD Holding Cooperatief U.A.)**	Holding	Netherlands	–	**100.00**	–	–
Therma Dinginin B.V. (formerly Sithe Global GNPD B.V.) **	Holding	Netherlands	–	**100.00**	–	–
Therma Dinginin Holdings, Inc. **	Holding	Philippines	–	**100.00**	–	–
Therma Visayas, Inc. (TVI)*	Power	Philippines	–	**80.00**	–	80.00
AboitizPower International Pte. Ltd.	Holding	Singapore	–	**100.00**	–	100.00
Adventenergy, Inc. (AI)	Power	Philippines	–	**100.00**	–	100.00
Cebu Private Power Corporation (CPPC)	Power	Philippines	–	**60.00**	–	60.00
Prism Energy, Inc. (PEI)*	Power	Philippines	–	**60.00**	–	60.00
Pilmico Foods Corporation (PILMICO) and Subsidiaries	Food manufacturing	Philippines	**100.00**	–	100.00	–
Filagri Holdings, Inc.	Holding	Philippines	–	**100.00**	–	100.00
Pilmico Animal Nutrition Corporation (PANC)	Food manufacturing	Philippines	–	**100.00**	–	100.00
Filagri, Inc.	Food manufacturing	Philippines	–	**100.00**	–	100.00
AboitizLand, Inc. (AboitizLand) and Subsidiaries	Real estate	Philippines	**100.00**	–	100.00	–
Cebu Industrial Park Developers, Inc. CIPDI)	Real estate	Philippines	–	**60.00**	–	60.00
Misamis Oriental Land Development, Inc. (MOLDC)	Real estate	Philippines	–	**60.00**	–	60.00
Propriedad del Norte, Inc. (PDNI)	Real estate	Philippines	–	**100.00**	–	100.00
Lima Land, Inc. (LLI) and Subsidiary	Real estate	Philippines	–	**100.00**	–	100.00
Lima Water Corporation (LWC)	Water	Philippines	–	**100.00**	–	100.00

(Forward)

	Nature of Business	Place of Incorporation	2016 Direct	2016 Indirect	2015 Direct	2015 Indirect
AEV International Pte. Ltd. (AEV International)	Holding	Singapore	**100.00**	–	100.00	–
Pilmico International Pte. Ltd. (Pilmico International)	Holding	Singapore	–	**100.00**	–	100.00
Pilmico VHF Joint Stock Company (Pilmico VHF)	Food manufacturing	Vietnam	–	**100.00**	–	100.00
Pilmico Viet Nam Trading Company, Ltd.	Trading	Vietnam	–	**100.00**	–	–
Archipelago Insurance Pte Ltd (AIPL)	Insurance	Singapore	**100.00**	–	100.00	–
Aseagas Corporation (Aseagas)*	Biogas Manufacturing	Philippines	–	**100.00**	100.00	–
AEV Aviation, Inc. (AEV Aviation)	Service	Philippines	**73.31**	**26.69**	73.31	26.69
AEV Properties, Inc.*	Real estate	Philippines	**100.00**	–	100.00	–
Cebu Praedia Development Corporation (CPDC)	Real estate	Philippines	**100.00**	–	100.00	–
PETNET, Inc. (PETNET)	Financial services	Philippines	**51.00**	–	51.00	–
Aboitiz Infracapital ,Inc.	Holding	Philippines	**100.00**	–	–	–
Apo Agua Infrastructura, Inc.*	Supply of treated bulk water	Philippines	**23.21**	46.79	70.00	–

**No commercial operations as of December 31, 2016 and December 31, 2015.*
*** Acquired as part of GNPower acquisition (see Note 9).*

Basis of consolidation
The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at December 31 of each year.

The Group controls an investee if and only if the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

The financial statements of the subsidiaries are prepared for the same reporting year as the Company, using consistent accounting policies.

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- Derecognizes the carrying amount of any non-controlling interests;
- Derecognizes the cumulative translation differences recorded in equity;
- Recognizes the fair value of the consideration received;
- Recognizes the fair value of any investment retained;
- Recognizes any surplus or deficit in profit or loss; and
- Reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities

Transactions with Non-controlling Interests

Non-controlling interests represent the portion of profit or loss and net assets in the subsidiaries not held by the Group and are presented separately in the consolidated statement of income and within equity in the consolidated balance sheet, separately from the equity attributable to equity holders of the parent. Transactions with non-controlling interests are accounted for as equity transactions. On acquisitions of non-controlling interests, the difference between the consideration and the book value of the share of the net assets acquired is reflected as being a transaction between owners and recognized directly in equity. Gain or loss on disposals to non-controlling interest is also recognized directly in equity.

Summary of Significant Accounting Policies

Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

The Group's valuation team (the Team) determines the policies and procedures for fair value measurement of its investment properties, and property, plant and equipment. External valuers (the Valuers) are involved in the periodic valuation of these assets. The respective subsidiary's Team decides the selection of the Valuers after discussion with and approval by its Chief Financial Officer (CFO). Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Team also determines, after discussions with the chosen valuers, which valuation techniques and inputs to use for each case.

At each reporting date, the Team analyzes the movements in the values of the investment properties, and property, plant and equipment which are required to be re-measured or re-assessed in accordance with the subsidiary's accounting policies. The Team, in coordination with the Valuers, also compares each of the changes in the fair value of each property with relevant external sources to determine whether the change is reasonable.

On the re-appraisal year, the Team and Valuers present the valuation results and the major assumptions used in the valuation to its CFO.

<u>Cash and Cash Equivalents</u>

Cash and cash equivalents in the consolidated balance sheet consist of cash on hand and with banks, and short-term, highly liquid investments that are readily convertible to known amounts of cash and subject to insignificant risk of changes in value. They are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Financial Instruments

Date of recognition

The Group recognizes a financial asset or a financial liability in the consolidated balance sheet on the date when it becomes a party to the contractual provisions of the instrument. All regular way purchases and sales of financial assets are recognized on trade date, which is the date that the Group commits to purchase the asset. Regular way purchases or sales of financial assets are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace. Derivatives are recognized on a trade date basis.

Initial recognition of financial instruments

All financial assets and financial liabilities are recognized initially at fair value. Except for financial assets at fair value through profit or loss (FVPL), the initial measurement of financial assets includes transaction costs. The Group classifies its financial assets in the following categories: financial assets at FVPL, loans and receivables, held-to-maturity (HTM) investments, and AFS investments. For financial liabilities, the Group also classifies them into financial liabilities at FVPL and other financial liabilities. The classification depends on the purpose for which the investments were acquired and whether they are quoted in an active market. The Group determines the classification of its financial assets at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

"Day 1" difference

Where the transaction price in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a "Day 1" difference) in the consolidated statement of income unless it qualifies for recognition as some other type of asset. In cases where use is made of data which is not observable, the difference between the transaction price and model value is only recognized in the consolidated statement of income when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the "Day 1" difference amount.

Financial assets and financial liabilities at FVPL

Financial assets and financial liabilities at FVPL include financial assets held for trading and financial assets designated upon initial recognition as FVPL.

Financial assets and financial liabilities are classified as held for trading if they are acquired for the purpose of selling and repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments in an effective hedge or a financial guarantee contract. Gains or losses on investments held for trading are recognized in the consolidated statement of income.

Financial assets and financial liabilities may be designated at initial recognition as at FVPL if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing the gains or losses on them on a different basis; or (ii) the assets and liabilities are part of a group of financial assets, liabilities or both which are managed and their performance evaluated on fair value basis, in accordance with a documented risk management strategy; or (iii) the financial instrument contains an embedded derivative that would need to be separately recorded. Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial asset or financial liabilities at FVPL, except when the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Financial assets and liabilities at FVPL are recorded in the consolidated balance sheet at fair value. Subsequent changes in fair value are recognized in the consolidated statement of income. Interest earned or incurred is recorded as interest income or expense, respectively, while dividend income is recorded as other income when the right to receive payment has been established.

Financial instruments included in this classification are the Group's derivative asset and derivative liability (see Note 36).

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not reclassified or designated as AFS investments or financial assets at FVPL. After initial measurement, loans and receivables are subsequently carried at amortized cost using the effective interest method less any allowance for impairment. Amortized cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate (EIR) and transaction costs. Gains and losses are recognized in the consolidated statement of income when the loans and receivables are derecognized or impaired, as well as through the amortization process. Loans and receivables are included in current assets if maturity is within 12 months from the balance sheet date. Otherwise, they are classified as noncurrent assets.

Financial assets included in this classification are the Group's cash in banks and cash equivalents, trade and other receivables and restricted cash (see Note 36).

HTM investments
HTM investments are quoted non-derivative financial assets which carry fixed or determinable payments and fixed maturities and which the Group has the positive intention and ability to hold to maturity. After the initial measurement, held to maturity investments are measured at amortized cost. This cost is computed as the amount initially recognized less principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initially recognized amount and the maturity amount, less allowance for impairment. This calculation includes all fees and points paid or received between the parties to the contract that are integral part of the EIR, transaction costs and all other premiums and discounts. Where the Group sells other than an insignificant amount of HTM investments, the entire category would be tainted and reclassified as AFS investments. Gains and losses are recognized in the consolidated statement of income when the investments are impaired, as well as through the amortization process.

As of December 31, 2016 and 2015, the Group has no HTM investments.

AFS investments
AFS financial investments include equity and debt securities. Equity investments classified as available-for sale are those which are neither classified as held for trading nor designated as at

FVPL. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions. They are included in noncurrent assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period. After initial recognition, AFS financial investments are measured at fair value with unrealized gains or losses being recognized in the other comprehensive income and in equity as “Net unrealized mark-to-market gains on AFS investments”. When the investment is disposed of, the cumulative gains or loss previously recorded in equity is recognized in the consolidated statement of income. The Group uses the specific identification method in determining the cost of securities sold. Interest earned or paid on the investments is reported as interest income or expense using the EIR. Interest earned on holding AFS investments are reported as “Interest income” using the effective interest method. Dividends earned on holding AFS investments are recognized in the consolidated statement of income as “Other income” when the right of payment had been established. The losses arising from impairment of such investments are recognized as “Provision for credit and impairment losses” in the consolidated statement of income. Unquoted equity securities are carried at cost, net of impairment.

The Group’s AFS investments as of December 31, 2016 and 2015 include investments in quoted and unquoted shares of stock (see Note 36).

Other financial liabilities
Financial liabilities are classified in this category if these are not held for trading or not designated as at FVPL upon the inception of liability. These include liabilities arising from operations or borrowings.

Other financial liabilities are initially recorded at fair value, less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Amortized cost is calculated by taking into account any issue costs, and any discount or premium on settlement. Gains and losses are recognized in the consolidated statement of income when the liabilities are derecognized, as well as through the amortization process.

Included in other financial liabilities are the Group’s debt and other borrowings (bank loans and long-term debts), obligations under finance lease, trade and other payables, customers’ deposits, dividends payable, long-term obligation on PDS, payable to preferred shareholder of a subsidiary, and redeemable preferred shares (see Note 36).

Impairment of Financial Assets
The Group assesses at each balance sheet date whether a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if and only if, there is an objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred “loss event”) and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Loans and receivables
For loans and receivables carried at amortized cost, the Group first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the consolidated statement of income. Interest income continues to be accrued on the reduced carrying amount based on the original EIR of the financial asset. Loans and receivables together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Group. If, in a subsequent period, the amount of the impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or decreased by adjusting the allowance account. Any subsequent reversal of an impairment loss is recognized in the consolidated statement of income, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

Assets carried at cost
If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

AFS investments
In the case of equity investments classified as AFS, objective evidence of impairment would include a significant or prolonged decline in the fair value of the investments below its cost. Where there is evidence of impairment, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the consolidated statement of income) is removed from other comprehensive income and recognized in the consolidated statement of income. Impairment losses on equity investments are not reversed through the consolidated statement of income. Increases in fair value after impairment are recognized directly in other comprehensive income.

In the case of debt instruments classified as AFS, impairment is assessed based on the same criteria as financial assets carried at amortized cost. Future interest income is based on rate of interest used to discount future cash flows for measuring impairment loss. Such accrual is recorded as part of "Interest income" in the consolidated statement of income. If, in subsequent period, the fair value of a debt instrument increased and the increase can be objectively related to an event occurring after the impairment loss was recognized in the consolidated statement of income, the impairment loss is reversed through the consolidated statement of income.

Derecognition of Financial Assets and Liabilities

Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized where:

- the rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a “pass-through” arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group’s continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in consolidated statement of income.

Derivative Financial Instruments

Derivative financial instruments, including embedded derivatives, are initially recognized at fair value on the date in which a derivative transaction is entered into or bifurcated, and are subsequently re-measured at FVPL, unless designated as effective hedge. Changes in fair values of derivative instruments not accounted as hedges are recognized immediately in the consolidated statement of income. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The Group assesses whether embedded derivatives are required to be separated from host contracts when the Group first becomes party to the contract.

An embedded derivative is separated from the host financial or non-financial contract and accounted for as a derivative if all of the following conditions are met:

- the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics of the host contract;
- a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and
- the hybrid or combined instrument is not recognized as at FVPL.

Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

Embedded derivatives that are bifurcated from the host contracts are accounted for either as financial assets or financial liabilities at FVPL.

As of December 31, 2016 and 2015, the Group has freestanding derivatives in the form of deliverable and non-deliverable foreign currency forward contracts entered into to economically hedge its foreign currency risks (see Note 35). In 2013, the Group applied hedge accounting treatment on its derivative transactions.

Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is generally not the case with master netting agreements, and the related assets and liabilities are presented at gross in the consolidated balance sheet.

Classification of Financial Instruments Between Liability and Equity

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity, net of any related income tax benefits.

A financial instrument is classified as liability if it provides for a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group; or
- satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of its own equity shares.

If the Group does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.

Redeemable Preferred Shares (RPS)

The component of the RPS that exhibits characteristics of a liability is recognized as a liability in the consolidated balance sheet, net of transaction costs. The corresponding dividends on those shares are charged as interest expense in the consolidated statement of income. On issuance of the RPS, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond; and this amount is carried as a long term liability on the amortized cost basis until extinguished on redemption.

Inventories

Inventories are valued at the lower of cost and net realizable value (NRV). Costs incurred in bringing each product to its present location and condition are accounted for as follows:

Wheat grains and other raw materials	-	purchase cost on a first-in, first-out basis;
Finished goods and work in process	-	cost of direct materials, labor and a portion of manufacturing overhead based on normal operating capacity but excluding borrowing costs;
Fuel and lubricants	-	purchase cost on a first-in, first-out basis;
Materials, parts and supplies	-	purchase cost on a weighted average method

NRV of wheat grains and other raw materials, work in process and finished goods is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. NRV of fuel and lubricants and materials, parts and supplies is the current replacement costs.

Real estate inventories include land and condominium units, land and land improvements and residential lots for sale. Real estate inventories are carried at the lower of cost and NRV (i.e., estimated selling price less estimated costs to complete and sell). Cost includes costs incurred for the acquisition, development and improvement of the properties as well as the borrowing costs allowed to be capitalized.

Agricultural Activity

Agricultural produce

Agricultural produce (livestock and poultry) are measured at fair value less estimated costs to sell at point of harvest.

Biological assets

Biological assets are measured on initial recognition and at each balance sheet date at fair value less estimated costs to sell except when, on initial recognition, market-determined prices or values are not available and for which alternative estimates of fair value are determined to be clearly unreliable. In such cases, those biological assets are measured at accumulated costs less any accumulated depreciation and any accumulated impairment losses. Once the fair value of such biological assets becomes reliably measurable, those biological assets are measured at fair value less estimated costs to sell.

Gains or losses arising on initial recognition of a biological asset (for market hogs, piglets, growing stock, broilers and others) at fair value less estimated costs to sell and from changes in their fair values less estimated costs to sell are included in the consolidated statement of income for the period in which they arise.

Biological assets measured at fair value less estimated costs to sell continue to be measured as such until disposed. Expenditures on biological assets subsequent to initial recognition, excluding the costs of day-to-day servicing, are capitalized.

Investments in Associates and Joint Ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

The Group's investments in its associates and joint ventures are accounted for using the equity method.

Under the equity method, the investment in an associate or a joint venture is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

The consolidated statement of income reflects the Group's share of the results of operations of the associate or joint venture. Any change in other comprehensive income of those investees is presented as part of the Group's other comprehensive income. In addition, when there has been a change recognized directly in the equity of the associate or joint venture, the Group recognizes its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

The aggregate of the Group's share of profit or loss of an associate and a joint venture is shown on the face of the consolidated statement of income outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate or joint venture.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognizes the loss in the consolidated statement of income.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

Interest in Joint Operations

A joint arrangement is classified as a joint operation if the parties with joint control have rights to the assets and obligations for the liabilities of the arrangement. For interest in joint operations, the Group recognizes:

- assets, including its share of any assets held jointly;
- liabilities, including its share of any liabilities incurred jointly;
- revenue from the sale of its share of the output arising from the joint operation;
- share of the revenue from the sale of the output by the joint operation; and
- expenses, including its share of any expenses incurred jointly.

The accounting and measurement for each of these items is in accordance with the applicable PFRS.

Business Combination and Goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the noncontrolling interest in the acquiree pertaining to instruments that represent present ownership interests and entitle their holders to a proportionate share of the net assets in the event of liquidation either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interest are measured at fair value unless another measurement basis is required by PFRS. Acquisition costs incurred are expensed and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognized in accordance with PAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the Group's interest in the fair values of the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Impairment of goodwill
Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units), to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognized.

Common control business combination
Business combination of entities under common control is accounted for similar to pooling of interest method, which is scoped out of PFRS 3, *Business Combinations*. Under the pooling of interest method, any excess of acquisition cost over the net asset value of the acquired entity is recorded in equity.

Land and Improvements
Land and improvements consist of properties for future development and are carried at the lower of cost and NRV. NRV is the estimated selling price in the ordinary course of business, less estimated cost of completion and estimated costs necessary to make the sale. Cost includes those costs incurred for development and improvement of the properties. Cost of land and improvements is transferred to real estate inventories upon commencement of the real estate project.

Property, Plant and Equipment
Except for land, property, plant and equipment are stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and any accumulated impairment in value. The initial cost of property, plant and equipment comprises its purchase price, including import duties, if any, and nonrefundable taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Cost includes the cost of replacing part of such property, plant and equipment when that cost is incurred and the recognition criteria are met. Repairs and maintenance costs are recognized in the consolidated statement of income as incurred.

Land is stated at cost less any accumulated impairment in value.

Construction in progress represents structures under construction and is stated at cost. This includes cost of construction and other direct costs. Borrowing costs that are directly attributable to the construction of property, plant and equipment are capitalized during the construction period.

Depreciation and amortization of the Group's property, plant and equipment and assets under finance leases is calculated on a straight-line basis over the useful lives of the assets as follows:

	Number of Years	
Category	**2016**	2015
Buildings, warehouses and improvements	**10 - 50**	10 - 40
Power plant and equipment	**2 - 50**	2 - 38
Transmission, distribution and substation equipment		
Power transformers	**30**	30
Poles and wires	**20 - 40**	20 - 40
Other components	**12 - 30**	12 - 30
Machinery and equipment	**5 - 30**	5 - 30
Transportation equipment	**5 - 10**	5 - 10
Office furniture, fixtures and equipment	**1 - 20**	2 - 20
Leasehold improvements	**3 - 20**	3 - 10
Electrical equipment	**5 - 25**	5 - 20
Meters and laboratory equipment	**25**	12 - 25
Steam field assets	**20 - 25**	20 - 25
Tools and others	**2 - 20**	2 - 10

Leasehold improvements are amortized over the shorter of the lease terms and the lives of the improvements.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable.

Fully depreciated assets are retained in the accounts until these are no longer in use. When assets are retired or otherwise disposed of, both the cost and related accumulated depreciation and amortization and any allowance for impairment losses are removed from the accounts and any resulting gain or loss is credited or charged to current operations. An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of income in the year the asset is derecognized.

The asset's residual values, useful lives and depreciation and amortization methods are reviewed and adjusted, if appropriate, at each financial year-end.

When each major inspection is performed, its cost is recognized in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria satisfied.

Service Concession Arrangements

Public-to-private service concession arrangements where: (a) the grantor controls or regulates what services the entities in the Group must provide with the infrastructure, to whom it must provide them, and at what price; and (b) the grantor controls - through ownership, beneficial entitlement or otherwise - any significant residual interest in the infrastructure at the end of the term of the arrangement, are accounted for under the provisions of Philippine Interpretation IFRIC 12, *Service Concession Arrangements*. Infrastructures used in a public-to-private service concession arrangement for its entire useful life (whole-of-life assets) are within the scope of this Interpretation if the conditions in (a) are met.

This interpretation applies to both: (a) infrastructure that the entities in the Group constructs or acquires from a third party for the purpose of the service arrangement; and (b) existing infrastructure to which the grantor gives the entity in the Group access for the purpose of the service arrangement.

Infrastructures within the scope of this Interpretation are not recognized as property, plant and equipment of the Group. Under the terms of contractual arrangements within the scope of this Interpretation, an entity acts as a service provider. An entity constructs or upgrades infrastructure (construction or upgrade services) used to provide a public service and operates and maintains that infrastructure (operation services) for a specified period of time.

An entity recognizes and measures revenue in accordance with PAS 11, *Construction Contracts*, and PAS 18, *Revenue*, for the services it performs. If an entity performs more than one service (i.e., construction or upgrade services and operation services) under a single contract or arrangement, consideration received or receivable shall be allocated by reference to the relative fair values of the services delivered, when the amounts are separately identifiable.

When an entity provides construction or upgrades services, the consideration received or receivable by the entity is recognized at its fair value. An entity accounts for revenue and costs relating to construction or upgrade services in accordance with PAS 11. Revenue from construction contracts is recognized based on the percentage-of-completion method, measured by reference to the percentage of costs incurred to date to estimated total costs for each contract.

The applicable entities account for revenue and costs relating to operation services in accordance with PAS 18.

An entity recognizes a financial asset to the extent that it has an unconditional contractual right to receive cash or another financial asset from or at the direction of the grantor for the construction services. An entity recognizes an intangible asset to the extent that it receives a right (a license) to charge users of the public service.

When the applicable entities have contractual obligations it must fulfill as a condition of its license (a) to maintain the infrastructure to a specified level of serviceability or (b) to restore the infrastructure to a specified condition before it is handed over to the grantor at the end of the service arrangement, it recognizes and measures these contractual obligations in accordance with PAS 37, i.e., at the best estimate of the expenditure that would be required to settle the present obligation at the balance sheet date.

Borrowing cost attributable to the construction of the asset if the consideration received or receivable is an intangible asset, is capitalized during the construction phase. In all other cases, borrowing costs are expensed as incurred.

Intangible Asset

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is fair value as at the date of the acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in the consolidated statement of income in the year in which the expenditure is incurred.

Service concession right

The Group's intangible asset - service concession right pertains mainly to its right to charge users of the public service in connection with the service concession and related arrangements. This is recognized initially at the fair value which consists of the cost of construction services and the fair value of future fixed fee payments in exchange for the license or right. Following initial recognition, the intangible asset is carried at cost less accumulated amortization and any accumulated impairment losses.

The intangible asset - service concession right is amortized using the straight-line method over the estimated useful economic life which is the service concession period, and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The estimated useful life is 25 years. The amortization period and the amortization method are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense is recognized in the consolidated statement of income in the expense category consistent with the function of the intangible asset.

Intangible assets - customer contracts

The Group's intangible assets - customer contracts pertain to contracts entered by subsidiaries relating to the provision of utility services to locators within an industrial zone.

These are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses.

The intangible assets - customer contracts are amortized using the straight-line method over the remaining life of the contract, and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The remaining contract life ranges from 6 to 10 years. The amortization period and method are reviewed at least at each financial year end.

The amortization expense is recognized in the consolidated statement of income in the expense category consistent with the function of the intangible asset.

Franchise
The Group's franchise pertains to VECO's franchise to distribute electricity within an area granted by the Philippine Legislature, acquired in the business combination in 2013. The franchise is initially recognized at its fair value at the date of acquisition. Following initial recognition, the franchise is carried at cost less accumulated amortization and any accumulated impairment losses. The Group's franchise is amortized using the straight-line method over the estimated economic useful life, and assessed for impairment whenever there is an indication that the franchise may be impaired. The estimated economic useful life of the franchise is 40 years. The amortization period and amortization method for franchise are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the franchise are accounted for by changing the amortization period or method, as appropriate, and treated as a change in accounting estimates. The amortization expense on franchise is recognized in the consolidated statement of income in the expense category consistent with its function.

Software and licenses
Software and licenses are initially recognized at cost. Following initial recognition, the software development costs are carried at cost less accumulated amortization and any accumulated impairment in value.

The software development costs are amortized on a straight-line basis over its estimated useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization commences when the software development costs are available for use. The amortization period and the amortization method for the software development costs are reviewed at each financial year-end. Changes in the estimated useful life is accounted for by changing the amortization period or method, as appropriate, and treating them as changes in accounting estimates. The amortization expense is recognized in the consolidated statement of income in the expense category consistent with the function of the software development costs.

Project development costs
Project development costs include power plant projects in the development phase which meet the "identifiability" requirement under PAS 38, *Intangible Assets*, as they are separable and susceptible to individual sale and are carried at acquisition cost. These assets are transferred to

“Property, plant and equipment” when construction of each power plant commences. During the period of development, the asset is tested for impairment annually.

Investment Properties

Investment properties, which pertain to land and buildings, are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, investment properties are carried at fair value, which reflects market conditions at the balance sheet date. Gains or losses arising from changes in fair values of investment properties are included in the consolidated statement of income in the year in which they arise.

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in the consolidated statement of income in the year of retirement or disposal.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction or development with a view to sale. For a transfer from investment property to owner-occupied property or inventories, the deemed cost of property for subsequent accounting is its fair value at the date of change in use. If the property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use. For a transfer from inventories to investment property, any difference between the fair value of the property at that date and its previous carrying amount is recognized in the consolidated statement of income. When the Group completes the construction or development of a self-constructed investment property, any difference between the fair value of the property at that date and its previous carrying amount is recognized in the consolidated statement of income.

Asset Retirement Obligation

The asset retirement obligation arose from the Group’s obligation, under its contracts, to decommission, abandon and perform surface rehabilitation at the end of the useful lives of the steam field assets or upon abandonment of the plant. A corresponding asset is recognized as part of property, plant and equipment. Decommissioning costs are provided at the present value of expected costs to settle the obligation using estimated cash flows. The cash flows are discounted at a current pre-tax rate that reflects the risks specific to the asset retirement obligation. The unwinding of the discount is expensed as incurred and recognized in the consolidated statement of income as an “Accretion of asset retirement obligation” under the “Interest expense” account. The estimated future costs of decommissioning are reviewed annually and adjusted prospectively.

Changes in the estimated future costs or in the discount rate applied are added or deducted from the cost of the steam field asset. The amount deducted from the cost of the steam field asset, shall not exceed its carrying amount.

If the decrease in the liability exceeds the carrying amount of the steam field asset, the excess shall be recognized immediately in the consolidated statement of income.

Noncurrent Assets Classified as Held for Sale and Discontinued Operations
Noncurrent assets and disposal groups classified as held for sale are measured at the lower of their carrying mount and fair value less costs to sell. Noncurrent assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

In the consolidated statement of income of the reporting period, and of the comparable period of the previous year, income and expenses from discontinued operations are reported separately from income and expenses from continuing operations, down to the level of net income after taxes, even when the Group retains a non-controlling interest in the subsidiary after the sale. The resulting net income is reported separately in the consolidated statement of income.

If there are changes to a plan of sale, and the criteria for the asset or disposal group to be classified as held for sale are no longer met, the Group ceases to classify the asset or disposal group as held for sale and it shall be measured at the lower of:

- its carrying amount before the asset was classified as held for sale adjusted for any depreciation, amortization or revaluations that would have been recognized had the asset not been classified as held for sale, and
- its recoverable amount at the date of the subsequent decision not to sell.

The Group includes any required adjustment to the carrying amount of a noncurrent asset or disposal group that ceases to be classified as held for sale in the consolidated statement of income from continuing operations in the period in which the criteria for the asset or disposal group to be classified as held for sale are no longer met. The Group presents that adjustment in the same caption in the consolidated statement of income used to present a gain or loss recognized, if any.

If the Group ceases to classify a component of an entity as held for sale, the results of operations of the component previously presented in discontinued operations shall be reclassified and included in income from continuing operations for all periods presented. The amounts for prior periods shall be described as having been re-presented.

Research and Development Expenditure
The Group's policy is to record research expenses in the consolidated statement of income in the period when they are incurred.

Development costs are recognized as an intangible asset on the consolidated balance sheet if the Group can identify them separately and show the technical viability of the asset, its intention and capacity to use or sell it, and how it will generate probable future economic benefits.

Following initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit. During the period of development, the asset is tested for impairment annually.

Impairment of Nonfinancial Assets

Other current assets, property, plant and equipment, intangible assets, investments in associates and other noncurrent assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable or may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognized in the consolidated statement of income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each balance sheet date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of accumulated depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of income unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Capital Stock and Additional Paid-in Capital

Capital stock is measured at par value for all shares issued. When the Company issues more than one class of stock, a separate account is maintained for each class of stock and the number of shares issued. Capital stock includes common stock and preferred stock.

When the shares are sold at premium, the difference between the proceeds and the par value is credited to the "Additional paid-in capital" account. When shares are issued for a consideration other than cash, the proceeds are measured by the fair value of the consideration received. In case the shares are issued to extinguish or settle the liability of the Company, the shares shall be measured either at the fair value of the shares issued or fair value of the liability settled, whichever is more reliably determinable.

Direct costs incurred related to equity issuance, such as underwriting, accounting and legal fees, printing costs and taxes are debited to the "Additional paid-in capital" account, net of tax. If additional paid-in capital is not sufficient, the excess is charged against equity.

Retained Earnings
Retained earnings include accumulated earnings of the Company and reduced by dividends on capital stock. Dividends on capital stock are recognized as a liability and deducted from equity when they are approved by the BOD. Dividends for the year that are approved after the financial reporting date are dealt with as an event after the financial reporting date. Retained earnings may also include effect of changes in accounting policy as may be required by the transition provisions of new and amended standards.

Treasury Shares
The Group's own equity instruments which are reacquired (treasury shares) are deducted from equity. No gain or loss is recognized in the consolidated statement of income on the purchase, sale, issue or cancellation of the Group's own equity instruments.

Foreign Currency Transactions
The consolidated financial statements are presented in Philippine peso, which is the Group's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded in the functional currency at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to the consolidated statement of income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currency of the following power subsidiaries: LHC, Therma Mariveles L.P. and subsidiaries, Therma Dinginin L.P. and subsidiaries; and associates: STEAG State Power, Inc. (STEAG), Western Mindanao Power Corporation (WMPC) and Southern Philippines Power Corporation (SPPC), is the United States (US) dollar; and food subsidiaries Pilmico VHF and Pilmico Viet Nam Trading Company, Ltd, is the Vietnamese Dong. As at the balance date, the assets and liabilities of these entities are translated into the presentation currency of the Group (the Philippine peso) at the rate of exchange ruling at the balance sheet date and their statements of income are translated at the weighted average exchange rates for the year. The exchange differences arising on the translation are taken directly to other comprehensive income. On disposal of the subsidiary and associate, the deferred cumulative amount recognized in other comprehensive income relating to that particular entity is recognized in the consolidated statement of income.

Revenue Recognition
Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the amount of revenue can be reliably measured, regardless of when the payment is

being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent.

The following specific recognition criteria must also be met before revenue is recognized:

Sales
Revenue from sale of power and electricity is recognized in the period in which actual capacity is generated and earned and upon distribution of power to customers.

Revenue from sale of goods is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer.

Real estate sales are accounted for under the percentage-of-completion method when: (a) equitable interest and/or legal title to the subject properties is transferred to the buyer; (b) the seller is obliged to perform significant acts after the subject properties are sold; (c) the amount of revenue can be measured reliably; (d) the costs incurred or to be incurred can be measured reliably; and (e) it is probable that the economic benefits will flow to the entity. Under this method, revenue is recognized as the related obligations are fulfilled, measured principally on the basis of the estimated completion of a physical proportion of the contract work. If any of the criteria under the percentage-of-completion method is not met, the deposit method is applied until all the conditions for recording a sale are met. Under the deposit method, no revenue and receivable are recognized, and the Group continues to reflect the property in the consolidated balance sheet. Pending recognition of sale, cash received from buyers are presented under the “Deposits and other liabilities” account in the liabilities section of the consolidated balance sheet.

Rendering of services
Service revenues are recognized when the related services are rendered. Customer payments for which services have not yet been rendered are classified as unearned revenue under “Trade and other payables” account in the consolidated balance sheet.

Once the recorded value of a financial asset or bank of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognized based on the original EIR used to discount the future recoverable cash flows.

Rental income
Rental income arising from operating leases is accounted for on a straight-line basis over the related lease terms.

Dividend income
Dividend income is recognized when the Group’s right to receive payment is established.

Interest income
Interest income is recognized as it accrues taking into account the effective yield on the asset.

Costs and Expenses
Costs and expenses are decreases in economic benefits during the accounting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decreases in equity, other than those relating to distributions to equity participants. Expenses are recognized when incurred.

Pension Benefits
The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Defined benefit costs comprise the following:

- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in the consolidated statement of income. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in the consolidated statement of income.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to consolidated statement of income in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Borrowing Costs
Borrowing costs are capitalized if they are directly attributable to the acquisition, construction or production of a qualifying asset. To the extent that funds are borrowed specifically for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalization on that asset shall be determined as the actual borrowing costs incurred on that borrowing during the period less any investment income on the temporary investment of those borrowings. To the extent that funds are borrowed generally, the amount of borrowing costs eligible for capitalization shall be determined by applying a capitalization rate to the expenditures on that asset. The capitalization rate shall be the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. The amount of borrowing costs capitalized during a period shall not exceed the amount of borrowing costs incurred during that period.

Leases
The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Group as a lessee
Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating lease. Operating lease payments are recognized as an expense in the consolidated statement of income on a straight-line basis over the lease term.

Group as a lessor
Leases where the Group retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income.

Taxes
Current income tax
Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the balance sheet date.

Current income tax relating to items recognized directly in equity is recognized in the consolidated statement of comprehensive income and not in the consolidated statement of income.

Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax
Deferred income tax is provided using the balance sheet liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences and carryforward benefits of net operating loss carryover (NOLCO) and excess of minimum corporate income tax (MCIT) over regular corporate income tax (RCIT), to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and the carryforward benefits of NOLCO and excess of MCIT over RCIT can be utilized, except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each balance sheet date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Input Value-Added Tax (VAT)

Input VAT represents VAT imposed on the Group by its suppliers for the acquisition of goods and services as required by Philippine taxation laws and regulations.

Input VAT, which is presented as part of "Other current assets" and/or "Other noncurrent assets" in the consolidated balance sheets, is recognized as an asset and will be used to offset the Group's current output VAT liabilities and/or applied for claim for tax credit certificates. Input VAT is stated at its estimated NRV.

Output VAT

Output VAT represents VAT due on the sale, lease or exchange of taxable goods or properties or service by any person registered or required to register under Philippine taxation laws and regulations.

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the consolidated balance sheet.

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated statement of income, net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a borrowing cost.

Contingencies

Contingent liabilities are not recognized in the consolidated financial statements. These are disclosed unless the probability of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but are disclosed when an inflow of economic benefits is probable.

Events After the Reporting Period

Post year-end events that provide additional information about the Group's position at balance sheet date (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed when material.

Earnings Per Common Share
Basic earnings per common share are computed by dividing net income for the year attributable to the common shareholders of the parent by the weighted average number of common shares issued and outstanding during the year, after retroactive adjustments for any stock dividends declared and stock rights exercised during the year.

Diluted earnings per share amounts are calculated by dividing the net income for the year attributable to the common shareholders of the parent by the weighted average number of common shares outstanding during the year plus the weighted average number of common shares that would be issued for outstanding common stock equivalents. The Group does not have dilutive common stock equivalents.

Dividends on Common Shares
Dividends on common shares are recognized as a liability and deducted from retained earnings when approved by the respective shareholders of the Group and its subsidiaries. Dividends for the year that are approved after the balance sheet date are dealt with as an event after the reporting period.

Operating Segments
For management purposes, effective September 2015, the Group is organized into five major operating segments (power, food manufacturing, financial services, real estate, infrastructure and parent company/others) according to the nature of the products and the services provided. The Group's identified operating segments are consistent with the segments reported to the BOD which is the Group's Chief Operating Decision Maker (CODM). Financial information on operating segments is presented in Note 33.

3. Summary of Significant Accounting Judgments, Estimates and Assumptions

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

Judgments
In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the consolidated financial statements:

Determining functional currency
Based on the economic substance of the underlying circumstances relevant to the companies in the Group, the functional currency of the companies in the Group has been determined to be the Philippine peso, except for certain subsidiaries and associates whose functional currency is the US dollar (US$) or Vietnamese Dong. The Philippine peso is the currency of the primary economic environment in which the companies in the Group operate and it is the currency that mainly influences the sale of power, goods and services and the costs of power, manufacturing and selling the goods, and the rendering of services. The functional currency of the following

power subsidiaries: LHC, Therma Mariveles L.P. and subsidiaries, Therma Dinginin L.P. and subsidiaries; and associates: STEAG, WMPC and SPPC, is the US dollar; and food subsidiaries Pilmico VHF and Pilmico Viet Nam Trading Company, Ltd, is the Vietnamese Dong.

Determination of control or joint control over an investee company
Control is presumed to exist when an investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. On the other hand, joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Management has determined that by virtue of its majority ownership of voting rights in its subsidiaries as of December 31, 2016 and 2015, the Company had the ability to exercise control over these investees (see Note 2).

Nonconsolidation of certain investees
The Group has 83.33% interest in Manila-Oslo Renewable Enterprise, Inc. (MORE) which has a 60% ownership interest in SN Aboitiz Power-Magat, Inc., SN Aboitiz Power-Benguet, Inc., SN Aboitiz Power-RES, Inc., and SN Aboitiz Power-Generation, Inc.

The Group has 60% interest in Maaraw Holdings San Carlos, Inc. (MHSCI) which has a 25% ownership interest in San Carlos Sun Power, Inc. (SACASUN).

The Group does not consolidate MORE and MHSCI since it does not have the ability to direct the relevant activities which most significantly affect the returns of MORE, MHSCI and their respective investees. This is a result of the shareholders' agreements which, among others, stipulate the management and operation of MORE and MHSCI. Management of MORE and MHSCI is vested in their respective BODs and the affirmative vote of the other shareholder is required for the approval of certain corporate actions which include financial and operating undertakings.

The Group has 60% interest in AEV CRH Holdings, Inc. (AEV CRH) which has 99.09% ownership interest in Republic Cement and Building Materials, Inc. (RCBMI), 99.63% ownership interest in Republic Cement Mindanao, Inc. (RCMI), 94.63% ownership interest in Republic Cement Iligan, Inc. (RCII) and 100% ownership interest in Luzon Continental Land Corporation (LCLC).

The Group does not consolidate AEV CRH since it does not have the ability to direct the relevant activities which most significantly affect the returns of AEV CRH and its investees. This is a result of the contractual arrangements that give the other party the power to direct the relevant non-nationalized activities of the subsidiaries of AEV CRH. Consequently, the Group recognizes AEV CRH as an associate that is accounted for using the equity method in the consolidated financial statements.

Determining a joint operation
The Group has 50% interest in PEC. The Group assessed that the joint arrangement is a joint operation as the financial and operating activities of the operation are jointly controlled by the participating shareholders and are primarily designed for the provision of output to the shareholders.

Service concession arrangements - Companies in the Group as Operators
Based on management's judgment, the provisions of Philippine Interpretation IFRIC 12 apply to SEZ's Distribution Management Service Agreement (DMSA) with Subic Bay Metropolitan Authority (SBMA); MEZ's Built-Operate-Transfer (BOT) agreement with Mactan Cebu International Airport Authority (MCIAA) and LHC's Power Purchase Agreement (PPA) with the National Power Corporation (NPC). The service concession agreements of subsidiaries SEZ, MEZ and LHC were accounted for under the intangible asset model. STEAG, an associate, has also determined that the provisions of Philippine Interpretation IFRIC 12 apply to its PPA with NPC. STEAG's service concession agreement was accounted for under the financial asset model. Refer to the accounting policy on service concession arrangements for the discussion of intangible asset and financial asset models.

Finance lease - Group as the lessee
In accounting for its Independent Power Producer Administration Agreement (IPP Administration Agreement) with the Power Sector Assets and Liabilities Management Corporation (PSALM), the Group has made a judgment that the IPP Administration Agreement of TLI is an arrangement that contains a lease. The Group has made a judgment that it has substantially acquired all the risks and rewards incidental to ownership of the power plant principally by virtue of its right to control the capacity of the power plant and its right to receive the transfer of the power plant at the end of the IPP Administration Agreement for no consideration. Accordingly, the Group accounted for the agreement as a finance lease and recognized the power plant and finance lease obligation at the present value of the agreed monthly payments to PSALM (see Notes 22 and 36).

The power plant is depreciated over its estimated useful life as there is reasonable certainty that the Group will obtain ownership by the end of the lease term. As of December 31, 2016 and 2015, the carrying value of the power plant amounted to ₱36.9 billion and ₱38.0 billion, respectively. The carrying value of the finance lease obligation amounted to ₱52.3 billion and ₱53.7 billion as of December 31, 2016 and 2015, respectively (see Notes 13 and 22).

Determining revenue and cost recognition on real estate
When the contract is judged to be for the construction of a property, revenue is recognized using the percentage-of-completion method as construction progresses. The percentage-of-completion is made by reference to the stage of completion of projects and contracts determined based on the proportion of contract costs incurred to date and the estimated costs to complete.

Distinction between investment properties, land and improvements and real estate inventories
The Group determines whether a property is classified as an investment properties, land and improvements or real estate inventories:

- Investment properties comprise land, land improvements, buildings and (principally offices, commercial warehouses and retail properties) and pier facilities which are not occupied substantially for use by, or in the operations of, the Group, nor for sale in the ordinary course of business, but are held primarily to earn rental income and for capital appreciation.
- Land and improvements comprise land and related improvements that are part of the Group's strategic landbanking activities for development or sale in the medium or long-term.

- Real estate inventories comprise properties that are held for sale in the ordinary course of business. Principally, these are residential properties that the Group develops and intends to sell before or on completion of construction.

The Group considers each property separately in making its judgment.

Operating lease commitments - Group as the lessor
The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the commercial property and the present value of the minimum lease payments not amounting to substantially all of the fair value of the commercial property, that it retains all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases.

Determining fair value of customers' deposits
In applying PAS 39*,* on transformer and lines and poles deposits, the Group has made a judgment that the timing and related amounts of future cash flows relating to such deposits cannot be reasonably and reliably estimated for purposes of an alternative valuation technique in establishing their fair values, since the expected timing of customers' refund or claim for these deposits cannot be reasonably estimated. These customers' deposits amounted to ₱7.0 billion and ₱6.6 billion as of December 31, 2016 and 2015, respectively (see Notes 20 and 36).

Classification of financial instruments
The Group exercises judgment in classifying a financial instrument, or its component parts, on initial recognition as either a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definition of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the consolidated balance sheet.

<u>Estimation Uncertainty</u>
The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed as follows:

Acquisition accounting
The Group accounts for acquired businesses using the purchase method of accounting which requires that the assets acquired and the liabilities assumed be recorded at the date of acquisition at their respective fair values.

The application of the purchase method requires certain estimates and assumptions especially concerning the determination of the fair values of acquired intangible assets and property, plant and equipment as well as liabilities assumed at the date of the acquisition. Moreover, the useful lives of the acquired intangible assets, property, plant and equipment have to be determined. The judgments made in the context of the purchase price allocation can materially impact the Group's future results of operations. Accordingly, for significant acquisitions, the Group obtains assistance from third party valuation specialists. The valuations are based on information available at the acquisition date (see Note 9).

Estimating allowance for impairment losses on trade receivables and others
The Group maintains allowance for impairment of trade and other receivables at a level considered adequate to provide for potential uncollectible receivables. The level of this allowance is evaluated by management on the basis of the factors that affect the collectibility of the accounts. These factors include, but are not limited to, the Group's relationship with its clients, client's current credit status and other known market factors. The Group reviews the age and status of receivables and identifies accounts that are to be provided with allowance either individually or collectively. The amount and timing of recorded expenses for any period would differ if the Group made different judgment or utilized different estimates. An increase in the Group's allowance for impairment of trade and other receivables will increase the Group's recorded expenses and decrease current assets.

Allowance for impairment losses as of December 31, 2016 and 2015 amounted to ₱1.9 billion and ₱2.0 billion, respectively. Trade and other receivables, net of valuation allowance, amounted to ₱22.0 billion and ₱19.1 billion as of December 31, 2016 and 2015, respectively (see Note 5).

Estimating allowance for inventory obsolescence
The Group estimates the allowance for inventory obsolescence based on the age of inventories. The amounts and timing of recorded expenses for any period would differ if different judgments or different estimates are made. An increase in allowance for inventory obsolescence would increase recorded expenses and decrease current assets. As of December 31, 2016 and 2015, allowance for inventory obsolescence amounted to ₱52.2 million and ₱112.2 million, respectively. The carrying amount of the inventories, net of valuation allowance, amounted to ₱10.2 billion and ₱7.9 billion as of December 31, 2016 and 2015, respectively (see Note 6).

Estimating allowance for impairment losses on investments and advances
Investments and advances are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The cash flows are derived from the projection for the next five years as well as the terminal value at the end of five years. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected cash inflows and the growth rates. The carrying amounts of the investments in and advances to associates amounted to ₱87.0 billion and ₱73.4 billion as of December 31, 2016 and 2015, respectively. The allowance for impairment losses amounted to ₱680.7 million as of December 31, 2016 and 2015 (see Note 10).

Estimating asset retirement obligation
Under the Geothermal Resource Service Contract (GRSC), the Group has a legal obligation to decommission, abandon and perform surface rehabilitation on its steam field asset at the end of its useful life. The Group also has a legal obligation under its land lease agreements to decommission the power plants at the end of its lease term. The Group recognizes the present value of the obligation to decommission the plant, abandon and perform surface rehabilitation of the steam field asset and capitalizes the present value of this cost as part of the balance of the related property, plant and equipment, which are being depreciated and amortized on a straight-line basis over the useful life of the related asset.

These costs are accrued based on in-house estimates, which incorporates estimates of the amount of obligations and interest rates, if appropriate. Assumptions used to compute the provision are reviewed and updated annually. Each year, the provision is increased to reflect the accretion of discount and to accrue an estimate for the effects of inflation, with charges being recognized as accretion expense, included under "Interest expense" in the consolidated statement of income.

Changes in the asset retirement obligation that result from a change in the current best estimate of cash flow required to settle the obligation or a change in the discount rate are added to (or deducted from) the amount recognized as the related asset and the periodic unwinding of the discount on the liability is recognized in the consolidated statement of income as it occurs.

While the Group has made its best estimate in establishing the decommissioning provision, because of potential changes in technology as well as safety and environmental requirements, plus the actual time scale to complete decommissioning activities, the ultimate provision requirements could either increase or decrease significantly from the Group's current estimates.

The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances.

Asset retirement obligation amounted to ₱1.8 billion and ₱3.0 billion as of December 31, 2016 and 2015, respectively (see Note 21).

Recognition of deferred income tax assets
The Group reviews the carrying amounts of deferred income tax assets at each reporting date and reduces deferred income tax assets to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred income tax assets to be utilized. The Group has net deferred income tax assets amounting ₱2.2 billion and ₱699.5 million as of December 31, 2016 and 2015, respectively (see Note 31).

The Company did not recognize its deferred income tax assets on NOLCO generated in 2016 and 2015 amounting to ₱1.1 billion and ₱743.1 million, respectively, and on MCIT paid in 2016 and 2015 amounting to ₱21.4 million and ₱13.9 million, respectively. Likewise, AP parent company did not recognize its deferred income tax assets on NOLCO amounting to ₱228.1 million and ₱436.9 million as of December 31, 2016 and 2015, respectively, and on MCIT amounting to ₱43.8 million and ₱26.3 million as of December 31, 2016 and 2015, respectively (see Note 31).

Pension benefits
The costs of defined benefit pension plans, as well as the present value of the pension obligation, are determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

Net benefit expense amounted to ₱320.5 million in 2016, ₱356.7 million in 2015 and ₱284.0 million in 2014. The net benefit asset as at December 31, 2016 and 2015 amounted to ₱115.3 million and ₱106.6 million, respectively (see Note 30). Net pension liabilities as of December 31, 2016 and 2015 amounted to ₱347.7 million and ₱755.4 million, respectively.

In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation.

The mortality rate is based on publicly available mortality tables for the specific country and is modified accordingly with estimates of mortality improvements. Future salary increases and pension increases are based on expected future inflation rates for the specific country.

Further details about the assumptions used are provided in Note 30.

Estimating useful lives of property, plant and equipment
The Group estimates the useful lives of property, plant and equipment based on the period over which assets are expected to be available for use. The estimated useful lives of property, plant and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. In addition, the estimation of the useful lives of property, plant and equipment is based on collective assessment of internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in the factors and circumstances mentioned above. As of December 31, 2016 and 2015, the net book values of property, plant and equipment, excluding land, amounted to ₱200.0 billion and ₱142.2 billion, respectively (see Note 13).

Estimating residual value of property, plant and equipment
The residual value of the Group's property, plant and equipment is estimated based on the amount that the entity would obtain from disposal of the asset, after deducting estimated costs of disposal, if the asset is already of the age and in the condition expected at the end of its useful life. The estimated residual value of each asset is reviewed periodically and updated if expectations differ from previous estimates. As of December 31, 2016 and 2015, the net book values of property, plant and equipment, excluding land, amounted to ₱200.0 billion and ₱142.2 billion, respectively (see Note 13).

Estimating useful lives of intangible asset - service concession rights
The Group estimates the useful lives of intangible asset arising from service concessions based on the period over which the asset is expected to be available for use which is 25 years. The Group has not included any renewal period on the basis of uncertainty, as of balance sheet date, of the probability of securing renewal contract at the end of the original contract term. As of December 31, 2016 and 2015, the net book value of intangible asset - service concession rights amounted to ₱3.2 billion (see Note 15).

Estimating useful lives of intangible asset - customer contracts
The Group estimates the useful lives of intangible asset arising from customer contracts based on the period over which the asset is expected to be available for use which is six years. The Group has not included any renewal period on the basis of uncertainty, as of reporting date, of the probability of securing renewal contract at the end of the original contract term. As at December 31, 2016 and 2015, the net book values of intangible assets - customer contracts amounted to ₱64.0 million and ₱79.4 million, respectively (see Note 16).

Estimating useful life of franchise
The Group estimates the useful life of VECO’s distribution franchise based on the period over which the asset is estimated to be available for use which is 40 years, consisting of 15 years remaining contract period from date of business combination and expected probable renewal covering another 25 years. As of December 31, 2016 and 2015, the carrying value of franchise amounted to ₱2.8 billion and ₱2.9 billion, respectively (see Note 16).

Assessing impairment of AFS investments
The Group treats AFS equity investments as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is “significant” or “prolonged” requires judgment. The Group treats “significant” generally as 20% or more and “prolonged” as greater than six months for quoted equity securities. In addition, the Group evaluates other factors, including normal volatility in share price for quoted equities and the future cash flows and the discount factors for unquoted equities. Fair value of AFS investments amounted to ₱563.7 million and ₱367.7 million as of December 31, 2016 and 2015, respectively. Net unrealized mark-to-market gain on AFS investments amounted to ₱9.1 million and ₱14.2 million as of December 31, 2016 and 2015, respectively. No impairment loss was recognized in 2016, 2015 and 2014.

Assessing impairment of goodwill
The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill as of December 31, 2016 and 2015 amounted to ₱38.2 billion and ₱2.1 billion, respectively (see Note 12). Goodwill impairment recognized in 2016 amounted to ₱169.5 million. No impairment of goodwill was recognized in 2015 and 2014.

Fair value less estimated costs to sell of biological assets
The Group determines the most reliable estimate of fair value less estimated costs to sell of its biological assets. Fair value reflects the most recent market transaction price provided that there has been no significant change in economic circumstances between the date of transaction and balance sheet date. Point-of-sale cost is estimated based on recent transactions and is deducted from the fair value in order to measure the biological assets at balance sheet date.

As of December 31, 2016 and 2015, the carrying value of the biological assets amounted to ₱756.3 million and ₱676.9 million, respectively (see Note 8).

Impairment of nonfinancial assets

The Group assesses whether there are any indicators of impairment for nonfinancial assets at each reporting date. These nonfinancial assets (other current assets, property, plant and equipment, intangible asset - service concession rights and other noncurrent assets) are tested for impairment when there are indicators that the carrying amounts may not be recoverable.

Determining the recoverable amount of these assets, which require the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets, requires the Group to make estimates and assumptions that can materially affect its consolidated financial statements. Future events could cause the Group to conclude that the other current assets, property, plant and equipment, intangible asset - service concession rights and other noncurrent assets are impaired. Any resulting impairment loss could have a material adverse impact on the consolidated balance sheet and consolidated statement of income. The aggregate net book values of these assets as of December 31 are as follows:

	2016	2015
Property, plant and equipment (see Note 13)	**₱201,894,769**	₱143,997,702
Other current assets (see Note 7)	**6,849,331**	5,913,755
Intangible asset – service concession rights (see Note 15)	**3,222,123**	3,226,536
Other noncurrent assets (see Note 16)	**12,207,714**	10,331,721
	₱224,173,937	₱163,469,714

No impairment loss was recognized in 2016, 2015 and 2014.

Fair value of financial instruments

When the fair values of financial assets and financial liabilities recorded in the balance sheet cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the DCF model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments. See Note 36 for further disclosures.

Contingent consideration, resulting from business combinations, is valued at fair value at the acquisition date as part of the business combination. When the contingent consideration meets the definition of a financial liability, it is subsequently re-measured to fair value at each reporting date. The determination of the fair value is based on discounted cash flows.

Revaluation of investment properties

The Group carries its investment properties at fair value, with changes in fair value being recognized in the consolidated statement of income. The Group engaged an independent valuation specialist to assess the fair values of these properties. For these assets, the valuation methodology used was Sales Comparison Approach. This method considers the sales of similar or substitute properties and related market data and establishes a value estimate by processes involving comparison (see Note 14).

Legal contingencies
The estimate of probable costs for the resolution of possible claims has been developed in consultation with outside counsels handling the Group's defense in these matters and is based upon an analysis of potential results. No provision for probable losses arising from legal contingencies was recognized in the Group's consolidated financial statements for the years ended December 31, 2016, 2015 and 2014.

4. Cash and Cash Equivalents

	2016	2015
Cash on hand and in banks	**₱13,538,522**	₱8,281,357
Short-term deposits	**50,319,006**	55,300,527
	₱63,857,528	₱63,581,884

Cash in banks earn interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates. Interest income earned from cash and cash equivalents amounted to ₱1.4 billion in 2016, ₱1.1 billion in 2015 and ₱579.7 million in 2014 (see Note 35).

5. Trade and Other Receivables

	2016	2015
Trade receivables (see Note 35)		
Power (see Note 19)	**₱13,916,684**	₱11,810,396
Real estate	**2,855,165**	2,286,152
Food manufacturing	**1,848,628**	1,669,387
Financial services	**155,028**	27,372
Holding and others	**1,319,883**	733,446
	20,095,388	16,526,753
Advances to contractors	**773,547**	1,084,377
Dividends receivable (see Note 10)	**748,000**	1,320,000
Accrued revenues	**595,533**	512,530
Non-trade receivables	**345,099**	281,451
Others	**1,331,439**	1,370,165
	23,889,006	21,095,276
Less allowance for impairment losses	**1,879,032**	2,041,945
	22,009,974	19,053,331
Less noncurrent portion	**277,771**	224,395
	₱21,732,203	₱18,828,936

Trade receivables, except real estate receivables, are generally non-interest bearing and on 10 - 30 days' terms.

For terms and conditions relating to related party receivables, refer to Note 34.

Contractual maturities of trade receivables from sale of real estate inventories range from 1 to 180 months. Current and noncurrent portion of these receivables amount to ₱21.7 billion and ₱277.8 million, respectively, as of December 31, 2016, and ₱18.8 billion and ₱224.4 million, respectively, as of December 31, 2015.

Other receivables include accrued interest income.

The rollforward analysis of allowance for impairment losses is presented below:

December 31, 2016

	Trade Receivables				
	Power	Food Manufacturing	Real Estate	Holding and Others	Total
At beginning of year	**₱1,841,625**	**₱126,824**	**₱2,006**	**₱71,490**	**₱2,041,945**
Provisions (see Note 27)	**145,786**	**412**	**517**	**1,308**	**148,023**
Reversals/recovery	**–**	**(17,931)**	**(230)**	**(67,000)**	**(85,161)**
Write-off	**(225,775)**	**–**	**–**	**–**	**(225,775)**
At end of year	**₱1,761,636**	**₱109,305**	**₱2,293**	**₱5,798**	**₱1,879,032**

December 31, 2015

	Trade Receivables				
	Power	Food Manufacturing	Real Estate	Holding and Others	Total
At beginning of year	₱1,559,014	₱97,222	₱1,776	₱–	₱1,658,012
Provisions (see Note 27)	418,029	40,796	230	67,000	526,055
Write-off	(135,418)	–	–	–	(135,418)
Reversals	–	(11,194)	–	–	(11,194)
Deconsolidation (see Note 9)	–	–	–	4,490	4,490
At end of year	₱1,841,625	₱126,824	₱2,006	₱71,490	₱2,041,945

Allowance for impairment losses as of December 31, 2016 and 2015 pertains to receivables that are either individually or collectively determined to be impaired at reporting date.

These individually determined accounts relate to debtors that are in significant financial difficulties and have defaulted on payments and accounts under dispute and legal proceedings. These receivables are not secured by any collateral or credit enhancements.

For collective assessment, allowances are assessed for receivables that are not individually significant and for individually significant receivables where there is no objective evidence yet of individual impairment. Impairment losses are estimated by taking into consideration the age of the receivables, past collection experience and other factors that may affect collectability.

Reversals of allowance for impairment losses are presented as part of “Others - net” under “Other income - net” account in the consolidated statements of income.

6. Inventories

	2016	2015
At cost:		
Fuel and lubricants	**₱2,845,119**	₱1,045,021
Materials, parts and supplies	**1,660,656**	998,485
Real estate inventories	**1,984,725**	1,992,706
Raw materials	**886,340**	702,312
Finished goods (see Note 27)	**507,645**	776,307
At NRV:		
Wheat grains and other raw materials	**1,525,839**	1,792,417
Materials, parts and supplies	**811,124**	638,056
	₱10,221,448	₱7,945,304

A summary of the movement in real estate inventories is set out below:

	2016	2015
Real estate inventories:		
At January 1	**₱1,992,706**	₱2,796,543
Construction/development costs incurred	**878,516**	615,023
Land acquired during the period	**51,850**	30,892
Borrowing costs capitalized	**107,822**	83,805
Disposals (recognized as cost of real estate inventories sold)	**(1,084,740)**	(1,243,650)
Land costs transferred from (to) land and improvements	**31,640**	(300,696)
Transfers from property and equipment	**6,931**	10,789
At December 31	**₱1,984,725**	₱1,992,706

The cost of inventories recognized as part of cost of generated power in the consolidated statements of income amounted to ₱12.2 billion in 2016, ₱13.6 billion in 2015 and ₱15.1 billion in 2014 (see Notes 26 and 27). The cost of inventories recognized as part of operations and maintenance in the consolidated statements of income amounted to ₱310.9 million in 2016, ₱910.5 million in 2015 and ₱840.8 million in 2014 (see Note 27).

Cost of real estate inventories sold amounted to ₱1.1 billion, ₱1.2 billion and ₱1.3 billion 2016, 2015 and 2014, respectively.

Allowance for inventory obsolescence amounted to ₱52.2 million and ₱112.2 million as of December 31, 2016 and 2015, respectively. The amount of provision for inventory obsolescence and losses recognized as expense amounted to ₱11.1 million in 2016, ₱31.1 million in 2015 and nil in 2014 (see Note 27).

Cost of inventories carried at NRV amounted to ₱2.3 billion and ₱2.4 billion as of December 31, 2016 and 2015, respectively.

Total borrowing costs capitalized as part of the real estate projects amounted to ₱107.8 million and ₱83.8 million in 2016 and 2015, respectively (see Note 19). The general capitalization rate ranges from 2.75% to 2.87% in 2016 and 2.0% to 4.53% in 2015.

7. Other Current Assets

	2016	2015
Prepaid expenses	**₱3,122,523**	₱2,139,335
Input VAT	**2,216,281**	2,427,198
Restricted cash	**2,100,611**	–
Biological assets (see Note 8)	**629,288**	578,257
Others	**1,510,527**	1,347,222
	₱9,579,230	₱6,492,012

Prepaid expenses consist of unapplied insurance, rent and tax costs for which payments have been made.

Restricted cash represents proceeds from sale of power under the control of trustees of the lenders as per loan agreement (see Note 19). The asset will be used to pay the current portion of loans payable and interest payments in the following period.

“Others” include prepayments to regulatory agencies.

8. Biological Assets

	2016	2015
Presented under Other Current Assets:		
Market hogs	**₱382,576**	₱377,226
Piglets	**167,615**	129,689
Growing stocks	**67,021**	66,525
Poultry - broilers	**2,585**	1,020
Poultry - others	**9,491**	3,797
	629,288	578,257
Presented under Other Noncurrent Assets:		
Bearers (breeders) (see Note 16)	**127,015**	98,662
	₱756,303	₱676,919

As of December 31, 2016 and 2015, biological assets are measured at fair value under Level 2 input. Fair values are determined based on average market selling prices at balance sheet date. Prices used reflect the most recent active market transaction price provided that there has been no significant change in economic circumstances between the date of transaction and balance sheet date. Market hogs, piglets, bearers (breeders), growing stocks, broilers and others are measured at fair value less estimated costs to sell.

As of December 31, 2016 and 2015, the fair value of biological assets measured using quoted prices in active markets (Level 2) amounted to ₱756.3 million and ₱676.9 million, respectively (see Notes 7 and 16).

During the years ended December 31, 2016 and 2015, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

The reconciliation of changes in the carrying amount follows:

	2016	2015
At beginning of year	**₱676,919**	₱575,851
Additions	**1,684,738**	1,562,540
Sales at fair value	**(1,854,053)**	(1,786,095)
Transferred to breeding herd	**(139,519)**	(101,097)
Increase in fair value (see Note 29)	**388,218**	425,720
At end of year	**₱756,303**	₱676,919

Consumable biological assets are included under "Other current assets" account while bearers are included under "Other noncurrent assets" account in the consolidated balance sheets (see Notes 7 and 16).

9. **Acquisitions and Disposals of Shares of Stock**

a. Acquisition of GNPower

On October 4, 2016, TPI, a 100%-owned subsidiary of AP, finalized the purchase and sale agreements for the acquisition of the partnership interests held by affiliated investment funds of The Blackstone Group L.P. which indirectly owns the majority and minority interests in GMCP and GNPower Dinginin Ltd. Co. (GNPD), respectively, amounting to US$1.22 billion, subject to purchase price adjustments.

The completion of the transaction is subject to certain conditions, including approvals by the Philippine Competition Commission (PCC) and the Board of Investments (BOI), as may be applicable. The PCC and BOI approved the acquisition on December 19, 2016 and November 21, 2016, respectively.

GMCP

GMCP owns and operates the Mariveles subcritical coal-fired power plant, consisting of two units totaling 604 MW. The plant is located in Mariveles, Bataan and started commercial operations in 2014. TPI acquired the 82.82% indirect interest in GMCP through its acquisition of Therma Mariveles Holdings L.P. (see Note 2).

The Group elected to measure the non-controlling interest in the acquiree at the proportionate share of its interest in the acquiree's identifiable net assets.

The following are the provisional fair values of the identifiable assets and liabilities assumed on acquisition date:

Assets:	
Cash and cash equivalents	₱5,567,064
Trade and other receivables	2,152,589
Inventory	1,321,660
Prepaid expenses	679,956
Property, plant, and equipment	33,661,994
Derivative assets	752,335
Deferred income tax assets	1,054,677
Other assets	144,747
	45,335,022
Liabilities:	
Trade and other payables	₱2,057,368
Long-term debt	26,473,367
Derivative liabilities	351,210
Asset retirement obligation	318,136
Other liabilities	32,925
	29,233,006
Total identifiable net assets	₱16,102,016
Total consideration	₱49,787,176
Fair value of noncontrolling interest	2,584,442
	52,371,618
Goodwill	₱36,269,602
Cash flow on acquisition:	
Net cash acquired with the subsidiary	₱5,567,064
Cash paid	(49,787,176)
Net cash outflow	(₱44,220,112)

The accounting for this business combination was determined provisionally as TPI is still finalizing the fair valuation of the nonfinancial assets acquired.

In 2016, GMCP contributed ₱663.8 million to the consolidated revenue and ₱326.1 million to the net income of the Group. If the combination had taken place at the beginning of 2016, the Group's revenue would have been ₱105.48 billion and net income would have been ₱25.06 billion.

GNPD

GNPD is the project company established to develop, finance, design, engineer, construct, complete, maintain, own and operate the proposed supercritical coal-fired power project located also in Bataan. The GNPD project is currently under development and consists of up to two units totaling 668 MW. TPI acquired the 50.00% indirect interest in GMCP through its acquisition of Therma Dinginin L.P. (see Note 2).

The purchase price amounted to US$224.9 million (P11.20 billion). As of December 31, 2016, it is impracticable to determine the fair values of the assets and liabilities of GNPD as TPI is still compiling all the required information.

b. Step Acquisition of EAUC

EAUC is a Philippine Economic Zone Authority (PEZA) registered power generation company which provides electric power to PEZA economic zones in Lapu-Lapu City and Balamban, province of Cebu. Prior to the acquisition, EAUC was 50% owned by AP and 50% owned by El Paso Philippines Energy Company, Inc. (EPPECI).

In June 2016, TPI acquired 50% ownership interest in EAUC from EPPECI. As a result of the acquisition, EAUC became a wholly owned subsidiary of AP. The transaction was accounted for as a business combination achieved in stages.

The accounting for this business combination was determined provisionally as AP is still finalizing the fair valuation of the nonfinancial assets acquired. This will be finalized within one year as allowed by PFRS.

The provisional fair values of the identifiable net assets included in the consolidated amounts follow:

Assets:	
Cash and cash equivalents	₱199,185
Trade and other receivables	133,769
Materials and supplies	94,542
Other current assets	17,551
Property, plant, and equipment	779,976
Other assets	33,824
	1,258,847
Liabilities:	
Trade and other payables	80,773
Other liabilities	57,503
Deferred income tax liabilities	25,673
	163,949
Total identifiable net assets at fair value	1,094,898
Total consideration	513,205
Fair value of previously-held interest in EAUC	547,449
Bargain purchase gain	₱34,244

Cash flow on acquisition:	
Net cash acquired with the subsidiary	₱199,185
Cash paid	(513,205)
Net cash outflow	(₱314,020)

Remeasurement of the previously-held interest in EAUC as at the date of acquisition follows:

Carrying value of the previously-held interest	₱230,754
Fair value of previously-held interest	547,449
Gain on the remeasurement of previously-held interest	₱316,695

In 2016, EAUC contributed ₱415.8 million to the consolidated revenue and ₱92.5 million to the net income of the Group. If the combination had taken place at the beginning of 2016, the Group's revenue would have been ₱89.47 billion and net income would have been ₱21.54 billion.

c. Acquisition of PETNET

On June 1, 2015, the Company acquired 51% stake in PETNET from Amon Trading Corporation, Strongview Inc. and various individual shareholders for a total consideration of ₱1.0 billion. Out of the 2,461,338 shares acquired by the Company, 1,235,186 shares (equivalent to 25.6%) were acquired from existing PETNET shareholders while the remaining 1,226,152 shares (equivalent to 25.4%) were subscribed from the unissued capital stock of PETNET.

PETNET is a Philippine money remittance business with a national footprint of around 2,500 locations through a mix of own units and business partner agreements, the largest Western Union agent network of the Philippines.

The purchase of PETNET was treated as a business combination accounted for under the acquisition method, and generated a goodwill amounting to ₱523.9 million.

In 2015, PETNET contributed ₱306.7 million to the consolidated revenue and ₱8.2 million to the net income of the Group from the date of acquisition.

d. Acquisition of Pilmico VHF

In May 2014, Pilmico International, a 100%-owned subsidiary of the Company, acquired 70% of the outstanding shares of Pilmico VHF for a total consideration of US$19.8 million. Pilmico VHF is a leading and trusted supplier of aqua feeds based in Dong Thap, Vietnam. Founded in 2007, it operates a 130,000 tons per year aqua feed facility producing primarily pangasius feed.

With Pilmico International's obligation to purchase the remaining 30% interest in Pilmico VHF within five (5) years at the same price per share and its present access to the returns on said interest, Pilmico International treated the deal as a 100% acquisition, bringing up the total transaction value to US$28.2 million. Consequently, Pilmico International recorded a ₱325.0 million financial liability for the call option on the remaining 30% in accordance with PAS 39. The purchase of Pilmico VHF was treated as a business combination accounted for under the acquisition method, and generated a goodwill amounting to ₱394.2 million.

In 2014, Pilmico VHF contributed ₱1.7 billion in revenue and ₱16.0 million in net income to the Group.

e. Sale of Investment in Abojeb Group

On February 12, 2014, the Company sold its interests in Aboitiz Jebsen Company, Inc., Aboitiz Jebsen Manpower Solutions, Inc., and Jebsens Maritime, Inc. (collectively, the "Abojeb Group") to PTC Holdings Corporation, Behike Holdings, Inc., Valdicava Holdings, Inc., Jebsen Invest A.S. and Furunes Holdings Inc for a total consideration of US$8.3 million.

As a result of this disposal, Abojeb Group was deconsolidated from the March 31, 2014 consolidated financial statements of the Group, and a gain amounting to ₱274.0 million was reported under "Other income - net" account in the 2014 consolidated statement of income.

f. Joint Operation

		Percentage of Ownership		
Name of Joint Operation	Nature of Business	**2016**	2015	2014
PEC*	Power generation	**50.00**	50.00	50.00

**PEC's principal place of business and country of incorporation is the Philippines. PEC has no commercial operations as of December 31, 2016.*

On May 15, 2014, AP entered into a shareholders' agreement with TPEC Holdings Corporation (TPEC) for the development, construction and operation of the 400 MW Pagbilao Unit III in Pagbilao, Quezon through PEC. TPI and TPEC both agreed to provide their respective capital contributions and subscribe to common shares such that each stockholder owns 50% of the issued and outstanding shares of stock of PEC. This effectively reduced the Group's ownership in PEC from 100% to 50%.

The financial and operating activities of the operation are jointly controlled by the participating shareholders and are primarily designed for the provision of output to the shareholders.

The Group's share of assets, liabilities, revenue, expenses and cash flows of joint operations are included in the consolidated financial statements on a line-by-line basis.

10. Investments and Advances

	2016	2015
Acquisition cost:		
Balance at beginning of year	**₱50,335,563**	₱29,191,049
Additions during the year	**12,408,168**	24,515,343
Step acquisition of subsidiary	**(144,691)**	–
Write-offs during the year	–	(721,625)
Redemptions during the year	**(35,925)**	(2,649,204)
Balance at end of year	**62,563,115**	50,335,563
Accumulated share in net earnings:		
Balances at beginning of year	**27,072,370**	24,628,963
Share in net earnings for the year	**9,651,787**	6,589,452
Write-offs during the year	**–**	801,096
Step acquisition of subsidiary	**(87,437)**	–
Deconsolidation of a subsidiary	**–**	(57)
Cash dividends received and receivable	**(8,036,738)**	(4,947,084)
Balance at end of year	**28,599,982**	27,072,370
Gain on dilution	**1,014,136**	1,014,136
Share in cumulative translation adjustments of associates and joint ventures	**(128,203)**	(256,376)
Share in actuarial losses on retirement benefit plan of associates and joint ventures	**(546,459)**	(368,215)

(Forward)

	2016	2015
Share in net unrealized mark-to-market losses on AFS investments of associates	**(₱3,903,435)**	(₱3,713,742)
	87,599,136	74,083,736
Advances to associates	**32,056**	32,056
	87,631,192	74,115,792
Less allowance for impairment losses (see Note 3)	**680,731**	680,731
	₱86,950,461	₱73,435,061

The rollforward of the share in net unrealized mark-to-market losses on AFS investments of an associate follows:

	2016	2015
At January 1	**(₱3,713,742)**	(₱1,468,732)
Unrealized valuation losses	**(1,286,690)**	(2,471,113)
Realized valuation gains	**1,096,997**	226,102
At December 31	**(₱3,903,435)**	(₱3,713,742)

The Group's investees and the corresponding equity ownership are as follows:

	Nature of Business	**2016**	2015	2014
MORE*	Holding	**83.33**	83.33	83.33
MHSCI*	Power generation	**60.00**	60.00	–
AEV CRH	Holding	**60.00**	60.00	–
GNPD (see Note 9)**	Power generation	**50.00**	–	–
Cebu District Property Enterprise, Inc. (CDPEI)*	Real estate	**50.00**	50.00	50.00
Accuria, Inc.**	Holding	**49.54**	49.54	49.54
Union Bank of the Philippines (UBP)	Banking	**48.83**	47.97	47.43
Hijos	Holding	**46.73**	46.73	46.73
CRH ABOITIZ Holdings, Inc. (CRH ABOITIZ)	Holding	**45.00**	45.00	–
San Fernando Electric Light & Power Co., Inc. (SFELAPCO)	Power distribution	**43.78**	43.78	43.78
Pampanga Energy Ventures, Inc. (PEVI)	Holding	**42.84**	42.84	42.84
La Filipina Elektrika, Inc.**	Power generation	**40.00**	40.00	–
SACASUN*	Power generation	**35.00**	35.00	–
STEAG	Power generation	**34.00**	34.00	34.00
Cebu Energy Development Corp. (CEDC)	Power generation	**26.40**	26.40	26.40
Redondo Peninsula Energy, Inc. (RP Energy)**	Power generation	**25.00**	25.00	25.00
SPPC	Power generation	**20.00**	20.00	20.00
WMPC	Power distribution	**20.00**	20.00	20.00
EAUC (see Note 9)	Power generation	**–**	50.00	50.00

**Joint venture*

***No commercial operations as of December 31, 2016.*

The investees are all located in the Philippines.

As of December 31, 2016 and 2015, the undistributed earnings of the associates and joint ventures included in the Group's retained earnings are not available for distribution to the stockholders unless declared by the associates and joint ventures (see Note 24).

2016

In December 2016, TPI completed its acquisition of all of Therma Dinginin L.P.'s indirect ownership interests in GNPD as part of the GNPower acquisition (see Note 9).

In April 2016, the Group, through TPI, subscribed and paid for additional shares of Redondo Peninsula Energy, Inc. (RPEI) amounting to ₱169.6 million.

On various dates in 2016, the Group, through ARI, subscribed and paid for additional MORE, MHSCI and SACASUN shares amounting to ₱25.0 million, ₱127.9 million and ₱298.5 million, respectively.

2015

On September 15, 2015, AEV and CRH PLC (CRH), through their investment vehicles, AEV CRH and CRH ABOITIZ, closed the acquisition of Lafarge S.A. Philippine assets. AEV acquired its interest in AEV CRH and CRH ABOITIZ for a total consideration of ₱23.7 billion. Simultaneously, AEV CRH purchased 99.09% of RCBMI and 100% of LCLC shares, while CRH ABOITIZ acquired 100% of the outstanding common shares of Republic Cement Services, Inc. (RCSI) (formerly Lafarge Cement Services (Philippines), Inc.).

In April 2015, ARI acquired shares of SCSPI amounting to ₱0.1 million, equivalent to 35% ownership in SCSPI, and subsequently infused additional capital into SCSPI amounting to ₱316.0 million.

On various dates in 2015, the Group infused capital into MHSCI through stock subscription amounting to ₱135.4 million.

2014

On February 20, 2014, AEV and Aboitizland, together with the ALI group, incorporated CDPEI as a 50-50 joint venture company (between the Aboitiz and Ayala group) that will develop a 15-hectare mixed use community in Mandaue City, Cebu. Under the joint venture agreement, all corporate acts of CDPEI should be approved with the unanimous consent of each party. Consequently, AboitizLand's 50% ownership in the voting shares of CDPEI is accounted for under the equity method in the Group's consolidated financial statements.

In January 2014, AEV sold all of its interest in CICTI for a total consideration of ₱646.5 million. The ₱359.5 million gain generated from this disposal is included in "Other income - net" in the 2014 consolidated statement of income (see Note 29).

The detailed carrying values of investees, which are accounted for under the equity method, follow:

	2016	2015
UBP	**₱30,183,219**	₱25,813,716
AEV CRH	**24,648,303**	23,573,714
GNPD	**11,200,790**	–
MORE	**9,764,599**	13,123,420
STEAG	**3,761,763**	4,150,972

(Forward)

	2016	2015
CEDC	**₱3,070,016**	₱2,694,465
CDPEI	**1,487,279**	1,490,511
SFELAPCO/PEVI	**834,689**	768,941
SACASUN	**525,391**	314,706
RP Energy	**481,759**	322,565
CRH ABOITIZ	**271,352**	244,547
MHSCI	**223,633**	134,200
SPPC	**137,436**	137,777
WMPC	**128,034**	262,303
EAUC	**–**	249,511
Others	**200,140**	121,655
	₱86,918,403	₱73,403,003

The fair value of the investment in UBP for which there is a published price quotation amounted to ₱38.6 billion and ₱29.0 billion as of December 31, 2016 and 2015, respectively.

Following is the summarized financial information of significant associates and joint ventures:

	2016	2015	2014
UBP			
Total current assets	**₱129,052,429**	₱113,826,652	₱189,392,658
Total noncurrent assets	**386,790,707**	319,477,687	253,470,282
Total current liabilities	**449,645,054**	374,967,776	303,877,444
Total noncurrent liabilities	**7,200,000**	7,200,000	7,200,000
Equity attributable to equity holders of UBP Parent Company	**₱58,977,766**	₱51,112,771	₱52,854,495
Gross revenue	**₱20,105,820**	₱16,235,225	₱14,955,022
Operating profit	**12,012,290**	7,475,404	8,685,648
Net income attributable to equity holders of parent	**10,094,621**	5,315,853	6,840,012
Other comprehensive income attributable to equity holders of the parent	**9,452,512**	480,789	10,780,431
Group's share in net income	**₱4,913,926**	₱2,533,581	₱3,243,902
AEV CRH			
Total current assets	**₱5,885,378**	₱7,266,741	₱–
Total noncurrent assets	**74,560,302**	63,798,648	–
Total current liabilities	**18,189,288**	17,864,592	–
Total noncurrent liabilities	**21,723,645**	14,374,575	–
Equity attributable to equity holders of AEV CRH Parent Company	**₱40,508,670**	₱38,621,267	₱–

(Forward)

	2016	2015	2014
Gross revenue	**₱26,693,275**	₱7,608,815	₱–
Operating profit	**3,973,198**	456,829	–
Net income attributable to equity holders of parent	**1,790,981**	32,677	–
Group's share in net income	**₱1,074,589**	₱19,606	₱–
CRH ABOITIZ			
Total current assets	**₱165,802**	₱682,077	₱–
Total noncurrent assets	**1,085,320**	699,526	–
Total current liabilities	**633,968**	847,951	–
Total noncurrent liabilities	**203,785**	161,968	–
Equity attributable to equity holders of CRH ABOITIZ Parent Company	**₱413,361**	₱371,684	₱–
Gross revenue	**₱2,603,500**	₱616,616	₱–
Operating profit	**1,175,462**	405,428	–
Net income attributable to equity holders of parent	**59,568**	124,187	–
Group's share in net loss	**₱26,806**	₱55,884	₱–
MORE			
Total current assets	**₱149,022**	₱133,894	₱1,024,283
Total noncurrent assets	**11,688,969**	15,705,943	18,420,732
Total current liabilities	**96,106**	91,473	999,803
Total noncurrent liabilities	**5,190**	260	22,714
Equity	**₱11,736,695**	₱15,748,104	₱18,422,498
Gross revenue	**₱170,236**	₱166,636	₱166,636
Operating profit	**2,601,566**	2,557,392	3,098,681
Net income	**2,573,164**	2,552,419	3,087,584
Other comprehensive income	**145,426**	113,073	49,978
Group's share in net income	**₱2,164,217**	₱2,127,016	₱2,552,580
Additional information:			
Cash and cash equivalents	**₱39,817**	₱26,500	₱11,905
STEAG			
Total current assets	**₱2,608,136**	₱3,286,363	₱3,005,932
Total noncurrent assets	**10,721,862**	10,265,755	9,921,145
Total current liabilities	**2,018,724**	1,747,652	1,737,831
Total noncurrent liabilities	**3,651,920**	3,900,707	3,899,890
Equity	**₱7,659,354**	₱7,903,759	₱7,289,356
Gross revenue	**₱4,626,910**	₱4,864,480	₱4,351,273
Operating profit	**1,205,122**	2,060,028	658,167
Net income	**928,891**	1,414,229	495,672
Other comprehensive income	**10,321**	50,338	3,095
Group's share in net income	**₱162,426**	₱324,455	₱9,520

	2016	2015	2014
CEDC			
Total current assets	**₱5,666,952**	₱5,083,812	₱5,602,608
Total noncurrent assets	**14,901,921**	15,418,308	16,023,078
Total current liabilities	**3,840,126**	5,250,521	4,755,207
Total noncurrent liabilities	**9,751,438**	9,127,815	10,152,587
Equity	**₱6,977,309**	₱6,123,784	₱6,717,892
Gross revenue	**₱7,965,518**	₱8,108,516	₱8,037,147
Operating profit	**3,433,767**	3,196,976	3,439,164
Net income	**2,546,339**	2,366,296	2,325,609
Other comprehensive income	**7,188**	39,595	(24,431)
Group's share in net income	**₱1,120,389**	₱1,041,170	₱1,023,268
SFELAPCO*			
Total current assets	**₱1,406,869**	₱1,302,248	₱1,317,304
Total noncurrent assets	**1,996,643**	2,015,544	2,145,415
Total current liabilities	**710,301**	742,792	814,231
Total noncurrent liabilities	**618,579**	565,278	618,794
Equity	**₱2,074,632**	₱2,009,722	₱2,029,694
Gross revenue	**₱4,255,286**	₱4,208,990	₱4,140,738
Operating profit	**310,511**	170,695	191,652
Net income	**272,756**	165,094	249,413
Other comprehensive income (loss)	**8,671**	–	310,688
Group's share in net income	**₱73,415**	₱146,977	₱132,570
WMPC			
Total current assets	**₱555,637**	₱1,256,744	₱982,321
Total noncurrent assets	**305,394**	414,139	391,953
Total current liabilities	**222,299**	266,259	357,644
Total noncurrent liabilities	**71,782**	93,109	46,701
Equity	**₱566,950**	₱1,311,515	₱969,929
Gross revenue	**₱1,636,339**	₱1,430,260	₱1,441,632
Operating profit	**130,244**	926,475	758,494
Net income	**91,646**	776,764	617,781
Other comprehensive income (loss)	**(9,634)**	2,270	1,490
Group's share in net income	**₱18,329**	₱155,353	₱123,556
SPPC			
Total current assets	**₱361,706**	₱529,902	₱432,433
Total noncurrent assets	**351,903**	351,948	305,304
Total current liabilities	**42,285**	123,326	174,915
Total noncurrent liabilities	**66,430**	69,638	106,344
Equity	**₱604,894**	₱688,886	₱456,478

(Forward)

	2016	2015	2014
Gross revenue	**₱632,504**	₱709,403	₱742,717
Operating profit	**204,593**	430,392	312,739
Net income	**272,756**	365,512	456,478
Other comprehensive income (loss)	**28,550**	(360)	300
Group's share in net income	**₱41,034**	₱73,030	₱50,256
SACASUN			
Total current assets	**₱838,410**	₱984,914	₱–
Total noncurrent assets	**3,642,924**	2,515,145	–
Total current liabilities	**285,178**	956,524	–
Total noncurrent liabilities	**2,696,727**	1,645,852	–
Equity	**₱1,499,429**	₱897,683	₱–
Gross revenue	**₱101,339**	₱–	₱–
Operating loss	**(112,596)**	(829)	–
Net loss	**(250,887)**	(4,099)	–
Other comprehensive loss	**–**	–	–
Group's share in net loss	**(₱87,810)**	(₱1,434)	₱–
Additional information:			
Cash and cash equivalents	**₱378,908**	₱935,637	₱–
Noncurrent financial liabilities	**2,701,096**	1,645,852	–
GNPD			
Total current assets	**₱533,725**	₱–	₱–
Total noncurrent assets	**6,593,952**	–	–
Total current liabilities	**131,137**	–	–
Total noncurrent liabilities	**4,537,895**	–	–
Equity	**₱2,458,644**	₱–	₱–
Others**			
Total current assets	**₱578,587**	₱799,379	₱898,046
Total noncurrent assets	**3,019,198**	2,941,861	2,745,009
Total current liabilities	**214,628**	121,773	107,517
Total noncurrent liabilities	**104,248**	60,496	60,035
Gross revenue	**₱129,808**	₱1,060,238	₱1,332,602
Net loss	**(40,580)**	106,400	175,264

** Amounts are based on appraised values which are adjusted to historical amounts upon equity take-up of the Group. Using cost method in accounting for property, plant and equipment, net income amounted to ₱361.8 million, ₱335.7 million and ₱301.1 million in 2016, 2015 and 2014, respectively, for SFELAPCO.*

***The financial information of insignificant associates and joint ventures is indicated under "Others".*

11. **Material partly-owned subsidiary**

As of December 31, 2016, the Company has 76.88% interest in AP, a holding company incorporated in the Philippines.

The summarized financial information as of December 31, 2016 and 2015 of AP is provided below:

	2016	2015
Summarized comprehensive income information		
Revenue	**₱89,163,269**	₱85,173,952
Cost of sales	**46,226,259**	46,426,239
Administrative expenses	**16,626,710**	14,061,136
Finance costs - net	**6,620,476**	5,787,565
Profit before tax	**25,000,246**	22,542,320
Income tax	**3,496,140**	3,589,669
Profit for the year from continuing operations	**₱21,504,106**	₱18,952,651
Total comprehensive income	**₱21,575,328**	₱19,178,573
Summarized other financial information		
Attributable to non-controlling interests	**₱1,450,558**	₱1,356,861
Dividends paid to non-controlling interests	**2,823,782**	2,823,782
Summarized balance sheet information		
Total current assets	**₱73,649,187**	₱70,409,021
Total noncurrent assets	**281,127,048**	172,080,225
Total current liabilities	**32,802,506**	22,553,200
Total noncurrent liabilities	**210,344,297**	118,322,479
Equity	**₱111,629,432**	₱101,613,567
Summarized cash flow information		
Operating cash flows	**₱29,887,980**	₱25,199,597
Investing cash flows	**(81,380,348)**	(8,902,646)
Financing cash flows	**47,484,228**	(5,448,755)

12. **Impairment Testing of Goodwill**

Goodwill acquired through business combinations have been attributed to each business considered as cash-generating unit.

The recoverable amount of the investments has been determined based on a value in use calculation using cash flow projections based on financial budgets approved by senior management covering a five-year period.

Key assumptions used in value in use calculation for December 31, 2016 and 2015
The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill.

Discount rates and growth rates
The discount rate applied to cash flow projections are from 11.80% to 18.17% in 2016 and from 11.36% to 18.36% in 2015, and cash flows beyond the five-year period are extrapolated using a zero percent growth rate.

Revenue assumptions
Revenue assumptions are based on the expected electricity to be sold. In 2016, revenue growth of 12% in year 1, 6% in year 2, -11% in year 3, 5% in year 4 and 6% in year 5 for GMCP; 19% in year 1, 8% in year 2 and 6% for the next three years was applied for LEZ; -6% for year 1 and 3% for the next four years for MEZ; -69% in year 1, 9% in year 2, 7% in year 3, 3% in year 4 and -3% in year 5 was applied to BEZ; and 14% in year 1, 17% in year 2, 0% in year 3, and 2% in the next 2 years was applied for HI. Revenue assumptions for LLI are based on sale of existing lots (3% in years 1 and 2, -41% in year 3, -73% in year 4 and 3% % in year 5). VHF revenue assumptions are based on projected aquafeeds sales (39% in year 1, 18% in year 2, 2% in year 3, no growth in year 4 and 1% in year 5). PETNET revenue assumptions are based on income from money remittance and other allied services (4% in year 1, 11% in year 2, 10% in year 3, 9% in year 4 and 6% in year 5).

In 2015, revenue growth of 6% in year 1 and 4% for the next four years was applied for LEZ; 8% for year 1 and 4% for the next four years for MEZ; 1% in year 1, 4% for the next three years and 5% in year 5 was applied to BEZ; and 11% in year 1, 1% in year 2, -18% in year 3, 16% in year 4 and 3% in year 5 was applied for HI. Revenue assumptions for LLI are based on sale of existing lots (4% in year 1, 3% in years 2 and 3, -41% in year 4 and -73% % in year 5). VHF revenue assumptions are based on projected aquafeeds sales (7% in year 1, 16% in year 2 and no growth from years 3 to 5). PETNET revenue assumptions are based on income from money remittance and other allied services (24% in year 1, 2% in year 2, 4% in year 3, 5% in year 4 and 3% in year 5).

Foreign exchange rates
2016: The assumption used to determine foreign exchange rate is a weakening Philippine peso which starts at a rate of ₱48.55 to a dollar in 2017 and depreciates at 2% annually until 2021.

2015: The assumption used to determine foreign exchange rate is a weakening Philippine peso which starts at a rate of ₱48.00 to a dollar in 2016 and depreciates at 2% annually until 2020.

Materials price inflation
2016: The assumption used to determine the value assigned to the materials price inflation is 3.14% in 2017 and increases by 15 and 25 basis points in 2018 and 2019, respectively. It then decreases by 9 basis points in 2019, then settles at 3.5% in 2021. The starting point of 2017 is consistent with external information sources.

2015: The assumption used to determine the value assigned to the materials price inflation is 4.00% in 2016 and remains constant until 2020.

Based on the impairment testing, impairment of goodwill amounting to ₱169.5 million on the investment in MEZ was recognized in 2016. With regard to the assessment of value-in-use, management believes that no reasonable possible change in any of the above key assumptions would cause the carrying value of the goodwill to materially exceed its recoverable amount, except that of MEZ. In 2015, no impairment was recorded.

The carrying amount of goodwill follows:

	2016	2015
GMCP (see Note 9)	**₱36,269,602**	₱–
PETNET (see Note 9)	**523,866**	523,866
LEZ	**467,586**	467,586
Pilmico VHF (Note 9)	**394,217**	394,217
BEZ	**237,404**	237,404
HI	**220,228**	220,228
LLI	**61,202**	61,202
MEZ	**–**	169,469
	₱38,174,105	₱2,073,972

13. Property, Plant and Equipment and Land and Improvements

	December 31, 2016												
	Building, Warehouses and Improvements	Power Plant and Equipment (see Note 21)	Transmission, Distribution Equipment and Substation	Machinery and Equipment	Flight Equipment	Transportation Equipment	Handling Equipment	Office Furniture, Fixtures and Equipment	Leasehold Improvements	Land	Construction in Progress	Others	Total
Cost													
At January 1	**₱17,267,337**	**₱99,606,874**	**₱14,721,395**	**₱5,064,989**	**₱1,013,552**	**₱1,427,757**	**₱246,092**	**₱3,930,852**	**₱3,502,183**	**₱1,881,393**	**₱25,770,746**	**₱1,171,031**	**₱175,604,201**
Acquisition of subsidiaries (see Note 9)	**5,441,126**	**33,194,252**	**104,542**	**–**	**–**	**325,400**	**–**	**330,532**	**21,244**	**(58,158)**	**135,137**	**80,081**	**39,574,156**
Additions	**267,696**	**250,232**	**1,051,340**	**90,938**	**7,711**	**267,125**	**–**	**396,853**	**34,016**	**92,500**	**29,270,672**	**316,838**	**32,045,921**
Disposals	**–**	**(156,278)**	**(772,463)**	**(12,475)**	**–**	**(86,276)**	**–**	**(726,851)**	**(296)**	**–**	**–**	**(6,545)**	**(1,761,184)**
Reclassifications	**2,629,230**	**4,281,822**	**938,947**	**854,229**	**–**	**(40,385)**	**9,497**	**567,478**	**4,915**	**138,868**	**(10,706,794)**	**14,277**	**(1,307,916)**
At December 31	**25,605,389**	**137,176,902**	**16,043,761**	**5,997,681**	**1,021,263**	**1,893,621**	**255,589**	**4,498,864**	**3,562,062**	**2,054,603**	**44,469,761**	**1,575,682**	**244,155,178**
At January 1	**2,948,202**	**18,059,450**	**4,344,340**	**2,438,197**	**234,184**	**794,890**	**88,310**	**2,137,054**	**432,135**	**103,098**	**(722,768)**	**749,407**	**31,606,499**
Acquisition of subsidiaries (see Note 9)	**556,377**	**4,096,568**	**95,758**	**–**	**–**	**139,143**	**–**	**169,009**	**20,162**	**–**	**–**	**62,126**	**5,139,143**
Depreciation and amortization	**847,357**	**4,034,998**	**438,720**	**222,435**	**41,918**	**181,412**	**6,165**	**428,477**	**135,253**	**12,196**	**–**	**82,408**	**6,431,339**
Disposals	**–**	**(26,583)**	**(778,294)**	**(12,449)**	**–**	**(74,120)**	**–**	**(719,731)**	**(183)**	**–**	**–**	**(6,504)**	**(1,617,864)**
Reclassifications	**(29,762)**	**480,350**	**91,215**	**–**	**–**	**(55,687)**	**14,250**	**195,618**	**505**	**–**	**–**	**4,803**	**701,292**
At December 31	**4,322,174**	**26,644,783**	**4,191,739**	**2,648,183**	**276,102**	**985,638**	**108,725**	**2,210,427**	**587,872**	**115,294**	**(722,768)**	**892,240**	**42,260,409**
Net Book Value	**₱21,283,215**	**₱110,532,119**	**₱11,852,022**	**₱3,349,498**	**₱745,161**	**₱907,983**	**₱146,864**	**₱2,288,437**	**₱2,974,190**	**₱1,939,309**	**₱45,192,529**	**₱683,442**	**₱201,894,769**

	December 31, 2015												
	Building, Warehouses and Improvements	Power Plant and Equipment (see Note 21)	Transmission, Distribution Equipment and Substation	Machinery and Equipment	Flight Equipment	Transportation Equipment	Handling Equipment	Office Furniture, Fixtures and Equipment	Leasehold Improvements	Land	Construction in Progress	Others	Total
Cost													
At January 1	₱5,869,678	₱87,188,066	₱12,753,079	₱4,807,225	₱1,010,290	₱1,286,608	₱246,092	₱2,446,038	₱1,338,372	₱1,749,671	₱33,784,752	₱992,633	₱153,472,504
Acquisition of subsidiary (see Note 9)	7,995	–	–	–	–	20,559	–	65,142	84,085	19,109	–	–	196,890
Additions	319,206	832,326	813,284	65,661	3,262	160,924	–	307,595	31,503	34,489	19,669,683	85,157	22,323,090
Disposals	(19,743)	(131,758)	–	(19,490)	–	(84,941)	–	(24,396)	(19,247)	(113)	–	(35)	(299,723)
Reclassifications	11,090,201	11,718,240	1,155,032	211,593	–	44,607	–	1,136,473	2,067,470	78,237	(27,683,689)	93,276	(88,560)
At December 31	17,267,337	99,606,874	14,721,395	5,064,989	1,013,552	1,427,757	246,092	3,930,852	3,502,183	1,881,393	25,770,746	1,171,031	175,604,201
Accumulated depreciation and amortization													
At January 1	1,975,075	15,342,647	4,244,446	2,051,135	193,037	735,677	79,696	1,634,742	285,716	19,959	–	706,648	27,268,778
Acquisition of subsidiary (see Note 9)	1,016	–	–	–	–	9,274	–	61,761	81,730	–	–	–	153,781
Depreciation and amortization	421,779	3,186,286	110,693	194,203	41,147	123,330	8,614	277,766	74,808	9,265	–	17,333	4,465,224
Disposals	(1,491)	(21,619)	–	(8,762)	–	(13,523)	–	(25,930)	(11,472)	(113)	–	(33)	(82,943)
Reclassifications	551,823	(447,864)	(10,799)	201,621	–	(59,868)	–	188,715	1,353	73,987	(722,768)	25,459	(198,341)
At December 31	2,948,202	18,059,450	4,344,340	2,438,197	234,184	794,890	88,310	2,137,054	432,135	103,098	(722,768)	749,407	31,606,499
Net Book Value	₱14,319,135	₱81,547,424	₱10,377,055	₱2,626,792	₱779,368	₱632,867	₱157,782	₱1,793,798	₱3,070,048	₱1,778,295	₱26,493,514	₱421,624	₱143,997,702

In 2016, an adjustment was made reducing power plant equipment and steam field assets by ₱1.63 billion due to the change in accounting estimate of the asset retirement obligation. In 2015, additions to power plant equipment and steam field assets include asset retirement obligation amounting to ₱560.8 million (see Note 21).

In 2016 and 2015, additions to "Construction in progress" include capitalized borrowing costs amounting to ₱1.82 billion and ₱1.56 billion, respectively (see Note 16).

Property, plant and equipment with carrying amounts of ₱116.98 billion and ₱43.47 billion as of December 31, 2016 and 2015, respectively, are used to secure the Group's long-term debts (see Note 19).

Fully depreciated property, plant and equipment with cost amounting to ₱5.2 billion and ₱5.5 billion as of December 31, 2016 and 2015, respectively, are still in use.

A significant portion of the Group's property, plant and equipment relates to various projects under "Construction in progress" as of December 31, 2016 and 2015, as shown below:

Project Company	**Estimated Cost to Complete (in millions Php)**		**% of Completion**	
	2016	2015	**2016**	2015
TVI	**₱17,813**	₱32,023	**54%**	17%
Hedcor Bukidnon	**6,229**	9,964	**45%**	12%
TSI	**–**	1,918	**100%**	94%
PEC (see Note 10)	**8,614**	14,798	**61%**	33%

Land and Improvements

	2016	2015
Cost		
At January 1	**₱2,960,646**	₱1,970,211
Additions	**438,962**	685,642
Transfers/Adjustments	**131,070**	304,793
Disposal	**(5,297)**	–
At December 31	**₱3,525,381**	₱2,960,646

14. **Investment Properties - at Fair Value**

December 31, 2016

	Land	**Land Improvements**	**Buildings**	**Total**
At January 1	**₱3,976,512**	**₱235,558**	**₱971,710**	**₱5,183,780**
Additions	**13,809**	**3,196**	**1,123**	**18,128**
Loss on fair valuation	**–**	**–**	**(19,407)**	**(19,407)**
Disposals	**(423)**	**–**	**–**	**(423)**
Transfers/adjustments	**9,843**	**89**	**180,380**	**190,312**
At December 31	**₱3,999,741**	**₱238,843**	**₱1,133,806**	**₱5,372,390**

December 31, 2015

	Land	Land Improvements	Buildings	Total
At January 1	₱3,342,696	₱217,631	₱881,090	₱4,441,417
Additions	651,755	1,769	20,218	673,742
Gain on fair valuation	150,636	–	35,876	186,512
Disposals	(168,575)	–	(25,000)	(193,575)
Transfers/adjustments	–	16,158	59,526	75,684
At December 31	₱3,976,512	₱235,558	₱971,710	5,183,780

Rental income earned from and direct operating expenses of investment properties amounted to ₱419.3 million and ₱193.4 million, respectively, in 2016; ₱385.0 million and ₱133.4 million, respectively, in 2015; and ₱430.2 million and ₱123.0 million, respectively, in 2014 (see Note 25).

As at December 31, 2015, the fair values of the properties are based on valuations performed by an accredited independent valuer. The valuation model in accordance with that recommended by the International Valuation Standards Committee has been applied.

The fair values of the Group's investment properties were determined as follows:

- In valuing the land, the Group used the Sales Comparison Approach. This is a comparative approach to value that considers the sales of similar or substitute properties and related market data and establishes a value estimate by processes involving comparison.

  The appraiser gathers data on actual sales and/or listings, offers, and renewal options, and identifies the similarities and differences in the data, ranks the data according to their relevance, adjusts the sales prices of the comparable to account for the dissimilarities with the unit being appraised, and forms a conclusion as to the most reasonable and probable market value of the subject property.

  The elements of comparison include location, physical characteristics, available utilities, zoning, and highest and best use. The most variable elements of comparison are the site's physical characteristics, which include its size and shape, frontage, topography and location.

  Reproduction cost is the current cost of constructing a replica of the existing structures, employing the same design and similar building materials. The current cost of an identical new item.

- In valuing the land improvements and building, the Group used the Cost Approach. This is a comparative approach to the value of property or another asset that considers as a substitute for the purchase of a given property, the possibility of constructing another property that is a replica of, or equivalent to, the original or one that could furnish equal utility with no undue cost resulting from delay. It is based on the reproduction or replacement cost of the subject property or asset, less total (accrued) depreciation. In the context of asset valuation, depreciation refers to the adjustments made to the cost of reproducing or replacing the asset to reflect physical deterioration, functional (technical) obsolescence and economic (external) obsolescence in order to estimate the value of the asset in a hypothetical exchange in the market when there is no direct sales evidence available. Sound value of an asset is determined by applying the two types of depreciation such as physical deterioration and functional obsolescence. Market Value reflects all the three types of depreciation.

Fair value investment properties are estimated under Level 3 inputs.

The Group has no restrictions on the realizability of its investment properties and no contractual obligations to either purchase, construct or develop investment properties or for repairs, maintenance and enhancements.

	Fair value at December 31, 2016	**Valuation technique**	**Significant unobservable inputs**	**Range (weighted average)**
Land	**₱3,999,741**	**Sales Comparison Approach**	**Price per square meter**	**₱4,100 - ₱183,920**
Buildings and Land Improvements	**1,372,649**	**Cost Approach**	**Estimated cost, remaining economic life**	**15 - 35 years**

	Fair value at December 31, 2015	Valuation technique	Significant unobservable inputs	Range (weighted average)
Land	₱3,976,512	Sales Comparison Approach	Price per square meter	₱4,100 - ₱183,920
Buildings and Land Improvements	1,207,268	Cost Approach	Estimated cost, remaining economic life	15 - 35 years

For land, significant increases (decreases) in price per square meter would result in a significantly higher (lower) fair value of the properties.

For buildings and land improvements, significant increases (decreases) in estimated replacement cost and remaining economic life would result in a significantly higher (lower) fair value of the properties.

15. **Intangible Asset - Service Concession Rights**

	2016	2015
Cost:		
At January 1	**₱5,011,484**	₱4,847,271
Additions from internal development	**45,875**	20,046
Effect of translation	**141,715**	144,167
	5,199,074	5,011,484
Accumulated amortization:		
At January 1	**1,784,948**	1,446,917
Amortization (see Note 27)	**199,342**	338,031
Reclassifications	**(7,339)**	–
	1,976,951	1,784,948
	₱3,222,123	₱3,226,536

The amortization of intangible asset is included in "Depreciation and amortization" under "Operating Expenses" in the consolidated statements of income (see Note 27).

Service concession arrangements entered into by the Group are as follows:

- On November 24, 1996, LHC entered into a PPA with NPC, its sole customer, for the construction and operation of a 70-megawatt hydroelectric power generating facility (the Power Station) in Bakun River in Benguet and Ilocos Sur Provinces on a build-operate-transfer scheme. Under the PPA, LHC shall deliver to NPC all electricity generated over a cooperation period of 25 years until February 5, 2026.

  On the Transfer Date, as defined in the PPA, LHC shall transfer to NPC, free from any lien or encumbrance, all its rights, title and interest in and to the Power Station and all such data as operating manuals, operation summaries/transfer notes, design drawings and other information as may reasonably be required by NPC to enable it to operate the Power Station.

  Since NPC controls the ownership of any significant residual interest of the Power Station at the end of the PPA, the PPA is accounted for under the intangible asset model as LHC has the right to charge users for the public service under the service concession arrangement.

  The Power Station is treated as intangible asset and is amortized over a period of 25 years, which is the service concession period. The intangible asset with a carrying value of ₱2.39 billion and ₱2.38 billion as of December 31, 2016 and 2015 was used as collateral to secure LHC's long-term debt (see Note 19).

- On May 15, 2003, the SBMA, AEV and DLP entered into a DMSA to privatize SBMA Power Distribution System (PDS) on a rehabilitate-operate-and-transfer arrangement; and to develop, construct, lease, lease out, operate and maintain property, structures, and machineries in the Subic Bay Freeport Zone (SBFZ).

  Under the terms of the DMSA, SEZ was created to undertake the rehabilitation, operation and maintenance of the PDS (the Project), including the provision of electric power service to the customers within the Subic Bay Freeport Secured Areas of the SBFZ as well as the collection of the relevant fees from them for its services and the payment by SBMA of the service fees throughout the service period pursuant to the terms of the DMSA. The DMSA shall be effective for a 25-year period commencing on the turnover date.

For and in consideration of the services and expenditures of SEZ, it shall be paid by the SBMA the service fees equivalent to all the earnings of the Project, provided, however, that SEZ shall remit the amount of ₱40.0 million to the SBMA at the start of every 12-month period throughout the service period, regardless of the earnings of the Project. The said remittances may be reduced by the outstanding power receivables from SBMA, including streetlights power consumption and maintenance, for the immediate preceding year.

Since SBMA controls ownership of the equipment at the end of the agreement, the PDS are treated as intangible assets and are amortized over a period of 25 years up to year 2028, in accordance with Philippine Interpretation IFRIC 12.

The carrying value of the intangible asset arising from the service concession arrangement amounted to ₱727.0 million and ₱747.9 million as of December 31, 2016 and 2015, respectively.

- The transmission and distribution equipment of MEZ are located within Mactan Export Processing Zone (MEPZ) II. Since MCIAA controls ownership of the equipment at the end of the agreement, the equipment are treated as intangible assets and are amortized over a period of 21 years up to year 2028, in accordance with Philippine Interpretation IFRIC 12.

  The carrying amount of the intangible asset arising from the service concession arrangement amounted to ₱109.1 million and ₱102.4 million as of December 31, 2016 and 2015, respectively.

16. **Other Noncurrent Assets**

	2016	2015
Input VAT and tax credit receivable	**₱6,766,183**	₱4,750,339
Notes receivable (see Note 34)	**2,882,456**	–
Intangible assets:		
Franchise	**2,802,654**	2,879,615
Project development costs	**411,499**	294,071
Customer contracts	**63,968**	79,377
Software and licenses	**168,712**	86,124
Prepaid rent and other deposits (see Note 38)	**933,971**	874,130
Advances to contractors and projects	**476,570**	781,135
Receivable from National Grid Corporation of the Philippines (NGCP)	**146,714**	102,350
Biological assets (see Note 8)	**127,015**	98,662
Others	**437,443**	484,580
	₱15,217,185	₱10,430,383

The customer contracts pertain to agreements between LEZ, LWC and the locators within LiMa Technology Center relating to the provision of utility services to the locators. These contracts are treated as intangible assets and are amortized over a period of 6 years since 2014.

Receivable from NGCP pertains to cost of installation and construction of substation and transmission facilities to be reimbursed by NGCP as part of the agreement on the advance implementation of network assets.

In December 2016, SACASUN as the borrower, ARI as the buyer, and BDO Unibank, Inc. (BDO) as the seller, entered into a Memorandum of Understanding wherein buyer and seller agree to an absolute sale and purchase of SACASUN's notes payable to BDO (the "Loan"). The parties agree to the transfer of all of BDO's rights, title, interests, benefits, and obligations in and to the Loan to ARI. The consideration for the purchase of the Loan was ₱2.88 billion, equivalent to the outstanding balance of the Loan (see Note 34).

Rollforward of intangible assets follow:

December 31, 2016

	Franchise	**Project development costs**	**Customer contracts**	**Software and licenses**
Balances at beginning of year	**₱2,879,615**	**₱294,071**	**₱79,377**	**₱86,124**
Additions	**–**	**180,078**	**–**	**115,367**
Transfer from property and equipment	**–**	**(9,477)**	**–**	**–**
Write-off – net of reversal	**–**	**(53,173)**	**–**	**–**
Amortization	**(76,961)**	**–**	**(15,409)**	**(32,779)**
Balances at end of year	**₱2,802,654**	**₱411,499**	**₱63,968**	**₱168,712**

December 31, 2015

	Franchise	Project development costs	Customer contracts	Software and licenses
Balances at beginning of year	₱2,956,576	₱322,412	₱94,786	₱44,928
Additions	–	120,871	–	56,694
Business combination (see Note 9)	–	(317)	–	–
Write-off	–	(148,895)	–	–
Amortization	(76,961)	–	(15,409)	(15,498)
Balances at end of year	₱2,879,615	₱294,071	₱79,377	₱86,124

17. **Bank Loans**

	2016	2015
Philippine peso loans	**₱7,907,700**	₱8,440,900
Vietnamese dong loans	**351,328**	442,156
	₱8,259,028	₱8,883,056

The peso loans are unsecured short-term notes payable obtained from local banks with annual interest rates ranging from 2.4% to 2.8% in 2016 and 2015. These loans will mature on various dates in 2017.

The Philippine peso and Vietnamese dong short-term loans are covered by the respective borrower's existing credit lines with the banks and are not subject to any significant covenants and warranties.

Total interest expense on bank loans recognized in 2016, 2015 and 2014 amounted to ₱137.7 million, ₱190.6 million and ₱123.0 million, respectively (see Note 35).

18. Trade and Other Payables

	2016	2015
Trade payables (see Note 38)	**₱11,803,900**	₱9,413,256
Nontrade and other payables	**3,557,662**	3,409,475
Accrued expenses	**3,721,920**	2,427,875
Output VAT	**2,453,604**	2,219,658
Amounts due to contractors and other third parties	**639,994**	1,060,588
Unearned revenue	**33,829**	34,705
	22,210,909	18,565,557
Less noncurrent portion (see Note 34)	**578,892**	302,202
	₱21,632,017	₱18,263,355

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

Nontrade payables include amounts due to PSALM pertaining to Generation Rate Adjustment Mechanism (GRAM), Incremental Currency Exchange Rate Adjustment (ICERA), and Universal Charges. Other payables represent withholding taxes, insurance liabilities and other accrual of expenses arising in the ordinary course of business and are generally payable within 12 months from the reporting date.

Accrued expenses include interest on borrowings, fuel and lube costs, taxes and licenses, freight expense, materials and supplies, and energy fees that are due within 12 months. These represent ₱3.3 billion and ₱1.8 billion of the total accrued expenses as of December 31, 2016 and 2015, respectively.

Amounts due to contractors and other third parties include liabilities arising from the power plant construction (see Note 13).

19. Long-term Debts

	2016		2015	
	Annual Interest Rate	**Amount**	Annual Interest Rate	Amount
Company:				
Financial and non-financial institutions - unsecured	**4.41% - 6.02%**	**₱32,000,000**	4.41% - 6.02%	₱32,000,000
Subsidiaries:				
TPI				
Financial institution - unsecured	**LIBOR + 1.10%**	**31,000,420**	–	–
TVI				
Financial institution - secured	**6.02% to 6.23%**	**27,570,000**	6.02% – 6.23%	8,673,999
GMCP				
Financial institution - secured	**LIBOR + 2.5% - 7.65%**	**27,116,752**	–	–
TSI				
Financial institution - secured	**4.50% to 5.14%**	**23,970,380**	4.50% - 5.14%	25,083,407
APRI				
Financial institution - secured	**4.53% to 6.00%**	**11,874,880**	–	–
AP				
Financial and non-financial institutions - unsecured	**5.21% - 6.10%**	**10,000,000**	5.21% - 6.10%	10,000,000
Hedcor Bukidnon				
Financial institution - secured	**5.28% to 6.00%**	**5,684,476**	5.28% – 6.00%	3,215,247
HSI				
Fixed rate corporate notes	**4.11% to 5.32%**	**4,100,000**	–	–
PILMICO				
Financial institutions - secured	**5.09 - 5.65%**	**2,844,000**	5.09% - 5.65%	2,858,000
PANC				
Financial institution - secured	**5.02% - 5.35%**	**2,700,000**	5.02% - 6.47%	2,600,000
ASEAGAS				
Financial institution - secured	**4.66% - 5.06%**	**2,434,209**	4.66% - 5.06%	2,000,000
VECO				
Financial institution -unsecured	**3.50% - 4.81%**	**1,379,000**	3.50% - 4.81%	1,584,000
LHC				
Financial institution - secured	**2% to 2.75%**	**1,374,759**	2.38% - 2.56%	1,560,039
DLP				
Financial institutions - unsecured	**3.50% to 4.81%**	**1,034,250**	3.50% - 4.81%	1,188,000
HI				
Financial institution - secured	**5.25%**	**630,000**	5.25%	720,000
SEZ				
Financial institutions - unsecured	**5.61% - 6.06%**	**282,500**	5.61% - 6.06%	339,000
CLP				
Financial institution - unsecured	**3.50% to 4.81%**	**206,850**	3.50% - 4.81%	237,600
ABOITIZLAND				
Financial institutions:				
Philippine peso - secured	**4.67% - 6.89%**	**120,000**	4.67% - 6.89%	150,000
US$ - secured	**1.31% - 1.59%**	**97,252**	1.31% - 1.59%	115,061
CPDC				
Financial institutions - unsecured	**4.24% - 5.11%**	**–**	4.24% - 5.11%	480,000
Joint Operation:				
PEC				
Financial institution - secured	**4.70% to 6.68%**	**12,234,910**	4.70% - 6.68%	6,973,502
Total		**198,654,638**		99,777,855
Less deferred financing costs		**3,422,615**		1,230,123
		195,232,023		98,547,732
Less current portion		**7,698,261**		3,133,346
		₱187,533,762		₱95,414,386

The Company

2015 Retail Bonds - ₱24.0 billion
In August 2015, the Company issued a total of ₱24.0 billion bonds, broken down into ₱10.5 billion 5-year, ₱8.5 billion 7-year and ₱5.0 billion 12-year bonds at annual fixed interest rates ranging from 4.47% to 6.02%.

2013 Retail Bonds - ₱8.0 billion
In November 2013, the Company issued a total of ₱8.0 billion bonds, broken down into ₱6.2 billion 7-year and ₱1.8 billion 10-year bonds at fixed interest rates ranging from 4.41% to 4.62%.

The 2015- and 2013-issued retail bonds have been rated PRS Aaa by the Philippine Rating Services Corporation (PhilRatings).

The principal amount of the above bonds shall be payable on a lump sum basis on the respective maturity date at its face value.These bonds may be redeemed in advance by the Company based on stipulated early redemption option dates and on agreed early redemption price.

TPI
In December 2016, TPI executed and availed a US$623.5 million syndicated bridge loan facility to partially finance the GNPower acquisition. The loan is unsecured and bears a floating interest rate based on a credit spread over applicable LIBOR, repriced every 30 days. The loan will mature on the second anniversary of the initial drawdown date, with an option for a one-year extension.

TVI
On June 18, 2015, TVI entered into an omnibus agreement with local banks for a project loan facility with an aggregate principal amount of ₱31.97 billion. As of December 31, 2016, ₱27.57 billion has been drawn from the loan facility.

The loan is available in two tranches, as follows:

- Tranche A, in the amount of ₱25.97 billion, with interest rate fixed for the first eight years and will be repriced and fixed for another seven years.
- Tranche B, in the amount of ₱6.00 billion, with a fixed interest rate for fifteen years.

70% of the principal amount of the loan is payable in 22 equal semi-annual installments starting July 2019, with the remaining 30% payable in full on the final maturity date. TVI may prepay the loan in part or in full beginning on the end of the fourth year from the initial advance or on the project completion date, whichever is earlier. Any prepayment shall be subject to a certain percentage of prepayment penalty on the principal to be prepaid.

The loan is secured by a mortgage of all its assets with carrying amount of ₱29.0 billion as of December 31, 2016, and a pledge of TVI's shares of stock held by its shareholders.

GMCP
On January 18, 2010, GMCP entered into offshore and onshore facility agreements with China Development Bank Corporation (Offshore Loan) as well as BDO, Bank of the Philippine Islands (BPI), China Banking Corporation, Security Bank Corporation, and Standard Chartered Bank - Singapore (collectively for the Onshore Loan) which was fully drawn in 2012. The proceeds of the loan were used solely for the payment of Project Costs.

GMCP also entered into a facility agreement with BDO to finance GMCP's working capital requirements.

As of December 31, 2016, GMCP's assets with carrying amount of ₱45.33 billion are pledged as collateral.

Loans payable consist of the following dollar denominated loans as of December 31, 2016:

	Amount	Interest Rate Per Annum	Payment Schedule
Offshore Loan	**$385,880,000**	7.65%	24 semi-annual payments from the 1st business day following the Loan Conversion Date
Onshore Loans - Tranche A	**34,416,563**	(i) 7.10% until the 5th anniversary of the closing date; (ii) LIBOR* plus applicable margin of 2.5% or 3% from the 5th anniversary of the closing date until the maturity date	17 semi-annual payments from the 1st business day following the Loan Conversion Date
Onshore Loans - Tranche B	**105,093,437**	From July 8, 2010 until the Onshore Maturity Date, interest rate is LIBOR* plus 3%	17 semi-annual payments from the 1st business day following the Loan Conversion Date
Working Capital	**20,000,000**	LIBOR plus 2.5% applicable margin	Payable within three months
Total borrowings	**545,390,000**		
Less unamortized portion of deferred financing costs	**(24,188,090)**		
Add unamortized portion of derivative asset	**10,285,846**		
	531,487,756		
Less current portion	**80,274,335**		
Loans payable - net of current portion	**$451,213,421**		

As of December 31, 2016, all of GMCP's assets are pledged as collateral.

TSI

On October 14, 2013, TSI entered into an omnibus agreement with local banks for a project loan facility with an aggregate principal amount of ₱24.0 billion, which was fully drawn in 2014.

On October 28, 2015, TSI entered into an additional loan agreement with principal amount of ₱1.68 billion. As of December 31, 2015, ₱1.20 billion has been drawn from the loan facility.

The loan is secured by a mortgage of all its assets with carrying amount of ₱38.03 billion as of December 31, 2016, and a pledge of TSI's shares of stock held by AP and TPI.

Interest rate ranging from 4.50% - 5.14% is fixed for the first seven years and will be repriced and fixed for another five years. Fifty percent of the principal amount of the loan is payable at semi-annual installments within 12 years with a two-year grace period, with the remaining 50% payable in full on the final maturity date.

TSI may prepay the loan in part or in full beginning on the end of the third year from the initial advance or on the project completion date, whichever is earlier. Any prepayment shall be subject to a certain percentage of prepayment penalty on the principal to be prepaid.

APRI

On February 29, 2016, APRI entered into an omnibus agreement for a multi-tranche facility (Climate Bonds) with BPI, Asian Development Bank (ADB) and Credit Guarantee and Investment Facility (CGIF). The Climate Bonds had been certified to have met the requirements of the Climate Bond Standard. The loan proceeds were used for return of equity to shareholders and to fund necessary operating and capital expenditures.

The loan is available in two tranches, as follows:

a. The Notes Facility Agreement, in the amount of ₱10.7 billion, with interest rate already fixed for ten years. 41.6% of the principal amount is payable in ten equal semi-annual installments and the balance payable in another ten semi-annual installments;
b. The ADB Facility Agreement, in the amount of ₱1.8 billion, with interest rate fixed for five years and principal repayments made in ten equal semi-annual installments.

The loan is secured by mortgage of its assets with carrying amount of ₱26.22 billion as of December 31, 2016, and pledge of APRI's shares of stock held by shareholders and assignment of Project Agreements and Project Accounts.

AP

2014 Retail Bonds - ₱10.0 billion

In September 2014, AP issued a total of ₱10.0 billion bonds, broken down into a ₱6.6 billion 7-year bond due 2021 at an annual fixed rate equivalent to 5.21% and a ₱3.4 billion 12-year bond due 2026 at an annual fixed rate equivalent to 6.10%. The bonds have been rated PRS Aaa by PhilRatings.

The principal amount of the bonds shall be payable on a lump sum basis on the respective maturity date at its face value.These bonds may be redeemed in advance by AP based on stipulated early redemption option dates and on agreed early redemption price.

Hedcor Bukidnon

On September 22, 2015, Hedcor Bukidnon entered into an omnibus agreement with local banks for a project loan facility with an aggregate principal amount of up to ₱10.00 billion. As of December 31, 2016, ₱5.68 billion has been drawn from the loan facility based on the agreed schedule.

The first principal repayment of this 15-year loan will take place 42 months after the financial close, or six months after project completion. Principal repayments shall be made in equal semi-annual installments starting March 2019, with a balloon payment not to exceed 30% of the loan amount. Interest rate on the loan is computed at the time of each drawdown, as designated under the agreement.

The loan is secured by an assignment of trade receivables, a pledge of all issued share capital of Hedcor Bukidnon, and corporate suretyship from AP to guarantee the debt service until (a) project completion and (b) receipt of Feed-In-Tariff payments or contracting power supply agreements equivalent to at least the break-even capacity.

Hedcor Sibulan

On November 17, 2016, Hedcor Sibulan entered into a Notes Facility Agreement (NFA) with various institutions with Metrobank - Trust Banking Group as the Notes Facility Agent, for a loan facility with an aggregate principal amount of up to ₱4.10 billion to return equity to shareholders, and for other general corporate purposes.

The unsecured notes were issued in ten tranches with interest payable semi-annually at annual fixed rates ranging from 4.05% - 5.42% with principal maturity as follows:

Tranche	Maturity Date	Principal Amount
1	Fifteen months from issue date	₱96.8 million
2	Two (2) years from issue date	₱96.8 million
3	Three (3) years from issue date	₱84.0 million
4	Four (4) years from issue date	₱84.0 million
5	Five (5) years from issue date	₱284.0 million
6 (Series A&B)	Six (6) years from issue date	₱388.4 million
7 (Series A&B)	Seven (7) years from issue date	₱445.8 million
8	Eight (8) years from issue date	₱451.4 million
9	Nine (9) years from issue date	₱508.1 million
10 (Series A&B)	Ten (10) years from issue date	₱1,660.7 million

Prior to maturity date, Hedcor Sibulan may redeem in whole or in part the relevant outstanding notes on any interest payment date plus a one percent prepayment penalty.

<u>PILMICO</u>

2015 Fixed Rate Corporate Note

PILMICO availed ₱1.0 billion and ₱500 million loans from the NFA it signed on May 5, 2015, with Land Bank of the Philippines as the Note Holder on May 11, 2015 and July 13, 2015, respectively. As provided for in the NFA, the 12-year corporate notes are issued as an exempt security pursuant to Section 9.2 of RA No. 8799 and Rule 9.2(2)(B) of the amended implementing rules of the Securities Regulation Code (SRC).

2012 Fixed Rate Corporate Notes

On October 4, 2012, PILMICO availed ₱1.4 billion loan from the NFA it signed on September 25, 2012, with LBP as the Note Holder. The NFA provided for the issuance of 5-year corporate notes in a private placement to not more than 19 institutional investors pursuant to Section 9.2 of the SRC and Rule 9.2(2) of the SRC Rules.

PILMICO may early redeem in whole or in part the relevant outstanding notes on any interest payment date without premium or penalty. If prepayment is made on a different date, a certain fee shall be charged on the principal to be prepaid.

<u>PANC</u>

2016 Fixed Rate Corporate Notes- ₱700 million (new loan)

On December 29, 2016, PANC availed of a total of ₱700 million loan from NFA signed on December 28, 2016 with Security Bank Corporation as Note Holder.

2014 Fixed Rate Corporate Notes- ₱2.0 billion

On September 22, 2014, PANC availed of a total of ₱2.0 billion loan from NFA signed on September 17, 2014 with LBP as Note Holder.

The 2016 and 2014 notes are redeemable on a lump sum basis on the respective maturity dates at its face value. PANC may early redeem in whole or in part the relevant outstanding notes on any interest payment date without premium or penalty. If prepayment is made on a different date, a certain fee shall be charged on the principal to be prepaid.

2011 Fixed Rate Corporate Notes
On April 7, 2011, PANC availed of a total of ₱600 million loan from the NFA it signed on April 5, 2011, with Australia and New Zealand Banking Group Limited as Issue Manager, Security Bank Corporation - Trust Division as Notes Facility Agent and with the Initial Note Holders.

In April 2016, the loan was fully paid upon maturity.

Aseagas
Within the period June 2014 to September 2015, Aseagas availed of ₱2.0 billion loan from the Notes Facility and Security Agreement (NFSA) it signed on June 5, 2014 with Development Bank of the Philippines. The NFSA provided for the issuance of 12-year corporate notes subject to a fixed interest rate ranging from 4.66% to 5.06% for the first seven years and to be repriced and fixed for the remaining five years. Principal repayments are due every six months.

In April 2016, Aseagas obtained an additional loan from DBP amounting to ₱500.0 million with the same terms as the first loan. Interest rate on the new loan is fixed at 4.75%.

The loan is secured with assigned receivables which Aseagas is obliged to deliver to the bank within six months from the start of its commercial operations or on agreed dates.

VECO
On December 20, 2013, VECO availed of ₱2.0 billion from the NFA it signed on December 17, 2013 with the Land Bank of the Philippines (LBP). The unsecured notes were issued in ten tranches of ₱200 million with interest payable semi-annually at fixed annual rates ranging from 3.50% - 4.81% and principal amortized as follows:

Tranche	Maturity Date	Principal Repayment Amount
A, B	December 20, 2014 and 2015	₱200M balloon payment on maturity date
C	December 20, 2016	₱1M each on first 2 years; ₱198M on maturity date
D	December 20, 2017	₱1M each on first 3 years; ₱197M on maturity date
E	December 20, 2018	₱1M each on first 4 years; ₱196M on maturity date
F	December 20, 2019	₱1M each on first 5 years; ₱195M on maturity date
G	December 20, 2020	₱1M each on first 6 years; ₱194M on maturity date
H	December 20, 2021	₱1M each on first 7 years; ₱193M on maturity date
I	December 20, 2022	₱1M each on first 8 years; ₱192M on maturity date
J	December 20, 2023	₱1M each on first 9 years; ₱191M on maturity date

VECO may early redeem in whole or in part the relevant outstanding notes on any interest payment date without premium or penalty. If prepayment is made on a different date, a certain fee shall be charged on the principal to be prepaid.

LHC
On April 24, 2012, LHC entered into an omnibus agreement with Philippine National Bank and Banco De Oro to borrow a 10-year loan amounting to US$43.1 million with maturity on April 26, 2022 and payable in 20 semi-annual installments. Interest is repriced and paid semi-annually. Annual interest rate ranges from 2.00% to 2.75% in 2016 and 2.38% to 2.56% in 2015.

Intangible asset arising from service concession arrangement with carrying value of ₱2.39 billion as of December 31, 2016, was used as collateral to secure LHC's long-term debts (see Note 14).

DLP

On December 20, 2013, DLP availed of ₱1.5 billion from the NFA it signed on December 17, 2013 with LBP. The unsecured notes were issued in ten tranches of ₱150.0 million with interest payable semi-annually at annual fixed rates ranging from 3.50% - 4.81% and principal amortized as follows:

Tranche	Maturity Date	Principal Repayment Amount
A, B	December 20, 2014 and 2015	₱150M balloon payment on maturity date
C	December 20, 2016	₱0.75M each on first 2 years; ₱148.5M on maturity date
D	December 20, 2017	₱0.75M each on first 3 years; ₱147.8M on maturity date
E	December 20, 2018	₱0.75M each on first 4 years; ₱147M on maturity date
F	December 20, 2019	₱0.75M each on first 5 years; ₱146.2M on maturity date
G	December 20, 2020	₱0.75M each on first 6 years; ₱145.5M on maturity date
H	December 20, 2021	₱0.75M each on first 7 years; ₱144.8M on maturity date
I	December 20, 2022	₱0.75M each on first 8 years; ₱144M on maturity date
J	December 20, 2023	₱0.75M each on first 9 years; ₱143.2M on maturity date

DLP may early redeem in whole or in part the relevant outstanding notes on any interest payment date without premium or penalty. If prepayment is made on a different date, a certain fee shall be charged on the principal to be prepaid.

HI

On August 6, 2013, HI availed of a ten-year ₱900 million loan from a local bank. This loan is subject to a semi-annual principal payment with annual interest fixed at 5.25% for the first 5 years. For the remaining five years, interest rate will be repriced and fixed on the fifth anniversary from the drawdown date. The debt is secured by a pledge of HI's shares of stock held by ARI.

SEZ

On July 7, 2011, SEZ issued ₱565.0 million worth of fixed-rate notes to MBTC. Interest on the notes is subject to quarterly payment at annual fixed interest rates ranging from 5.61% - 6.06%. Principal is payable annually over 10 years at an equal amortization of ₱56.5 million.

CLP

On December 20, 2013, CLP availed of ₱300.0 million notes from the NFA it signed on December 17, 2013 with LBP. The unsecured notes were issued in ten tranches of ₱30.0 million with interest payable semi-annually at annual fixed rates ranging from 3.50% - 4.81% and principal amortized as follows:

Tranche	Maturity Date	Principal Repayment Amount
A, B	December 20, 2014 and 2015	₱30M balloon payment on maturity date
C	December 20, 2016	₱0.15M each on first 2 years; ₱29.7M on maturity date
D	December 20, 2017	₱0.15M each on first 3 years; ₱29.6M on maturity date
E	December 20, 2018	₱0.15M each on first 4 years; ₱29.4M on maturity date
F	December 20, 2019	₱0.15M each on first 5 years; ₱29.2M on maturity date
G	December 20, 2020	₱0.15M each on first 6 years; ₱29.1M on maturity date
H	December 20, 2021	₱0.15M each on first 7 years; ₱29M on maturity date
I	December 20, 2022	₱0.15M each on first 8 years; ₱28.8M on maturity date
J	December 20, 2023	₱0.175M each on first 9 years; ₱28.62M on maturity date

Prior to maturity date, CLP may redeem in whole or in part the relevant outstanding notes on any interest payment date without premium or penalty. If it redeems the notes on a date other than an interest payment date, then a certain percentage of prepayment penalty on the principal amount to be prepaid shall be imposed.

ABOITIZLAND

The SBC peso loan is a ten-year loan availed on December 21, 2007. It is subject to 28 quarterly principal amortizations of ₱7.5 million starting at the end of the 13th quarter from initial drawdown date, with the balance of ₱90.0 million payable in full at the end of the 10th year. Interest is payable quarterly at fixed rates ranging from 4.67% to 6.89%.

The SBC dollar loan is a ten-year loan payable in 28 quarterly principal amortizations of US$122 thousand starting at the end of the 13th quarter from initial drawdown date, with the balance of US$1.5 million due in full at the end of the 10th year. Initial drawdown was made on February 2, 2008. Interest is payable and repriced quarterly based on the prevailing 90-day LIBOR plus 1%.

The SBC peso and dollar loans are secured by various lease contract receivables.

CPDC

On October 7, 2013, CPDC availed of ₱600.0 million loan from the NFA it signed on October 3, 2013 with Metrobank and Trust Company (MBTC). The loan is covered by ten fixed-rate promissory notes of ₱60 million each with interest payable semi-annually at rates ranging from 4.12% - 5.11%. It is payable in annual installments of ₱60.0 million starting October 7, 2014 until October 7, 2023.

Prior to maturity date, CPDC may redeem in whole or in part the relevant outstanding notes on the 6th interest payment date, subject to a 1% pretermination fee.

In October 2016, CPDC paid the loan in full.

Long-term debt of Joint Operation (see Note 9)

This pertains to TPI's share of the outstanding project debt of its joint operation.

In May 2014, PEC entered into an Omnibus Agreement with various local banks for a loan facility in the aggregate principal amount of up to ₱33.31 billion with maturity period of 15 years. The loan is subject to a semi-annual interest payment at annual fixed rates ranging from 4.70% - 6.68%.

The loans may be voluntarily prepaid in full or in part commencing on and from the third year of the date of initial drawdown with a prepayment penalty.

The loans are secured by a mortgage of all its assets with carrying amount of ₱26.70 billion as of December 31, 2016, and a pledge of the shares of stock held by the joint operators.

Loan covenants

The loan agreements on long-term debts of the Group provide for certain restrictions with respect to, among others, mergers or consolidations or other material changes in their ownership, corporate set-up or management, investment and guaranties, incurrence of additional debt, disposition of mortgage of assets, payment of dividends, and maintenance of financial ratios at certain levels.

These restrictions and requirements were complied with by the Group as of December 31, 2016 and 2015.

20. **Customers' Deposits**

	2016	2015
Transformers	**₱2,906,116**	₱2,500,344
Bill and load	**2,193,781**	2,337,976
Lines and poles	**1,731,345**	1,607,907
Others	**209,105**	135,232
	₱7,040,347	₱6,581,459

Transformers and lines and poles deposits are obtained from certain customers principally as cash bond for their proper maintenance and care of the said facilities while under their exclusive use and responsibility. These deposits are non-interest bearing and are refundable only after their related contract is terminated and the assets are returned to the Group in their proper condition and all obligations and every account of the customer due to the Group shall have been paid.

Bill deposit serves to guarantee payment of bills by a customer which is estimated to equal one month's consumption or bill of the customer.

Both the Magna Carta and Distribution Services and Open Access Rules (DSOAR) also provide that residential and non-residential customers, respectively, must pay a bill deposit to guarantee payment of bills equivalent to their estimated monthly billing. The amount of deposit shall be adjusted after one year to approximate the actual average monthly bills. A customer who has paid his electric bills on or before due date for three consecutive years, may apply for the full refund of the bill deposit, together with the accrued interests, prior to the termination of his service; otherwise, bill deposits and accrued interests shall be refunded within one month from termination of service, provided all bills have been paid.

In cases where the customer has previously received the refund of his bill deposit pursuant to Article 7 of the Magna Carta, and later defaults in the payment of his monthly bills, the customer shall be required to post another bill deposit with the distribution utility and lose his right to avail of the right to refund his bill deposit in the future until termination of service. Failure to pay the required bill deposit shall be a ground for disconnection of electric service.

Interest expense on customers' deposits amounted to ₱2.5 million in 2016, ₱4.2 million in 2015, and ₱8.5 million in 2014 (see Note 35).

The Group classified customers' deposits under noncurrent liabilities due to the expected long-term nature of these accounts.

Other customer deposits pertain mainly to deposits from real estate buyers.

21. **Asset Retirement Obligation**

Asset retirement obligation includes the estimated costs to decommission, abandon and perform surface rehabilitation on a subsidiary's steam field assets at the end of their useful lives, and the best estimate of the expenditure required to settle the obligation to decommission power plant at the end of its lease term (see Note 13).

	2016	2015
Balances at beginning of year	**₱3,016,528**	₱2,353,250
Acquisition of subsidiaries (see Note 9)	**334,812**	–
Change in accounting estimate	**(1,627,192)**	560,754
Accretion of decommissioning liability (see Note 34)	**97,429**	102,524
Balances at end of year	**₱1,821,577**	₱3,016,528

The actual dismantling and removal cost could vary substantially from the above estimate because of new regulatory requirements, changes in technology, increased cost of labor, materials, and equipment or actual time required to complete all dismantling and removal activities. Adjustment, if any, to the estimated amount will be recognized prospectively as they become known and reliably estimable.

22. **Finance Lease**

<u>TLI</u>

TLI was appointed by PSALM as Administrator under the IPP Administration Agreement, giving TLI the right to receive, manage and control the capacity of the power plant for its own account and at its own cost and risk; and the right to receive the transfer of the power plant at the end of the IPP Administration Agreement for no consideration.

In view of the nature of the IPP Administration Agreement, the arrangement has been accounted for as a finance lease. Accordingly, TLI recognized the capitalized asset and related liability of ₱44.79 billion (equivalent to the present value of the minimum lease payments using TLI's incremental borrowing rates of 10% and 12% for dollar and peso payments, respectively) in the financial statement as “Power plant” and “Finance lease obligation” accounts, respectively (see Notes 3 and 13). The discount determined at inception of the agreement is amortized over the period of the IPP Administration Agreement and is recognized as interest expense in the consolidated statement of income. Interest expense in 2016, 2015 and 2014 amounted to ₱4.70 billion, ₱5.29 billion and ₱5.29 billion, respectively (see Note 35).

Future minimum monthly dollar and peso payments under the IPP Administration Agreement and their present values as of December 31, 2016 and 2015 are as follows:

December 31, 2016

	Dollar payments	Peso equivalent of dollar payments[1]	Peso payments	Total
Within one year	**$82,500**	**₱4,101,900**	**₱3,960,000**	**₱8,061,900**
After one year but not more than five years	**378,000**	**18,794,160**	**18,144,000**	**36,938,160**
More than five years	**380,000**	**18,893,600**	**18,240,000**	**37,133,600**
Total contractual payments	**840,500**	**41,789,660**	**40,344,000**	**82,133,660**
Unamortized discount	**285,051**	**14,172,757**	**15,620,699**	**29,793,456**
Present value	**555,449**	**27,616,903**	**24,723,301**	**52,340,204**
Less current portion				**2,968,491**
Noncurrent portion of finance lease obligation				**₱49,371,713**

December 31, 2015

	US dollar payments	Philippine peso equivalent of dollar payments[2]	Philippine peso payments	Total
Within one year	$82,500	₱3,882,450	₱3,960,000	₱7,842,450
After one year but not more than five years	468,000	22,024,080	22,464,000	44,488,080
More than five years	380,000	17,882,800	18,240,000	36,122,800
Total contractual payments	930,500	43,789,330	44,664,000	88,453,330
Unamortized discount	342,392	16,112,978	18,671,498	34,784,476
Present value	588,108	27,676,352	25,992,502	53,668,854
Less current portion				2,583,754
Noncurrent portion of finance lease obligation				₱51,085,100

[1]USD1= ₱49.72

[2]USD1= ₱47.06

23. Capital Stock

Information on the Company's authorized capital stock follows:

	Number of Shares
Authorized capital stock:	
Common shares, ₱1 par value	9,600,000,000
Preferred shares, ₱1 par value	400,000,000

Outstanding capital stock are as follows:

	Number of Shares	
	2016	2015
Common shares issued	**5,694,599,621**	5,694,599,621
Less treasury shares	**60,807,064**	140,332,814
Balance at end of year	**5,633,792,557**	5,554,266,807

On November 16, 1994, the Company listed with the Philippine Securities Exchange (PSE) its 3,650,385,204 common shares with a par value of ₱1.00 per share to cover the initial public offering (IPO) of 821,486,204 common shares at an offer price of ₱5.70 per share. Gross proceeds from this issuance of new shares amounted to ₱4.6 billion. Transaction costs incidental to the IPO totaling ₱528.0 million were charged against "Additional paid-in capital" in the parent company balance sheet.

On May 23, 1995 and August 30, 1996, the Company distributed 20% stock dividend equivalent to 730.08 million shares and 30% stock dividend equivalent to 1.31 billion shares, respectively. Both stock dividends were issued at ₱1.00 per share. At the end of 1996, common shares issued totaled 5.69 billion.

The preferred shares are non-voting, non-participating, non-convertible, cumulative re-issuable and redeemable and may be issued from time to time by the BOD in one or more series and fixed before issuance thereof, the number of shares in each series, and all designations, relative rights, preferences and limitations of the shares in each series. Preferred shares that are redeemed by the Company may be re-issued.

There were no preferred shares issued as of December 31, 2016 and 2015.

As of December 31, 2016, and 2015, the Company has 9,177 and 9,328 shareholders, respectively.

Treasury Shares
As of December 31, 2016 and 2015, AEV shares bought into treasury totaled 60.8 million and 140.3 million with corresponding acquisition costs of ₱521.1 million and ₱1.1 billion, respectively. In 2016, 79.5 million shares costing ₱544.5 million were sold for ₱5.9 billion while 15.7 million shares costing ₱112.8 million were sold for ₱885.3 million in 2015.

24. Retained Earnings

On March 8, 2016, the BOD approved the following:

a. Declaration of a regular cash dividend of ₱1.06 per share (₱5.89 billion) to all stockholders of record as of March 22, 2016. These dividends were paid on April 19, 2016.

b. Appropriation of ₱2.72 billion of the retained earnings as of December 31, 2015 for the funding of the estimated ₱1.0 billion purchase price adjustment on the acquisition of the Philippine business of Lafarge S.A. and for additional capital infusion into the following investees to finance their respective business expansion projects or ongoing plant construction (amounts in thousand pesos):

Investee	Project to be Funded	Board Approval Date	Estimated Project Start Date	Estimated Project Completion Date	Appropriation (in thousands)
AboitizLand, Inc. and Subsidiaries	Land acquisition	July 2013	First quarter of 2014	End of 4th quarter of 2017	₱500,000
Apo Agua Infrastructura, Inc.	Plant construction	December 2015	July 2016	Start of 1st quarter of 2019	622,000
Aseagas, Inc.	Plant construction	March 2016	August 2014	Start of 3rd quarter 2016	345,000
PETNET, Inc.	Business expansion	May 2015	June 2015	December 2016	250,000
					₱1,717,000

On March 10, 2015, the BOD approved the declaration of a regular cash dividend of ₱1.11 per share (₱6.15 billion) to all stockholders of record as of March 24, 2015. These dividends were paid on April 20, 2015.

On March 11, 2014, the BOD approved the declaration of a regular cash dividend of ₱1.27 per share (₱7.01 billion) and a special cash dividend of ₱0.53 a share (₱2.93 billion) to all stockholders of record as of March 25, 2014. These dividends were paid on April 22, 2014.

As mentioned in Note 19, the Company shall not permit its DE ratio to exceed 3:1 calculated based on the Company's year-end debt and consolidated equity.

The balance of retained earnings includes the accumulated equity in net earnings of subsidiaries, associates and joint arrangements amounting to ₱95.9 billion and ₱83.9 billion as at December 31, 2016 and 2015, respectively. Such amounts are not available for distribution until such time that the Company receives the dividends from the respective subsidiaries, associates and joint arrangements (see Note 10).

25. Revenues

a. Sale from Distribution of Power

The Uniform Rate Filing Requirements (UFR) on the rate unbundling released by the ERC on October 30, 2001 specified that the billing for sale and distribution of power and electricity will have the following components: Generation Charge, Transmission Charge, System Loss Charge, Distribution Charge, Supply Charge, Metering Charge, the Currency Exchange Rate Adjustment and Interclass and Lifeline Subsidies. National and local franchise taxes, the Power Act Reduction (for residential customers) and the Universal Charge are also separately indicated in the customer's billing statements.

Pursuant to Section 43(f) of Republic Act (R.A.) No. 9136, otherwise known as the Electric Power Industry Reform Act of 2001 (EPIRA), and Rule 15, section 5(a) of its Implementing Rules and Regulations (IRR), the ERC promulgated the Distribution Wheeling Rates Guidelines on December 10, 2004. These were subsequently updated and released on July 26, 2006 as the Rules for Setting Distribution Wheeling Rates (RDWR) for Privately Owned Utilities entering Performance Based Regulation (PBR).

Details of the PBR regulatory period and the date of implementation of the approved rates are as follows:

	CLP	DLP	VECO	SEZ
Current regulatory period	April 1, 2009 to March 31, 2013	July 1, 2010 to June 30, 2014	July 1, 2010 to June 30, 2014	October 1, 2011 to September 30, 2015
Date of implementation of approved distribution supply and metering charges	May 1, 2009	August 1, 2010	August 1, 2010	November 26, 2011

Total sale from distribution of power amounted to ₱44.6 billion, ₱41.4 billion and ₱40.0 billion in 2016, 2015 and 2014, respectively.

b. Sale from Generation of Power and Retail Electricity

Certain subsidiaries are trading participants and direct members under the generator sector of the WESM. These companies are allowed to access the WESM Market Management System through its Market Participant Interface (MPI). The MPI is the facility that allows the trading participants to submit and cancel bids and offers, and to view market results and reports. Under its price determination methodology as approved by the ERC, locational marginal price method is used in computing prices for energy bought and sold in the market on a per node, per hour basis. In the case of bilateral power supply contracts, however, the involved trading participants settle directly with their contracting parties.

Total sale of power to WESM amounted to ₱2.9 billion, ₱4.6 billion and ₱5.8 billion in 2016, 2015 and 2014, respectively.

Certain subsidiaries were issued a FIT Certificate of Compliance from the ERC which entitles them to avail the FIT rate. These subsidiaries also signed agreements with the National Transmission Corporation (NTC), the FIT administrator. These agreements enumerate the rights and obligations under the FIT rules and FIT-All guidelines, in respect to the full payment of the actual energy generation of the generator, at a price equivalent to the applicable FIT rate, for the entire duration of its FIT eligibility period.

Total sale of power under power supply agreements amounted to ₱32.9 billion in 2016, ₱28.8 billion in 2015 and ₱31.1 billion in 2014.

Certain subsidiaries have negotiated contracts with contestable customers. These contracts provide supply and delivery of electricity where capacity fees, fixed operating fees and energy fees are at fixed price/kwh or time of use.

Total sale of power under retail electricity supply agreements amounted to ₱8.5 billion, ₱10.2 billion and ₱9.7 billion in 2016, 2015 and 2014, respectively.

c. Real estate revenues consist of the following:

	2016	2015	2014
Real estate sales	**₱1,700,479**	₱2,042,335	₱2,115,442
Rental income	**419,297**	385,029	430,233
Power and electricity (see Note 9)	**–**	–	562,608
Service fees and others	**321,078**	305,514	159,458
	₱2,440,854	₱2,732,878	₱3,267,741

26. **Purchased Power**

Distribution
DLP, VECO, CLP and MEZ entered into contracts with NPC/PSALM for the purchase of electricity. The material terms of the contract are as follows:

	Term of Agreement with NPC/PSALM	Contract Energy (megawatt hours/year)
DLP	Ended in December 2015; 1-year extension	944,384
VECO	Ended in December 2014	898,632
CLP	Ended in December 2015	131,292
MEZ	Ten years; ended in September 2015	114,680

The Group's distribution utilities also entered into Transmission Service Agreements with NGCP for the transmission of electricity.

Total power purchases from the NPC/PSALM and NGCP, net of discounts, amounted to ₱7.5 billion in 2016, ₱9.5 billion in 2015 and ₱13.2 billion in 2014. The outstanding payable to the NPC/PSALM and NGCP on purchased power, presented as part of the "Trade and other payables" account in the consolidated balance sheets amounted to ₱694.2 million and ₱760.3 million as of December 31, 2016 and 2015, respectively (see Note 18).

Generation
Purchased power takes place during periods when power generated from power plants are not sufficient to meet customers' required power as stated in the power supply contracts. Insufficient supply of generated energy results from the shutdowns due to scheduled maintenance or an emergency situation. The Group purchases power from Wholesale Electricity Spot Market (WESM) to ensure uninterrupted supply of power and meet the requirements in the power supply contracts. Total purchases from WESM amounted to ₱1.4 billion in 2016, ₱1.2 billion in 2015 and ₱1.8 billion in 2014.

The Group entered into Replacement Power Contracts with certain related parties (see Note 34). Under these contracts, the Group supplies power to counterparties when additional power is needed. Correspondingly, when faced with energy shortfalls, the Group purchases power from counterparties.

Retail Electricity Supply
AESI pays PSALM monthly generation payments using the formula specified in the IPP Administration Agreement. Total generation payments to PSALM amounted to ₱1.9 billion in 2016 and ₱1.8 billion in 2015.

27. **Costs and Expenses**

Cost of generated power consists of:

	2016	2015	2014
Fuel costs	**₱12,211,477**	₱13,598,737	₱15,146,281
Steam supply costs (see Note 38)	**4,108,576**	3,956,979	4,935,022
Energy fees	**627,751**	684,279	688,059
Ancillary charges	**340,869**	262,536	240,502
Wheeling expenses	**27,599**	21,528	27,794
	₱17,316,272	₱18,524,059	₱21,037,658

Cost of goods sold consists of:

	2016	2015	2014
Raw materials used, purchases and changes in biological assets and inventories (see Notes 6 and 8)	**₱17,065,443**	₱16,659,858	₱13,772,752
Direct labor (see Note 28)	**194,453**	143,320	90,423
Manufacturing overhead			
Depreciation (see Note 13)	**427,462**	352,639	267,591
Power	**299,942**	260,419	1,804
Repairs and maintenance	**216,502**	162,956	121,590
Indirect labor (see Note 28)	**203,257**	128,345	113,308
Fuel and lubricants	**80,142**	85,519	62,789
Outside services	**76,686**	68,293	39,352
Toll milling expenses	**54,406**	57,185	15,780
Freight and handling	**48,004**	39,878	40,359
Taxes and licenses	**35,547**	34,698	31,155
Insurance	**32,178**	26,050	17,448
Medicines and vaccines	**28,397**	24,227	20,127
Pest control	**15,342**	9,749	12,200
Employees' benefits (see Notes 28 and 30)	**14,817**	8,169	7,354
Royalty fee	**13,565**	7,890	6,854
Rental	**9,992**	5,707	9,419
Office and general supplies	**9,476**	16,634	11,035
Others	**114,778**	78,772	19,939
	1,680,493	1,367,130	798,104
Cost of goods manufactured	**18,940,389**	18,170,308	14,661,279
Finished goods inventory (see Note 6)			
Beginning of year	**307,657**	148,457	209,968
End of year	**(361,857)**	(307,657)	(148,487)
	₱18,886,189	₱18,011,108	₱14,722,760

Operating expenses consist of:

	2016	2015	2014
Depreciation and amortization (see Notes 13, 15 and 16)	**₱6,357,313**	₱4,528,558	₱4,852,625
Personnel (see Notes 28 and 30)	**5,206,478**	4,467,203	3,231,198
Outside services (see Note 38)	**1,736,952**	1,703,314	1,264,148
Taxes and licenses	**1,613,411**	1,196,605	996,557
Insurance	**876,943**	763,939	750,562
Repairs and maintenance	**954,531**	744,056	767,591
Freight and handling	**660,208**	633,102	584,233
Provision for impairment of trade receivables (see Note 5)	**22,284**	526,055	595,127
Fuel and lubricants	**312,044**	427,829	256,348
Transportation and travel	**416,030**	382,333	365,671
Advertising	**349,366**	320,348	248,978
Management and professional fees (see Note 34)	**320,176**	308,654	520,034
Rent (see Note 36)	**295,615**	293,705	202,357
Commissions	**132,469**	145,553	71,597
Utilities	**116,685**	102,330	47,425
Training and development	**163,375**	98,866	80,451
Others	**1,653,302**	1,329,589	2,549,018
	₱21,187,182	₱17,972,039	₱17,383,920

Other operating expenses consist of miscellaneous items, the most significant of which are materials and supplies.

Overhead expenses consist of:

	2016	2015	2014
Depreciation and amortization (see Notes 13, 15 and 16)	**₱44,615**	₱42,796	₱40,681
Personnel (see Notes 28 and 30)	**38,143**	30,138	26,944
Repairs and maintenance	**9,630**	12,258	11,191
Fuel	**8,918**	9,805	14,240
Insurance	**4,106**	4,628	5,663
Rent	**1,940**	1,709	2,014
Others	**2,319**	2,198	8,056
	₱109,671	₱103,532	₱108,789

Other overhead expenses include training costs for aircraft personnel.

Sources of depreciation and amortization are as follows:

	2016	2015	2014
Property, plant and equipment (see Note 13)	**₱6,431,338**	₱4,465,223	₱4,701,973
Intangible asset - service concession rights (see Note 15)	**199,342**	338,031	318,175
Bearer biological assets (see Notes 8 and 16)	**63,614**	43,200	41,037
Other intangible assets (see Note 16)	**135,101**	109,854	99,712
	₱6,829,395	₱4,956,308	₱5,160,897

28. **Personnel Expenses**

	2016	2015	2014
Salaries and wages	**₱4,107,494**	₱3,491,083	₱2,802,440
Employee benefits (see Note 30)	**1,160,292**	1,056,870	828,864
	₱5,267,786	₱4,547,953	₱3,631,304

29. **Other Income - net**

	2016	2015	2014
Surcharges	**₱403,730**	₱342,871	₱348,970
Change in fair value of biological assets (see Note 8)	**388,218**	425,720	609,456
Gain on step-acquisition (see Note 9)	**350,939**	–	–
Net unrealized fair valuation gains (see Note 36)	**166,476**	186,512	15,000
Non-utility operating income	**94,916**	114,108	179,478
Rental income (see Note 34)	**1,499**	29,155	33,676
Dividend income	**250**	1,810	89
Gain on redemption of shares (see Note 10)	**16,051**	–	4,904
Impairment loss on goodwill (see Note 12)	**(169,469)**	–	–
Gain (loss) on sale of:			
Stock investments (see Notes 9 and 10)	**–**	–	636,044
Property, plant and equipment	**(50,125)**	(71,402)	15,958
AFS investments	**25,105**	–	(23)
Foreign exchange losses – net (see Note 35)	**(40,877)**	(959,461)	(199,324)
Others – net	**1,314,313**	154,697	262,302
	₱2,501,026	₱224,010	₱1,906,530

Surcharges represent late payment charges of a certain percentage on previous unpaid bills of customers of distribution utilities.

Included in "Net Foreign exchange gains (losses)" are the net gains and losses relating to currency forward transactions (see Note 35). "Others" comprise non-recurring items like sale of scrap and sludge oil, provision on impairment of assets and reversal of provisions. In 2016, "Others" also include income arising from the proceeds from claims of liquidating damages from contractor due to the delay in the completion of TSI's power plant amounting to ₱785.4 million.

30. Defined Retirement Benefit Plans

Under the existing regulatory framework, Republic Act 7641, otherwise known as *The Retirement Pay Law*, requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity. It further states that the employees' retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan.

The Company and its subsidiaries have funded, noncontributory, defined retirement benefit plans ("Plan") covering all regular and full-time employees and requiring contributions to be made to separately administered funds. The retirement benefit fund ("Fund") of each subsidiary is in the form of a trust being maintained and managed by AEV, under the supervision of the Board of Trustees (BOT) of the Plan. The BOT, whose members are also corporate officers, is responsible for the investment of the Fund assets. Taking into account the Plan's objectives, benefit obligations and risk capacity, the BOT periodically defines the investment strategy in the form of a long-term target structure.

The following tables summarize the components of net benefit expense recognized in the consolidated statements of income and the funded status and amounts recognized in the consolidated balance sheets for the respective plans.

Net benefit expense (recognized as part of personnel costs under operations)

	2016	2015	2014
Retirement expense recognized in the consolidated statements of income:			
Service cost	**₱287,742**	₱357,728	₱283,973
Net interest cost	**32,726**	(1,076)	(15)
	₱320,468	₱356,652	₱283,958

	2016	2015	2014
Remeasurement gains (losses) recognized in the statements of comprehensive income:			
Actuarial gains (losses) on defined benefit plan	**(₱54,403)**	₱34,364	₱220,806
Return (loss) on assets excluding amount included in net interest cost	**77,411**	(160,325)	(5,016)
	₱23,008	(₱125,961)	₱215,790

Net pension liabilities

	2016	2015
Present value of obligation	**₱3,386,386**	₱2,916,534
Fair value of plan assets	**(3,153,951)**	(2,267,709)
Pension liability	**₱232,435**	₱648,825

Changes in the present value of the defined benefit obligation are as follows:

	2016	2015
At January 1	**₱2,916,534**	₱2,511,539
Net benefit costs in the consolidated statements of income		
Current service costs	**284,078**	364,804
Interest cost	**147,822**	104,313
Past service costs	**3,665**	(7,076)
Benefits paid	**(129,174)**	(115,383)
Transfers and others	**17,866**	(35,082)
Remeasurements in other comprehensive income:		
Actuarial losses due to experience adjustments	**126,982**	377,622
Actuarial gains due to changes in financial assumptions	**(72,579)**	(411,986)
	54,403	(34,364)
Acquisition of subsidiaries (see Note 9)	**91,192**	127,783
At December 31	**₱3,386,386**	₱2,916,534

Changes in the fair value of plan assets are as follows:

	2016	2015
At January 1	**₱2,267,709**	₱2,095,327
Actual contributions	**729,668**	228,451
Acquisition of subsidiaries (see Note 9)	**74,413**	124,503
Interest income included in net interest cost	**115,097**	105,389
Actual return excluding amount included in net interest cost	**77,411**	(160,325)
Transfers	**17,866**	(25,477)
Benefits paid	**(128,213)**	(100,159)
At December 31	**₱3,153,951**	₱2,267,709

Changes in net pension liability recognized in the consolidated balance sheets are as follows:

	2016	2015
At January 1	**₱648,825**	₱416,212
Contribution to retirement fund	**(729,668)**	(228,451)
Retirement expense for the year	**320,468**	356,652
Actuarial loss (gain) recognized for the year	**(23,008)**	125,961
Transfers	**–**	(9,605)
Benefits paid from Group operating funds	**(961)**	(15,224)
Acquisition of subsidiaries	**16,779**	3,280
At December 31	**₱232,435**	₱648,825

The fair value of plan assets by each class as at the end of the reporting period are as follows:

	2016	2015
Cash and fixed-income investments	**₱2,052,718**	₱1,617,549
Equity instruments		
Financial institution	**200,507**	172,687
Power	**176,674**	117,423
Holding	**213,415**	107,832
Others	**409,975**	120,923
Government and other debt securities	**100,662**	131,295
Fair value of plan assets	**₱3,153,951**	₱2,267,709

All equity and debt instruments held have quoted prices in active market. The remaining plan assets do not have quoted market prices in active market.

The plan assets have diverse investments and do not have any concentration risk.

The principal assumptions used as of December 31, 2016, 2015 and 2014 in determining pension benefit obligations for the Group's plans are shown below:

	2016	2015	2014
Discount rate	3.61% - 5.60%	4.91% - 5.72%	4.2% - 7.02%
Salary increase rate	6%	6%	7%

The sensitivity analysis below has been determined based on reasonable possible changes of each significant assumption on the defined benefit obligation as of December 31, 2016 and 2015, assuming all other assumptions were held constant:

December 31, 2016

	Increase (decrease) in basis points	**Effect on defined benefit obligation**
Discount rates	100	**(₱253,755)**
	(100)	**405,781**
Future salary increases	100	**403,120**
	(100)	**(275,707)**

December 31, 2015

	Increase (decrease) in basis points	Effect on defined benefit obligation
Discount rates	100	(₱161,609)
	(100)	204,466
Future salary increases	100	196,544
	(100)	(111,333)

The defined retirement benefit plans are funded by the Company and its subsidiaries. The Group expects to contribute approximately ₱572.1 million to the retirement benefit funds in 2017.

The average durations of the defined benefit obligation as of December 31, 2016 and 2015 are 11.84 - 28.76 years and 11.84 - 29.23 years, respectively.

The Board of Trustees reviews the performance of the plans on a regular basis. It assesses whether the retirement plans will achieve investment returns which, together with contributions, will be sufficient to pay retirement benefits as they fall due. The Group also reviews the solvency position of the different member companies on an annual basis and estimates, through the actuary, the expected contribution to the Plan in the subsequent year.

31. Income Taxes

The provision for (benefit from) income tax consists of:

	2016	2015	2014
Current			
Corporate income tax	**₱4,518,530**	₱4,630,846	₱3,489,165
Final tax	**240,238**	188,998	95,709
	4,758,768	4,819,844	3,584,874
Deferred	**(469,105)**	(495,025)	441,452
	₱4,289,663	₱4,324,819	₱4,026,326

A reconciliation of the statutory income tax rate with the Group's effective income tax rates follows:

	2016	2015	2014
Statutory income tax rate	**30.00%**	30.00%	30.00%
Tax effects of:			
Nontaxable equity in net earnings of associates and joint ventures	**(8.79)**	(7.19)	(7.88)
Tax-deductible lease payments	**(7.84)**	(8.87)	(7.58)
Non-deductible interest expense	**5.48**	6.70	6.68
Income subject to ITH	**(5.33)**	(6.48)	(7.04)
Interest income subjected to final tax at lower rates - net	**(1.06)**	(0.98)	(0.21)

(Forward)

	2016	2015	2014
Non-deductible depreciation expense	**1.00**	1.19	1.19
Gain on sale of investments already subjected to final tax	**(0.12)**	–	(0.69)
Non-deductible impairment provisions	**(0.07)**	1.04	0.04
Others	**(0.25)**	0.33	0.08
	13.02%	15.74%	14.59%

Net deferred income tax assets at December 31 relate to the following:

	2016	2015
Deferred income tax assets:		
Tax effects of items in other comprehensive income	**₱150,966**	₱204,279
Unrealized foreign exchange loss	**1,254,213**	63,603
Allowances for impairment and probable losses	**274,326**	288,145
Unamortized contributions for past service	**121,119**	72,496
MCIT	**11,148**	15,698
Accrued retirement benefits	**737**	4,247
NOLCO	**–**	2,913
Others	**516,004**	137,334
	2,328,513	788,715
Deferred income tax liabilities:		
Pension asset	**76,910**	47,334
Consumable biological assets	**35,039**	34,984
Unrealized foreign exchange gain	**2,738**	506
Others	**6,567**	6,342
	121,254	89,166
	₱2,207,259	₱699,549

Net deferred income tax liabilities at December 31 relate to the following:

	2016	2015
Deferred income tax liabilities:		
Unamortized franchise	**₱840,796**	₱997,395
Unrealized gain on investment property	**715,504**	487,664
Percentage-of-completion recognition of real estate sales and related costs	**171,049**	108,660
Unrealized foreign exchange gains	**63,753**	105,693
Unamortized customs duties and taxes capitalized	**61,849**	47,932
Others	**35,705**	100,208
	1,888,656	1,847,552
Deferred income tax assets:		
Tax effects of items in other comprehensive income	**(14,443)**	12,671
NOLCO	**195,204**	103,670
Allowances for:		
Impairment and probable losses	**55,564**	43,522
Inventory obsolescence	**1,975**	2,262
Unamortized past service cost	**19,606**	19,175
MCIT	**12,581**	17,618
Unrealized foreign exchange losses	**7,650**	6,573
Others	**43,108**	34,155
	321,245	239,646
	₱1,567,411	₱1,607,906

In computing for deferred income tax assets and liabilities, the tax rates used were 30% and 10%, which are the rates expected to apply to taxable income in the years in which the deferred income tax assets and liabilities are expected to be recovered or settled and considering the tax rate for renewable energy developers as allowed by the Renewable Energy Act of 2008.

The Company did not recognize its deferred income tax assets on NOLCO generated in 2016 and 2015 amounting to ₱1.1 billion and ₱743.1 million, respectively, and on MCIT paid in 2016 and 2015 amounting to ₱21.4million and ₱13.9 million, respectively. Likewise, AP parent company did not recognize its deferred income tax assets on NOLCO amounting to ₱228.1 million and ₱436.9 million as of December 31, 2016 and 2015, respectively, and on MCIT amounting to ₱43.8 million and ₱26.3 million as of December 31, 2016 and 2015, respectively.

Management of both entities expect that no sufficient taxable income will be generated in the future to allow all of the corresponding deferred income tax assets to be utilized.

There are no income tax consequences to the Group attaching to the payment of dividends to its shareholders.

32. **Earnings per Common Share**

Earnings per common share amounts were computed as follows:

	2016	2015	2014
a. Net income attributable to equity holders of the parent	**₱22,473,458**	₱17,679,116	₱18,380,620
b. Weighted average number of common shares issued and outstanding	**5,595,028**	5,551,617	5,530,226
c. Earnings per common share (a/b)	**₱4.017**	₱3.184	₱3.324

There are no dilutive potential common shares as of December 31, 2016, 2015 and 2014.

33. **Operating Segment Information**

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

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

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

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

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

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

Segment assets do not include deferred income tax assets, pension asset and other noncurrent assets. Segment liabilities do not include deferred income tax liabilities, income tax payable and pension liability. Capital expenditures consist of additions of property, plant and equipment and intangible asset - service concession rights. Adjustments as shown below include items not presented as part of segment assets and liabilities.

Revenue is recognized to the extent that it is probable that economic benefits will flow to the Group, and that the revenue can be reliably measured. Sale of power to Manila Electric Company accounted for 36%, 38% and 36% of the power generation revenues of the Group in 2016, 2015, and 2014, respectively. There is no concentration of significant customers on any of the segments.

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

	2016							
	Power	Financial Services	Food Manufacturing	Real Estate	Infrastructure	Parent Company and Others	Eliminations	Consolidated
REVENUES								
Third parties	₱88,992,097	₱550,347	₱23,702,446	₱2,440,854	₱–	₱729,336	₱–	₱116,415,080
Inter-segment	171,172	–	–	–	–	851,413	(1,022,585)	–
Total revenue	₱89,163,269	₱550,347	₱23,702,446	₱2,440,854	₱–	₱1,580,749	(₱1,022,585)	₱116,415,080
RESULTS								
Segment results	₱26,310,300	(₱67,207)	₱2,101,337	₱245,577	(₱10,565)	₱88,458	₱253,139	₱28,921,039
Unallocated corporate income (expenses)	1,669,212	85,684	493,150	6,245	1	499,874	(253,139)	2,501,027
INCOME FROM OPERATIONS								31,422,066
Interest expense	(7,704,011)	(7,046)	(296,344)	(5,366)	–	(1,571,520)	16,290	(9,567,997)
Interest income	1,083,535	1,526	64,393	22,668	662	285,424	(21,276)	1,436,932
Share in net earnings of associates and joint ventures	3,641,210	4,913,926	–	(3,232)	1,101,394	17,384,303	(17,385,814)	9,651,787
Provision for income tax	(3,496,140)	(16,250)	(626,833)	(25,464)	(132)	(124,844)	–	(4,289,663)
NET INCOME								₱28,653,125
OTHER INFORMATION								
Segment assets	₱73,649,187	₱1,044,046	₱7,863,363	₱5,777,703	₱106,810	₱18,062,204	(₱924,487)	₱105,578,826
Investments and advances	30,595,989	30,183,220	–	1,487,299	24,919,655	97,268,613	(97,504,315)	86,950,461
Unallocated corporate assets	250,531,059	181,305	7,165,361	8,042,819	108,058	5,355,296	163,865	271,547,763
Consolidated total assets								₱464,077,050
Segment liabilities	₱241,201,028	₱226,242	₱10,689,191	₱5,074,129	₱23,772	₱32,125,426	(₱1,258,683)	₱288,081,105
Unallocated corporate liabilities	1,945,775	243,259	68,830	446,523	–	(104,062)	–	2,600,325
Consolidated total liabilities								₱290,681,430
Capital expenditures	₱28,203,292	₱35,693	₱1,792,762	₱593,616	₱83,358	₱316,078	₱–	₱31,024,799
Depreciation and amortization	₱6,043,527	₱31,253	₱534,042	₱66,845	₱355	₱153,373	₱–	₱6,829,395

	2015							
	Power	Financial Services	Food Manufacturing	Real Estate	Infrastructure	Parent Company and Others	Eliminations	Consolidated
REVENUES								
Third parties	₱85,072,152	₱306,677	₱22,768,473	₱2,732,878	₱–	₱379,788	₱–	₱111,259,968
Inter-segment	101,800	–	–	–	–	969,954	(1,071,754)	–
Total revenue	₱85,173,952	₱306,677	₱22,768,473	₱2,732,878	₱–	₱1,349,742	(₱1,071,754)	₱111,259,968
RESULTS								
Segment results	₱24,686,577	(₱27,183)	₱2,104,899	₱484,682	(₱2,360)	(₱42,746)	₱214,531	₱27,418,400
Unallocated corporate income (expenses)	(336,639)	53,871	501,230	106,642	–	113,437	(214,531)	224,010
INCOME FROM OPERATIONS								27,642,410
Interest expense	(6,633,858)	(6,090)	(248,779)	(49,899)	–	(942,940)	–	(7,881,566)
Interest income	846,293	1,132	45,487	36,562	386	202,141	–	1,132,001
Share in net earnings of associates and joint ventures	3,979,947	2,533,581	–	(1,497)	75,491	15,943,715	(15,941,785)	6,589,452
Provision for income tax	(3,589,669)	(5,736)	(685,085)	4,132	(77)	(48,384)	–	(4,324,819)
NET INCOME								₱23,157,478
OTHER INFORMATION								
Segment assets	₱70,409,021	₱1,009,831	₱8,601,197	₱6,237,888	₱70,191	₱11,383,619	(₱678,328)	₱97,033,419
Investments and advances	22,551,845	25,813,716	–	1,490,531	23,818,261	91,188,162	(91,427,454)	73,435,061
Unallocated corporate assets	149,528,380	179,504	5,811,722	6,955,600	14,188	6,637,345	522,642	169,649,383
Consolidated total assets								₱340,117,863
Segment liabilities	₱138,399,444	₱180,213	₱10,311,032	₱4,713,271	₱11,410	₱36,841,079	(₱643,877)	₱189,812,572
Unallocated corporate liabilities	2,476,235	188,278	189,274	475,562	–	(8,500)	–	3,320,849
Consolidated total liabilities								₱193,133,421
Capital expenditures	₱15,701,414	₱40,236	₱1,948,168	₱319,303	₱2,848	₱1,502,040	₱–	₱19,514,009
Depreciation and amortization	₱4,322,000	₱11,920	₱433,363	₱40,128	₱5	₱148,892	₱–	₱4,956,308

	2014						
	Power	Financial Services	Food Manufacturing	Real Estate	Parent Company and Others	Eliminations	Consolidated
REVENUES							
Third parties	₱86,340,289	₱–	₱18,364,704	₱3,267,741	₱1,894,556	₱–	₱109,867,290
Inter-segment	419,097	–	–	–	807,241	(1,226,338)	–
Total revenue	₱86,759,386	₱–	₱18,364,704	₱3,267,741	₱2,701,797	(₱1,226,338)	₱109,867,290
RESULTS							
Segment results	₱22,350,758	₱–	₱1,307,297	₱657,304	₱26,713	₱203,658	₱24,545,730
Unallocated corporate income (expenses)	581,927	–	607,991	20,074	900,196	(203,658)	1,906,530
INCOME FROM OPERATIONS							26,452,260
Interest expense	(5,994,097)	–	(160,814)	(45,948)	(495,586)	–	(6,696,445)
Interest income	471,915	–	17,270	22,225	79,726	–	591,136
Share in net earnings of associates and joint ventures	4,009,488	3,243,902	–	(7,992)	14,881,387	(14,882,544)	7,244,241
Provision for income tax	(3,424,089)	–	(480,960)	(77,130)	(44,147)	–	(4,026,326)
NET INCOME							₱23,564,866
OTHER INFORMATION							
Segment assets	₱56,726,089	₱–	₱7,968,619	₱6,607,461	₱7,903,047	(₱324,503)	₱78,880,713
Investments and advances	24,816,278	26,307,238	–	1,492,028	83,851,069	(84,199,303)	52,267,310
Unallocated corporate assets	135,218,653	–	3,470,332	5,745,741	5,413,896	(88)	149,848,534
Consolidated total assets							₱280,996,557
Segment liabilities	₱118,420,852	₱–	₱8,497,988	₱4,409,160	₱12,035,139	(₱298,738)	₱143,064,401
Unallocated corporate liabilities	2,259,729	–	148,637	546,087	42,739	–	2,997,192
Consolidated total liabilities							₱146,061,593
Capital expenditures							₱16,651,075
Depreciation and amortization	₱4,643,300	₱–	₱341,727	₱21,899	₱153,971	₱–	₱5,160,897

34. **Related Party Disclosures**

Parties are considered to be related if one party has the ability to control, directly or indirectly, the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

In the normal course of business, the Group enters into transactions with related parties, principally consisting of the following:

a. Service contracts of certain associates with AEV or AP at fees based on agreed rates. Professional and technical fees paid by these associates and joint ventures to AEV and AP totaled ₱655.1 million, ₱327.9 million and ₱194.7 million in 2016, 2015 and 2014, respectively.

b. Cash deposits and placements with UBP. At prevailing rates, the deposits and money market placements earned interest income amounting to ₱308.5 million, ₱135.8 million and ₱236.7 million in 2016, 2015 and 2014, respectively.

c. Aviation services rendered by AEV Aviation to ACO and certain associates. Total aviation service income generated from these related parties amounted to ₱11.0 million in 2016 and 2015 and ₱13.0 million in 2014.

d. Lease of commercial office units by ACO and certain associates from CPDC for a period of three years. Rental income amounted to ₱6.7 million in 2016, ₱5.8 million in 2015 and ₱5.4 million in 2014.

e. Purchase of lots for residential and commercial project development by AboitizLand from ACO in 2012. The purchase was for a total consideration of ₱595.8 million, a portion of which was paid upon execution of the Contract to Sell. The remaining balance is payable on quarterly installments for the next 10 years. The current and noncurrent portion of the related liability amounted to ₱47.2 million and ₱245.3 million, respectively, as at December 31, 2016, and to ₱66.6 million and ₱300.8 million, respectively, as at December 31, 2015 (see Note 18).

f. Power sales to and purchases from certain associates and joint ventures based on the Group's power supply and purchase agreements, respectively (see Note 38).

g. Services rendered by Aboitiz Construction, Inc. (ACI), a wholly owned subsidiary of ACO, to the Group for various construction projects.

The above transactions are settled in cash.

Significant outstanding account balances with related parties as of December 31, 2016 and 2015 are as follows:

Revenue - Management, Professional and Technical Fees

	Revenue			Accounts Receivable			
	2016	2015	2014	**2016**	2015	Terms	Conditions
Ultimate Parent							
ACO	**₱19,145**	₱8,898	₱–	**₱727**	₱1,141	30-day; interest-free	Unsecured; no impairment
Associates and Joint Ventures							
RCBM (see Note 10)	**327,203**	85,800	–	**66,339**	85,800	30-day; Interest-free	Unsecured; no impairment
CEDC	**103,945**	110,157	66,935	**17,895**	14,997	30-day; interest-free	Unsecured; no impairment
RCMI (see Note 10)	**76,462**	19,450	–	**15,497**	19,450	30-day; interest-free	Unsecured; no impairment
SFELAPCO	**58,119**	76,088	90,432	**21,827**	58,936	30-day; interest-free	Unsecured; no impairment
RCII (see Note 10)	**49,767**	13,650	–	**10,086**	13,650	30-day; interest-free	Unsecured; no impairment
RP Energy	**5,882**	–	23,612	**260**	8	30-day; Interest-free	Unsecured; no impairment
SNAP-Magat	**5,806**	1,531	2,120	**177**	682	30-day; interest-free	Unsecured; no impairment
SNAP-Benguet	**5,630**	1,692	1,641	**177**	711	30-day; interest-free	Unsecured; no impairment
MORE	**2,863**	2,037	2,420	**595**	889	30-day; interest-free	Unsecured; no impairment
SNAP-Generation	**206**	43	–	**–**	155	30-day; interest-free	Unsecured; no impairment
UBP	**67**	540	852	**211**	3,498	30-day; interest-free	Unsecured; no impairment
EAUC (see Note 10)	**–**	6,305	6,668	**–**	2,010	30-day; interest-free	Unsecured; no impairment
CSB	**–**	1,570	–	**–**	932	30-day; interest-free	Unsecured; no impairment
CSB Land, Inc.	**–**	142	–	**–**	84	30-day; interest-free	Unsecured; no impairment
	₱655,095	₱327,903	₱194,680	**₱133,791**	₱202,943		

Cash Deposits and Placements with UBP

	Interest Income			Outstanding Balance			
	2016	2015	2014	**2016**	2015	Terms	Conditions
AP	**₱251,694**	₱99,911	₱196,532	**₱9,601,952**	₱8,174,890	90 days or less; interest-bearing	No impairment
AEV	**33,942**	11,371	19,745	**540,487**	777,265	90 days or less; interest-bearing	No impairment
PILMICO	**11,935**	9,940	8,800	**309,435**	852,076	90 days or less; interest-bearing	No impairment
AIPL	**4,728**	4,992	4,006	**382,162**	179,550	90 days or less; interest-bearing	No impairment
AboitizLand	**2,680**	6,677	6,743	**245,742**	216,746	90 days or less; interest-bearing	No impairment
ASEAGAS	**1,718**	1,484	177	**–**	358,105	90 days or less; interest-bearing	No impairment
AEV AVIATION	**621**	439	445	**53,092**	64,224	90 days or less; interest-bearing	No impairment
CPDC	**439**	538	216	**88,468**	25,203	90 days or less; interest-bearing	No impairment
Petnet	**319**	56	–	**49,16**	3,092	90 days or less; interest-bearing	No impairment
APO Agua	**231**	386	–	**55,220**	69,165	90 days or less; interest-bearing	No impairment
ABOITIZ INFRACAPITAL	**166**	–	–	**50,760**	–	90 days or less; interest-bearing	No impairment
	₱308,473	₱135,794	₱236,664	**₱11,376,481**	₱10,720,316		

Revenue - Aviation Services

	Revenue			Accounts Receivable			
	2016	2015	2014	**2016**	2015	Terms	Conditions
Associates and Joint Ventures							
SNAP-Magat	**₱6,511**	₱5,584	₱6,893	**₱80**	₱788	30-day; interest-free	Unsecured; no impairment
SNAP-Benguet	**2,363**	1,261	1,024	**–**	229	30-day; interest-free	Unsecured; no impairment
UBP	**1,633**	1,763	1,501	**559**	413	30-day; interest-free	Unsecured; no impairment
SNAP-Generation	**98**	2,368	3,561	**–**	1,056	30-day; interest-free	Unsecured; no impairment
	₱10,605	₱10,976	₱12,979	**₱639**	₱2,486		

Revenue - Rental

	Revenue			Accounts Receivable			
	2016	2015	2014	**2016**	2015	Terms	
Ultimate Parent							
ACO	**₱3,405**	₱2,644	₱2,344	**₱–**	₱–	30-day; interest-free	Unsecured; no impairment
Associates							
UBP	**3,340**	3,181	3,029	**13**	13	30-day; interest-free	Unsecured; no impairment
EAUC (see Note 10)	**–**	14	–	**–**	3	30-day; interest-free	Unsecured; no impairment
	₱6,745	₱5,839	₱5,373	**₱13**	₱16		

Land Acquisition

	Purchase			Payable			
	2016	2015	2014	**2016**	2015	Terms	Conditions
Ultimate Parent							
ACO	**₱–**	₱–	₱–	**₱245,283**	₱367,400	Quarterly installment	Unsecured

Revenue - Sale of Power

	Revenue (see Note 26)			Receivable			
	2016	2015	2014	**2016**	2015	Terms	Conditions
Associate and Joint Ventures							
SFELAPCO	**₱2,669,036**	₱2,654,128	₱2,567,959	**₱196,912**	₱197,118	30-day; interest-free	Unsecured; no impairment
SNAP-Benguet	**18,291**	–	48,952	**–**	–	30-day; Interest-free	Unsecured; no impairment
SNAP-Magat	**13,868**	–	19,182	**–**	–	30-day; interest-free	Unsecured; no impairment
Investees of ACO							
Tsuneishi Heavy Industries (Cebu), Inc. (THICI)	**545,344**	589,082	616,373	**45,266**	47,822	30-day; interest-free	Unsecured; no impairment
Metaphil International, Inc.	**10,868**	6,722	7,276	**429**	1,088	30-day; interest-free	Unsecured; no impairment
	₱3,257,407	₱3,249,932	₱3,259,742	**₱242,607**	₱246,028		

Cost of Purchased Power

	Purchases (see Note 26)			Payable			
	2016	**2015**	2014	**2016**	2015	Terms	Conditions
Associates and Joint Ventures							
CEDC	**₱4,552,650**	₱276,433	₱285,774	**₱395,904**	₱24,122	30-day; interest-free	Unsecured
SPPC	**328,000**	–	–	**32,900**	–	30-day; interest-free	Unsecured
SNAP-Magat	**219,272**	216,525	–	**21,702**	–	30-day; interest-free	Unsecured
WMPC	**136,500**	–	–	–	–	30-day; interest-free	Unsecured
SNAP-Benguet	–	84,744	–	–	–	30-day; interest-free	Unsecured
EAUC (see Note 10)	–	87,411	108,354	–	6,328	30-day; interest-free	Unsecured
	₱5,236,422	₱665,113	₱394,128	**₱450,506**	₱30,450		

Capitalized Construction and Rehabilitation Costs

	Purchases			Payable			
	2016	**2015**	2014	**2016**	2015	Terms	Conditions
Fellow Subsidiary							
Aboitiz Construction, Inc.	**₱388,172**	₱–	₱412,980	**₱2,583**	₱–	30-day; interest-free	Unsecured

Notes Receivable

	Interest Income			Receivable			
	2016	2015	2014	**2016**	2015	Terms	Conditions
Joint venture							
SACASUN (see Note 16)	₱847	₱–	₱–	₱2,882,456	₱–	Loan agreement; interest-bearing	Unsecured

Retirement Benefit Fund

The Company's retirement benefit fund is in the form of a trust being maintained and managed by ACO under the supervision of the BOT of the plan.

The Fund has a carrying amount and a fair value of ₱732.5 million and ₱521.3 million as of December 31, 2016 and 2015, respectively. The assets and investments of the Fund are as follows:

	2016	2015
Cash and fixed-income investments	**₱204,058**	₱247,287
Available-for-sale investments	**529,211**	274,700
	₱733,269	₱521,987

Fixed-income investments represent money market placements with maturities ranging from less than a year up to five years. AFS investments mainly comprise quoted equity securities which are carried at their fair values.

The Company's retirement benefit fund for its employees has investments in the equities of the Company and one of its subsidiaries. The carrying values of these investments as of December 31, 2016 and 2015 and the gains of the Fund arising from such investments for the years then ended are as follows:

	2016		2015	
	Carrying Value	**Gain**	Carrying Value	Gain
AEV common shares	**₱200,465**	**₱6,756**	₱–	₱–
AP common shares	**91,523**	**7,982**	76,180	841

The above investments of the Fund were approved by the BOT. The voting rights over these equity securities are exercised by the chairman of the BOT.

Compensation of Key Management Personnel

	2016	2015	2014
Short-term benefits	**₱239,477**	₱213,607	₱191,919
Post-employment benefits	**15,436**	14,556	9,443
	₱254,913	₱228,163	₱201,362

35. Financial Risk Management Objectives and Policies

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

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

Risk Management Structure

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

Financial risk committee

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

Treasury service group

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

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

Market Risk

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

Interest rate risk

The Group's exposure to market risk for changes in interest rates relates primarily to its long-term debt obligations. To manage this risk, the Group determines the mix of its debt portfolio as a function of the level of current interest rates, the required tenor of the loan, and the general use of the proceeds of its various fund raising activities. As of December 31, 2016, 20.50% of the Group's long-term debt had floating interest rates ranging from 1.65% to 3.0%, and 79.50% are with fixed rates ranging from 3.50% to 7.65%. As of December 31, 2015, 1.69% of the Group's long-term debt had floating interest rates ranging from 1.31% to 2.75%, and 98.31% are with fixed rates ranging from 3.50% to 7.68%.

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

December 31, 2016

	Less than 1 year	**1-5 years**	**More than 5 years**	**Total**
Long-term debts				
Floating rate	**₱1,705,889**	**₱38,308,318**	**₱-**	**₱40,014,207**

December 31, 2015

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

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

The interest expense recognized during the period is as follows:

	2016	2015	2014
Obligations under finance lease (see Note 22)	**₱4,794,801**	₱5,287,369	₱5,289,650
Long-term debts (see Note 19)	**4,583,953**	2,250,258	1,119,251
Bank loans (see Note 17)	**137,683**	190,568	123,002
Long-term obligation on PDS and others	**49,066**	149,130	156,040
Customers' deposits (see Note 20)	**2,494**	4,241	8,502
	₱9,567,997	₱7,881,566	₱6,696,445

The interest income recognized during the period is as follows:

	2016	2015	2014
Cash and cash equivalents (see Note 4)	**₱1,419,681**	₱1,123,155	₱579,707
Others	**17,252**	8,846	11,429
	₱1,436,933	₱1,132,001	₱591,136

The following table demonstrates the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings) as of December 31, 2016, 2015 and 2014:

	Increase (decrease) in basis points	Effect on income before tax
2016	**200**	**(₱800,284)**
	(100)	**400,142**
2015	200	(₱33,364)
	(100)	16,682
2014	200	(₱37,015)
	(100)	18,508

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

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

Foreign exchange risk

The foreign exchange risk of the Group pertains significantly to its foreign currency denominated borrowings, including obligations under finance lease. To mitigate the risk of incurring foreign exchange losses, foreign currency holdings are matched against the potential need for foreign currency in financing equity investments and new projects. As of December 31, 2016 and 2015, foreign currency denominated borrowings account for 33.75% and 18.5%, respectively, of total consolidated borrowings.

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

	2016		2015	
	US dollar	**Philippine peso Equivalent[1]**	US dollar	Philippine peso Equivalent[2]
Loans and receivables				
Cash and cash equivalents	**$43,569**	**₱2,166,248**	$58,089	₱2,733,648
AFS investments	**6,419**	**319,153**	6,605	310,831
Trade and other receivables	**3,260**	**162,092**	1,425	67,047
Derivative assets	**1,098**	**54,595**	6,570	309,184
Total financial assets	**54,346**	**2,702,088**	72,689	3,420,710
Other financial liabilities				
Bank loans	**7,066**	**351,328**	9,396	442,156
Trade and other payables	**30,731**	**1,527,961**	4,582	215,623
Long-term debts	**625,456**	**31,097,672**	2,445	115,061
Obligations under finance lease	**555,448**	**27,616,875**	588,108	27,676,362
Total financial liabilities	**1,218,701**	**60,593,836**	604,531	28,449,202
Net foreign currency denominated liabilities	**($1,164,355)**	**(₱57,891,748)**	($531,842)	(₱25,028,492)

[1]$1= ₱49.720

[2]$1= ₱47.060

The following table demonstrates the sensitivity to a reasonable possible change in the US dollar exchange rates, with all other variables held constant, of the Group's profit before tax as of December 31, 2016, 2015 and 2014.

	Increase (decrease) in US dollar rate against the Philippine peso	Effect on income before income tax
2016	**US dollar strengthens by 5%**	**(₱2,894,587)**
	US dollar weakens by 5%	**2,894,587**
2015		
	US dollar strengthens by 5%	(₱1,251,425)
	US dollar weakens by 5%	1,251,425
2014		
	US dollar strengthens by 5%	(₱1,261,046)
	US dollar weakens by 5%	1,261,046

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

The following table presents LHC's and GMCP's foreign currency denominated assets and liabilities:

	2016		2015	
	Philippine Peso	**US Dollar Equivalent[1]**	Philippine Peso	US Dollar Equivalent[1]
Loans and receivables:				
Cash and cash equivalents	**₱1,513,927**	**$30,449**	₱36,078	$767
Trade and other receivables	**583,160**	**11,729**	1,525	32
	2,097,087	**42,178**	37,603	799
Other financial liabilities:				
Trade and other payables	**893,586**	**17,973**	245,921	5,226
Net foreign currency denominated assets (liabilities)	**₱1,203,501**	**$24,205**	(₱208,318)	($4,427)

[1]US$1 = ₱49.72
[2]US$1 = ₱47.06

The following tables demonstrate the sensitivity to a reasonable possible change in the US dollar exchange rate in relation to Philippine peso, with all variables held constant, of the Group's income before tax as of December 31:

	Effect on income before tax
2016	
U.S. dollar appreciates against Philippine peso by 5.0%	**($1,216)**
U.S. dollar depreciates against Philippine peso by 5.0%	**1,204**
2015	
U.S. dollar appreciates against Philippine peso by 5.0%	$211
U.S. dollar depreciates against Philippine peso by 5.0%	(233)
2014	
U.S. dollar appreciates against Philippine peso by 5.0%	$204
U.S. dollar depreciates against Philippine peso by 5.0%	(226)

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

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

As of December 31, 2016 and 2015, the Group's exposure to equity price risk is minimal.

Credit Risk
For its cash investments, AFS investments, derivative assets, and receivables, the Group's credit risk pertains to possible default by the counterparty, with a maximum exposure equal to the carrying amount of these financial assets. With respect to cash and AFS investments, the risk is mitigated by the short-term and or liquid nature of its cash investments mainly in bank deposits and placements, which are placed with financial institutions and entities of high credit standing. With respect to receivables, credit risk is controlled by the application of credit approval, limit and monitoring procedures. It is the Group's policy to enter into transactions with a diversity of credit-worthy

parties to mitigate any significant concentration of credit risk. The Group ensures that sales are made to customers with appropriate credit history and has internal mechanism to monitor the granting of credit and management of credit exposures.

Concentration risk
Credit risk concentration of the Group's receivables according to the customer category as of December 31, 2016 and 2015 is summarized in the following table:

	2016	2015
Power distribution:		
Industrial	**₱3,589,973**	₱3,173,687
Residential	**1,324,289**	1,395,502
Commercial	**545,173**	601,065
City street lighting	**31,196**	28,924
Power generation:		
Power supply contracts	**6,945,891**	5,202,474
Spot market	**1,480,162**	1,408,744
Total concentration risk	**₱13,916,684**	₱11,810,396

The above receivables were provided with allowance for doubtful accounts amounting to ₱1.76 billion and ₱1.84 billion as of December 31, 2016 and 2015, respectively (see Note 5).

Maximum exposure to credit risk after collateral and other credit enhancements
The maximum exposure of the Group's financial instruments is equivalent to the carrying values as reflected in the consolidated balance sheets and related notes, except that the credit risk associated with the receivables from customers is mitigated because some of these receivables have collaterals.

Maximum exposure to credit risk for collateralized loans is shown below:

	2016			2015		
	Carrying Value	**Financial Effect of Collateral in Mitigating Credit Risk**	**Maximum Exposure to Credit Risk**	Carrying Value	Financial Effect of Collateral in Mitigating Credit Risk	Maximum Exposure to Credit Risk
Trade receivables:						
Power distribution	**₱5,490,631**	**₱5,490,631**	**₱–**	₱5,199,178	₱5,199,178	₱–

Financial effect of collateral in mitigating credit risk is equivalent to the fair value of the collateral or the carrying value of the loan, whichever is lower.

Credit quality

The credit quality per class of financial assets that are neither past due nor impaired is as follows:

December 31, 2016

	Neither past due nor impaired			Past due or individually impaired	
	High grade	**Standard grade**	**Sub-standard grade**		**Total**
Cash and cash equivalents	**₱63,857,528**	**₱–**	**₱–**	**₱–**	**₱63,857,528**
Restricted Cash	**2,100,611**	**–**	**–**	**–**	**2,100,611**
Trade and other receivables					
Trade receivables					
Power	**9,402,997**	**155,379**	**–**	**4,358,308**	**13,916,684**
Food manufacturing	**84,867**	**765,397**	**348,517**	**649,847**	**1,848,628**
Real estate	**2,361,300**	**214,626**	**455**	**278,784**	**2,855,165**
Holding and others	**1,345,040**	**17,336**	**39,449**	**73,086**	**1,474,911**
Other receivables	**3,520,960**	**56,766**	**504**	**215,388**	**3,793,618**
AFS investments					
Quoted shares of stock	**233,765**	**–**	**–**	**–**	**233,765**
Unquoted shares of stock	**329,983**	**–**	**–**	**–**	**329,983**
Derivative asset	**1,166,187**	**–**	**–**	**–**	**1,166,187**
	₱84,403,238	**₱1,209,504**	**₱388,925**	**₱5,575,413**	**₱91,577,080**

December 31, 2015

	Neither past due nor impaired			Past due or individually impaired	
	High grade	Standard grade	Sub-standard grade		Total
Cash and cash equivalents	₱63,581,884	₱–	₱–	₱–	₱63,581,884
Trade and other receivables					
Trade receivables					
Power	6,860,105	90,163	119,943	4,740,185	11,810,396
Food manufacturing	118,774	708,064	318,933	523,616	1,669,387
Real estate	1,585,983	432,877	–	267,292	2,286,152
Holding and others	668,688	7,552	–	82,289	758,529
Transport services	2,289	–	–	–	2,289
Other receivables	4,418,033	12,767	1,286	136,437	4,568,523
AFS investments					
Quoted shares of stock	325,482	–	–	–	325,482
Unquoted shares of stock	42,234	–	–	–	42,234
Derivative asset	563,366	–	–	–	563,366
	₱78,166,838	₱1,251,423	₱440,162	₱5,749,819	₱85,608,242

High grade - pertain to receivables from customers with good favorable credit standing and have no history of default.

Standard grade - pertain to those customers with history of sliding beyond the credit terms but pay a week after being past due.

Sub-standard grade - pertain to those customers with payment habits that normally extend beyond the approved credit terms, and has high probability of being impaired.

The Group evaluated its cash and cash equivalents as high quality financial assets since these are placed in financial institutions of high credit standing.

With respect to AFS investments and derivative asset, the Group evaluates the counterparty's external credit rating in establishing credit quality.

The aging analysis per class of financial assets that are past due but not impaired is as follows:

December 31, 2016

	Total	Neither past due nor impaired	Past due but not impaired: Less than 30 days	31 days to 1 year	Over 1 year up to 3 years	Over 3 years	Impaired
Loans and receivables							
Cash and cash equivalents	**₱63,857,528**	**₱63,857,528**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**
Restricted Cash	**2,100,611**	**2,100,611**	**–**	**–**	**–**	**–**	**–**
Trade and other receivables							
Trade receivables							
Power	**13,916,684**	**9,558,376**	**1,463,997**	**1,132,675**	**–**	**–**	**1,761,636**
Food manufacturing	**1,848,628**	**1,198,781**	**379,608**	**160,934**	**–**	**–**	**109,305**
Real estate	**2,855,165**	**2,576,381**	**–**	**276,491**	**–**	**–**	**2,293**
Holding and others	**1,474,911**	**1,401,825**	**–**	**67,288**	**–**	**–**	**5,798**
Other receivables	**3,793,618**	**3,578,230**	**11,178**	**204,210**	**–**	**–**	**–**
AFS investments							
Quoted shares of stock	**233,765**	**233,765**	**–**	**–**	**–**	**–**	**–**
Unquoted shares of stock	**329,983**	**329,983**	**–**	**–**	**–**	**–**	**–**
Derivative asset	**1,166,187**	**1,166,187**	**–**	**–**	**–**	**–**	**–**
	₱91,577,080	**₱86,001,667**	**₱1,854,783**	**₱1,841,598**	**₱–**	**₱–**	**₱1,879,032**

December 31, 2015

	Total	Neither past due nor impaired	Past due but not impaired: Less than 30 days	31 days to 1 year	Over 1 year up to 3 years	Over 3 years	Impaired
Loans and receivables							
Cash and cash equivalents	₱63,581,884	₱63,581,884	₱–	₱–	₱–	₱–	₱–
Trade and other receivables							
Trade receivables							
Power	11,810,396	7,070,211	1,457,571	1,440,989	–	–	1,841,625
Food manufacturing	1,669,387	1,145,771	322,796	73,996	–	–	126,824
Real estate	2,286,152	2,018,860	71,974	193,312	–	–	2,006
Holding and others	758,529	676,240	2,569	8,230	–	–	71,490
Transport services	2,289	2,289	–	–	–	–	–
Other receivables	4,568,523	4,432,086	10,142	126,295	–	–	–
AFS investments							
Quoted shares of stock	325,482	325,482	–	–	–	–	–
Unquoted shares of stock	42,234	42,234	–	–	–	–	–
Derivative asset	563,366	563,366	–	–	–	–	–
	₱85,608,242	₱79,858,423	₱1,865,052	₱1,842,822	₱–	₱–	₱2,041,945

Trade and other receivables that are individually determined to be impaired at the balance sheet date relate to debtors that are in significant financial difficulties and have defaulted on payments and accounts under dispute and legal proceedings.

Liquidity Risk

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

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

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

In managing its long-term financial requirements, the policy of the Group is that not more than 25% of long term borrowings should mature in any twelve-month period. As of December 31, 2016 and 2015, the portion of the total long-term debt, inclusive of customers' deposits, that will mature in less than one year is 4.19% and 3.60%, respectively. For its short-term funding, the policy of the Group is to ensure that there are sufficient working capital inflows to match repayments of short-term debt.

Cash and cash equivalents and trade and other receivables, which are all short-term in nature, have balances of ₱63.9 billion and ₱21.7 billion as of December 31, 2016, respectively and of ₱63.6 billion and ₱18.8 billion as of December 31, 2015, respectively (see Notes 4 and 5). These financial assets will be used to fund short-term and operational liquidity needs of the Group.

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

December 31, 2016

	Total carrying value	Contractual undiscounted payments				
		Total	On demand	Less than 1 year	1-5 years	> 5 years
Financial liabilities:						
Operating						
Trade and other payables*	₱18,757,325	₱18,757,325	₱233,245	18,278,797	231,106	14,177
Customers' deposits	7,040,347	7,040,347	–	–	33,648	7,006,699
Financing						
Bank loans	8,259,028	8,267,154	–	8,267,154	–	–
Long-term debts	195,232,023	220,807,423	–	12,312,633	98,696,279	109,798,511
Obligations under finance lease	52,340,204	82,133,660	–	8,061,900	36,938,160	37,133,600
Long-term obligation on PDS	237,248	440,000	–	40,000	200,000	200,000
Others						
Derivative liabilities	360,877	360,877	–	360,877	–	–
	₱282,227,052	₱337,806,786	₱233,245	₱47,321,360	₱136,099,193	₱154,152,987

**Excludes statutory liabilities*

December 31, 2015

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

**Excludes statutory liabilities*

Capital Management

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

Certain entities within the Group that are registered with the Board of Investments (BOI) are required to raise a minimum amount of capital in order to avail of their registration incentives. As of December 31, 2016 and 2015, these entities have complied with this requirement as applicable (see Note 37).

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

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

	2016	2015
Bank loans	**₱8,259,028**	₱8,883,056
Long-term obligations	**247,572,227**	152,216,586
Cash and cash equivalents	**(65,957,527)**	(63,581,884)
Net debt (a)	**189,873,728**	97,517,758
Equity	**173,395,621**	146,984,442
Equity and net debt (b)	**₱363,269,349**	₱244,502,200
Gearing ratio (a/b)	**52.27%**	39.88%

Part of the Group's capital management is to ensure that it meets financial covenants attached to long-term borrowings. Breaches in meeting the financial covenants would permit the banks to immediately call loans and borrowings. The Group is in compliance with the financial covenants attached to its long-term debt as of December 31, 2016 and 2015 (see Note 19).

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

Financial and Other Risk Relating to Livestock

The Group is exposed to financial risks arising from the change in cost and supply of feed ingredients and the selling price of hogs, all of which are determined by constantly changing market forces of supply and demand, and other factors. The other factors include environmental regulations, weather conditions and livestock diseases which the Group has little control. The mitigating factors are listed below:

- The Group is subject to risks relating to its ability to maintain animal health status considering that it has no control over neighboring livestock farms. Livestock health problems could adversely impact production and consumer confidence. However, the Group monitors the health of its livestock on a daily basis and proper procedures are put in place.

- The livestock industry is exposed to risk associated with the supply and price of raw materials, mainly grain prices. Grain prices fluctuate depending on the harvest results. The shortage in the supply of grain will result in adverse fluctuation in the price of grain and will ultimately increase production cost. The Group monitors the prices of grains regularly. The formulation of feeds at a least cost being done by the Group considers the appropriate nutrients the hogs need. It is the Group's policy not to enter into forward contracts until a firm commitment is in place.

36. **Financial Instruments**

Fair Value of Financial Instruments

Fair value is defined as the amount at which the financial instrument could be sold in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in a forced liquidation or sale. Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models, as appropriate.

A financial instrument is regarded as quoted in an active market if quoted prices are readily available from an exchange, dealer, broker, pricing services or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis. For a financial instrument with an active market, the quoted market price is used as its fair value. On the other hand, if transactions are no longer regularly occurring even if prices might be available and the only observed transactions are forced transactions or distressed sales, then the market is considered inactive. For a financial instrument with no active market, its fair value is determined using a valuation technique (e.g. discounted cash flow approach) that incorporates all factors that market participants would consider in setting a price.

Set out below is a comparison by category of carrying amounts and fair values of the Group's financial instruments whose fair values are different from their carrying amounts.

	2016		2015	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial liabilities				
Obligations under finance lease	**₱52,340,204**	**₱49,699,074**	₱53,668,854	₱56,465,454
Long-term debt - fixed rate	**155,217,817**	**155,854,200**	96,879,552	97,276,291
Long-term obligation on PDS	**237,248**	**414,135**	247,184	414,135
	₱207,795,269	**₱205,967,409**	₱150,795,590	₱154,155,880

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

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

Obligations under finance lease
The fair value of the finance lease obligation was calculated by discounting future cash flows using discount rates of 5.83% to 8.43% for dollar payments and 1.78% to 6.57% for peso payments in 2016; and 5.83% to 8.17% for dollar payments and 1.78% to 6.51% for peso payments in 2015. The disclosed fair value is determined using Level 3 inputs.

Fixed-rate borrowings
The fair value of fixed rate interest-bearing loans is based on the discounted value of future cash flows using the applicable rates for similar types of loans. Interest-bearing loans were discounted using credit-adjusted interest rates ranging from 2.47% to 7.20% in 2016 and 1.88% to 6.23% in 2015. The disclosed fair value is determined using Level 3 inputs.

Variable-rate borrowings
Where the repricing of the variable-rate interest-bearing instruments is frequent (i.e., three-month repricing), the carrying value approximates the fair value. Otherwise, the fair value is determined by discounting the principal plus the known interest payment using current market rates.

Long-term obligation on PDS
The fair value of the long-term obligations on PDS is calculated by discounting expected future cash flows at prevailing market rates. Discount rates used in discounting the obligation ranges from 3.83% to 4.47% in 2016 and 2.70% to 4.66% in 2015. The disclosed fair value is determined using Level 3 inputs.

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

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

Derivative asset and liabilities
The fair value is calculated by reference to prevailing interest rate differential and spot exchange rate as of valuation date, taking into account its remaining term to maturity. The Group enters into derivative financial instruments with financial institutions with investment grade credit ratings. Derivative valued using a valuation technique with market observable inputs pertains to a foreign exchange forward contract. The most applied valuation technique is forward pricing. The model incorporates various inputs including the credit quality of counterparty and foreign exchange spot and forward rates.

The Group also entered into an interest rate swap agreement to fully hedge its floating rate exposure on its foreign currency-denominated loan.

Derivative financial instruments
The fair value is calculated by reference to prevailing interest rate differential and spot exchange rate as of valuation date, taking into account its remaining term to maturity. The Group enters into non-deliverable short-term forward contracts with counterparty banks to manage its foreign currency risks associated with foreign currency-denominated liabilities and purchases.

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

Interest rate swaps
In August 2012, LHC entered into an interest rate swap agreement effective October 31, 2012 to fully hedge its floating rate exposure on its US dollar denominated loan. Under the interest rate swap agreement, LHC, on a semi-annual basis, pays a fixed rate of 1.505% per annum and receives variable interest at 6-month LIBOR plus margin. The interest payments and receipts are based on the outstanding USD notional amount simultaneous with the interest payments on the hedged loan. Similar with the hedged loan, the interest rate swap has amortizing notional amounts which cover a period up to final maturity. LHC designated the swap as a cash flow hedge.

As of December 31, 2016, the outstanding notional amount and derivative asset as a result of the swap amounted to US$27.7 million and ₱15.2 million, respectively. As of December 31, 2015, the outstanding notional amount and derivative asset as a result of the swap amounted to US$33.1 million and ₱3.4 million, respectively.

GMCP (see Note 9), has an interest rate swap agreement to hedge the variability in the interest cash flows on the entire amount of its Onshore - Tranche B loans (see Note 11). Under the swap agreement, GMCP pays a fixed rate of 4.37% and receives 6-month LIBOR rate, semi-annually from January 29, 2010 until March 29, 2021. GMCP designated the swap as a cash flow hedge.

As of December 31, 2016, the outstanding notional amount and derivative asset as a result of the swap amounted to US$105.1 million and ₱331.0 million, respectively.

Interest rate cap (IRC)
GMCP (see Note 9), has an interest rate cap to hedge the variability in the interest cash flows above a certain maximum interest rate on the outstanding amount of its Onshore - Tranche A loans (see Note 11). The IRC has an outstanding notional amount of US$34.4 million, and a derivative liability amount of ₱19.5 million, as of December 31, 2016. Under the IRC agreement, GMCP will receive an amount based upon the outstanding notional amount and the excess of the 6-month LIBOR over the 2.00% cap rate and pays a fixed interest of 0.69% as a premium for the IRC on each settlement date. If the 6-month LIBOR is below 2.00%, no payment will be received by GMCP. The settlement dates shall be on semi-annual basis from March 29, 2015 until March 29, 2021. GMCP designated the swap as a cash flow hedge.

Prepayment option
GMCP's offshore and onshore loans have embedded prepayment options subject to a 3% prepayment penalty (see Note 11), which was bifurcated and accounted for separately. As of December 31, 2016, the value of the derivative assets related to the embedded prepayment options amounted to ₱874.3 million.

Foreign currency forward contracts
On November 26, 2015, Hedcor Bukidnon entered into a deliverable forward contract to manage its foreign currency risks associated with its Euro denominated purchases. As of December 31, 2016 and 2015, the outstanding sell U.S. Dollar buy Euro forward contract has an aggregate notional of €6.4 million and €7.4 million, respectively. The maturity of the derivatives begins on December 21, 2015 until September 1, 2017.

On November 26, 2015, Hedcor Bukidnon also entered into a non-deliverable forward contract to manage its exposure to exchange rate fluctuations associated with US dollar denominated purchases. As of December 31, 2016 and 2015, the contract has an aggregate notional amount of US$6.9 and US$8.0 million, respectively that will be fully settled within 2017.

Hedcor Bukidnon designated these foreign currency hedging transactions as cash flow hedges.

Par forward contracts
In 2015, TVI entered into par forward contracts to hedge the foreign currency risk arising from the forecasted US Dollar denominated payments under the Engineering Procurement Construction (EPC) contract related to the construction of a power plant. As of December 31, 2016 and 2015, the aggregate notional amount of the par forward contracts is US$47.6 million and US$211.4 million, respectively.

In 2014, the Group's Joint Operation entered into par forward contracts to hedge the foreign currency risk arising from the forecasted US Dollar denominated payments under the EPC contract related to the construction of a power plant. The par forward contracts were designated as cash flow hedges. As of December 31, 2016 and 2015, the aggregate notional amount of the par forward contracts is ₱700.0 million and ₱3.64 billion, respectively.

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

	2016	2015
At beginning of year	**₱563,366**	₱112,544
Additions due to business combination (see Note 9)	**523,752**	–
Net changes in fair value of derivatives designated as accounting hedges	**36,859**	150,474
Net changes in fair value of derivatives not designated as accounting hedges	**(127,039)**	331,291
Fair value of settled instruments	**(191,628)**	(30,943)
At end of year	**₱805,310**	₱563,366

The net gains and losses from the net fair value changes of derivatives not designated as accounting hedges are included as "Foreign exchange losses - net" under "Other income - net".

The changes in the fair value of derivatives designated as accounting hedges were deferred in equity under "Cumulative translation adjustments."

The net movement of changes to cumulative translation adjustment is as follows:

	2016	2015
Balance at beginning of year (net of tax)	**₱147,337**	₱81,388
Changes in fair value recorded in equity	**62,586**	150,474
	209,923	231,862
Additions due to business combination (see Note 9)	**(257,500)**	–
Transfers to construction in progress	**(178,646)**	(67,191)
Changes in fair value transferred to profit or loss	**10,191**	18,704
Balance at end of year before deferred tax effect	**(216,032)**	183,375
Deferred tax effect	**39,096**	(36,038)
Balance at end of year (net of tax)	**(₱176,936)**	₱147,337

The Group has not bifurcated any embedded derivatives as of December 31, 2016 and 2015.

Fair Value Hierarchy

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

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data

As of December 31, 2016 and 2015, the Group held the following financial instruments that are measured and carried or disclosed at fair value:

December 31, 2016

	Total	**Level 1**	**Level 2**	**Level 3**
Carried at fair value:				
AFS investments	**₱233,765**	**₱233,765**	**₱–**	**₱–**
Derivative asset	**1,166,187**	**–**	**1,166,187**	**–**
Derivative liability	**360,877**	**–**	**360,877**	**–**
Disclosed at fair value:				
Obligations under finance lease	**49,699,074**	**–**	**–**	**49,699,074**
Long-term debt - fixed rate	**155,854,200**	**–**	**–**	**155,854,200**
Long-term obligation on PDS	**414,135**	**–**	**–**	**414,135**

December 31, 2015

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

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

37. **Registrations with the Department of Energy and Board of Investments (BOI)**

a. Certain power generation companies in the Group have been registered with the BOI. Accordingly, they are entitled to, among others, ITH incentives covering four (4) to seven (7) years. To be able to avail of the incentives, the companies are required to maintain a minimum equity level. As of December 31, 2016 and 2015, these companies have complied with the requirements.

b. On March 19, 2014, the BOI approved the registration of PANC's swine offsite nursery farm as "expanding producer of hogs" on a nonpioneer status under Omnibus Investment Code of 1987. This registration entitles PANC's swine offsite nursery farm to an ITH for a period of three (3) years form the actual start of commercial operations, in July 2014, whoever comes first, but in no case earlier than the date of registration. As of December 31, 2016, PANC has complied with the terms and conditions indicated in this BOI registration.

c. On October 9, 2015, the BOI approved the registration of Pilmico's feedmill plant expansion as "Expanding Producer of Animal Feeds" (2014-210) on a nonpioneer status under the Omnibus Investment Code of 1987. Said registration entitles PILMICO to an ITH for a period of three years from January 2016 or actual start of commercial operations, whichever is earlier but in no case earlier than the date of registration. As of December 31, 2016, PILMICO has complied with the terms and conditions indicated in this BOI registration.

d. On April 7, 2015, the BOI approved the registration of PANC's poultry layer farm as "New Producer of Table Eggs and By- Products (Culled Chicken and Manure)" on a nonpioneer status under the Omnibus Investment Code of 1987. This registration entitles PANC to an ITH for a period of four years from October 2015 or start of commercial operations, whichever is earlier, but in no case earlier than the date of registration. As of December 31, 2016, PANC has complied with the terms and conditions indicated in this BOI registration.

e. The BOI has also approved AboitizLand's application as a new/expanding developer of low cost mass housing projects. It is entitled to, among others, ITH incentives for a period for three (3) to four (4) years. It is also required to maintain certain equity requirements prior to availment of the incentives. As of December 31, 2016 and 2015, AboitizLand has complied with the requirements.

38. **Rate Regulation, Power Supply and Other Agreements**

a. Certain subsidiaries are subject to the ratemaking regulations and regulatory policies by the Energy Regulatory Commission (ERC).

b. APRI Agreements
Total steam supply cost incurred by APRI, reported as part of "Cost of generated power" amounted to ₱4.1 billion in 2016, ₱4.0 billion in 2015 and ₱4.9 billion in 2014.

Geothermal Resource Sales Contract
On May 26, 2013, APRI's steam supply contract with Chevron Geothermal Philippines Holdings, Inc. (CGPHI) shifted to a GRSC. The change is due to an existing provision under the government's existing contract with CGPHI when the Tiwi-Makban facilities were bidded out under the former's privatization program. Under the GRSC, the effective steam price of APRI payable to CGPHI will be at a premium to coal.

To ensure that APRI will continue to remain competitive in the market, a two-month interim agreement supplementing the GRSC was implemented on August 4, 2013 and extended until February 25, 2015. Upon expiration in 2015, this was further extended until June 25, 2017.

Lease Agreement with PSALM
On May 25, 2009, APRI entered into a lease agreement with PSALM for a parcel of land owned by the latter on which a portion of the assets purchased under the Asset Purchase Agreement is situated. The lease term is for a period of twenty-five (25) years commencing from the Closing Date as defined in the APA which falls on May 25, 2009. The rental fees for the whole term of 25 years amounting to ₱492.0 million were paid in full after the receipt by APRI of the Certificate of Effectivity on the lease. Total land lease charged to operations amounted to ₱19.7 million in 2015, 2014 and 2013.

c. Coal Supply Agreement
TLI enters into short-term coal supply agreements. Outstanding coal supply agreements as of December 31, 2016 have aggregate supply amounts of 510,000 MT (equivalent dollar value is estimated to be at US$42 million) which are due for delivery from January 2017 to August 2017. Terms of payment are by letter of credit where payment is due at sight against presentation of documents, and by telegraphic transfer where payment is due within 7 days from receipt of original invoice

d. Construction of civil works and electro-mechanical works and project management related to the construction of the Tudaya 1 and 2 hydro power plants. Total purchase commitments entered into by the Hedcor Sibulan and Hedcor Tudaya amounted to ₱6.3 million and €0.1 million as of December 31, 2015, respectively, and ₱52.7 million and €2.0 million as of December 31, 2014, respectively. Total payments made for the commitments amounted to ₱5.7 million and ₱49.4 million, as of December 31, 2015 and 2014, respectively.

e. GMCP
In August 2007, a 25-year lease agreement with Authority of the Freeport Area of Bataan for land at Bataan Economic Zone, used as an access road and right of way for electric power transmission lines.

In January 2010, a 50-year land lease agreement with PMR Group Retirement Plan, Inc. (PGRPI), used for its power plant facilities. GMCP, upon mutual agreement of PGRPI, has the right and option to extend the lease for a period of twenty-five years. In August 2016, GMCP entered into another lease agreement with PGRPI for land to be used for staff house.

f. HI, HTI and HSI
HI, HTI and HSI entered into contracts with various lot owners for lease of land where their power plants are located. Terms of contract are for a period of 1 to 25 years renewable upon mutual agreement by the parties.

g. Therma Mobile
Lease agreements with the Philippine Fisheries Development Authority:
- On April 26, 2014, a 10-year lease for portions of the breakwater area of the Navotas Fishport Complex (NFPC), including the mooring facility, marine and land transmission lines and
- On December 1, 2014, a 10-year lease for the ground floor of NFPC's administrative building

h. EAUC
Lease agreement with PEZA for a piece of land located inside Mactan Economic Zone for its power plant facilities.

Future minimum lease payments under the non-cancellable operating leases of GMCP, HI, HTI, HSI, Therma Mobile and EAUC are as follows (amounts in millions):

	2016	2015
Not later than 1 year	**₱166.9**	₱22.0
Later than 1 year but not later than 5 years	**503.6**	118.2
Later than 5 years	**4,036.5**	204.1

Total lease charged to operations related to these contracts amounted to ₱38.5 million in 2016, ₱33.1 million in 2015, and ₱30.2 million in 2014.

39. Contingencies

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

AP obtained standby letters of credit (SBLC) and is acting as surety for the benefit of certain associates and a subsidiary in connection with loans and credit accommodations. It provided SBLC for STEAG, SNAP M, SNAP B, and CEDC in the amount of ₱1.15 billion in 2016, ₱1.49 billion in 2015 and ₱1.98 billion in 2014.

40. Other Matters

a. Renewable Energy Act of 2008

On January 30, 2009, R.A. No. 9513, *An Act Promoting the Development, Utilization and Commercialization of Renewable Energy Resources and for Other Purposes*, which shall be known as the "Renewable Energy Act of 2008" (the Act), became effective. The Act aims to (a) accelerate the exploration and development of renewable energy resources such as, but not limited to, biomass, solar, wind, hydro, geothermal and ocean energy sources, including hybrid systems, to achieve energy self-reliance, through the adoption of sustainable energy development strategies to reduce the country's dependence on fossil fuels and thereby minimize the country's exposure to price fluctuations in the international markets, the effects of which spiral down to almost all sectors of the economy; (b) increase the utilization of renewable energy by institutionalizing the development of national and local capabilities in the use of renewable energy systems, and promoting its efficient and cost-effective commercial application by providing fiscal and non-fiscal incentives; (c) encourage the development and utilization of renewable energy resources as tools to effectively prevent or reduce harmful emissions and thereby balance the goals of economic growth and development with the protection of health and environment; and (d) establish the necessary infrastructure and mechanism to carry out mandates specified in the Act and other laws.

As provided for in the Act, renewable energy (RE) developers of RE facilities, including hybrid systems, in proportion to and to the extent of the RE component, for both power and non-power applications, as duly certified by the DOE, in consultation with the BOI, shall be entitled to incentives, such as, ITH, duty-free importation of RE machinery, equipment and materials, zero percent VAT rate on sale of power from RE sources, and tax exemption of carbon credits, among others.

The Group expects that the Act may have significant effect on the operating results of some of its subsidiaries and associates that are RE developers. Impact on the operating results is expected to arise from the effective reduction in taxes.

b. Electric Power Industry Reform Act (EPIRA) of 2001

RA No. 9136 was signed into law on June 8, 2001 and took effect on June 26, 2001. The law provides for the privatization of NPC and the restructuring of the electric power industry. The Implementing Rules and Regulations (IRR) were approved by the Joint Congressional Power Commission on February 27, 2002.

R.A. No. 9136 and the IRR impact the industry as a whole. The law also empowers the ERC to enforce rules to encourage competition and penalize anti-competitive behavior.

R.A. Act No. 9136, the EPIRA, and the covering IRR provides for significant changes in the power sector, which include among others:

i. The unbundling of the generation, transmission, distribution and supply and other disposable assets of a company, including its contracts with IPPs and electricity rates;
ii. Creation of a WESM; and
iii. Open and non-discriminatory access to transmission and distribution systems.

The law also requires public listing of not less than 15% of common shares of generation and distribution companies within 5 years from the effectivity date of the EPIRA. It provides cross ownership restrictions between transmission and generation companies and a cap of 50% of its demand that a distribution utility is allowed to source from an associated company engaged in generation except for contracts entered into prior to the effectivity of the EPIRA.

There are also certain sections of the EPIRA, specifically relating to generation companies, which provide for a cap on the concentration of ownership to only 30% of the installed capacity of the grid and/or 25% of the national installed generating capacity.

c. Temporary Restraining Order (TRO) affecting Power Generation Companies trading in WESM

On December 19, 2013, Bayan Muna representatives filed a Petition for Certiorari against the ERC and the Manila Electric Company (MERALCO) with the Supreme Court (SC). On December 20, 2013, National Association of Electricity Consumers for Reforms filed a Petition for Certiorari and/or Prohibition against MERALCO, ERC and DOE. These cases raised and questioned, among others, the alleged substantial increase in MERALCO's power rates for the billing period of November 2013, the legality of Sections 6, 29 and 45 of the EPIRA, the failure of ERC to protect consumers from the high energy prices and the perceived market collusion of the generation companies.

These cases were consolidated by the SC which issued a TRO for a period of 60 days from December 23, 2013 to February 21, 2014, preventing MERALCO from collecting the increase in power rates for the billing period of November 2013. The TRO was subsequently extended for another 60 days ending April 22, 2014 by the SC. Thereafter, the TRO was extended indefinitely.

MERALCO, in turn, filed a counter-petition impleading generation companies supplying power to the WESM. The SC also ordered all the parties in the consolidated cases to file their respective pleadings in response to MERALCO's counter-petition. The Supreme Court set the consolidated cases for oral arguments last January 21, February 4 and 11, 2014. After hearing, all parties were ordered to file their comments and/or memorandum. The case is now submitted for resolution.

As a result of the TRO, Meralco has not been able to fully bill its consumers for the generation costs for the supply month of November 2013; and in turn, it has not been able to fully pay its suppliers of generation costs.

d. Imposition of financial penalties on Therma Mobile by the Philippine Electricity Market Corporation (PEMC)

This case involves an investigation of Therma Mobile in the dispatch of its power barges during the November and December 2013 supply period. As a result of the Meralco price hike case brought before the SC, the SC ordered the ERC to investigate anti-competitive behavior and abuse of market power allegedly committed by some WESM participants.

PEMC conducted the investigation under the "Must-Offer" rules of the WESM Rules.

PEMC initially found that Therma Mobile violated the "Must-Offer Rule" during the period under investigation. In its letter dated January 30, 2015, the PEM Board imposed financial penalties amounting to ₱234.9 million on Therma Mobile. According to the PEM Board, the penalties will be collected from Therma Mobile through the WESM settlement process.

Therma Mobile maintains that there is no basis for the PEMC decision. It did not violate the Must-Offer Rule, for the period ended, as it was physically impossible for Therma Mobile to transmit more than 100MW to Meralco. Although Therma Mobile's rated capacity is 234 MW (Net), it could only safely, reliably and consistently deliver 100MW during the November and December 2013 supply period because of transmission constraints. Therma Mobile's engines and transmission lines were still undergoing major repairs to address issues on post rehabilitation.

Last February 13, 2015, Therma Mobile filed a notice of dispute with the PEMC to refer the matter to dispute resolution under the WEM Rules and the WESM Dispute Resolution Market Manual.

Therma Mobile also filed a Petition for the Issuance of Interim Measures of Protection with the Regional Trial Court (RTC) of Pasig to hold off enforcement of the payment of the penalties during the pendency of the Therma Mobile and PEMC dispute resolution proceedings. Last February 24, 2015, the RTC issued in favor of Therma Mobile an ex parte 20-day Temporary Order of Protection directing PEMC to refrain from (a) demanding and collecting from Therma Mobile the ₱234.9 million financial penalty; (b) charging and accruing interest on the financial penalty; and (c) transmitting the PEMC-ECO investigation report to the ERC. Therma Mobile and PEMC have agreed to maintain the status-quo until the RTC rules on the Therma Mobile's application for preliminary injunction.

On April 1, 2015, the RTC granted the prayer for the issuance of Writ of Preliminary Injunction, which ruling was assailed by the PEMC and elevated to the Court of Appeals (CA) via Petition for Review. On December 15, 2015, the CA issued a Decision confirming the RTC's findings. Therma Mobile is in receipt of PEMC's Motion for Reconsideration, and in compliance with a Resolution of the CA, has filed a comment on the said motion.

e. Therma Marine Case

In 2013, ERC issued Final Approval of various ESAs of Therma Marine with some modifications on ERC's provisionally approved rates which directed both parties to devise a scheme for the refund of the difference between the final and the provisionally approved rates.

On November 25, 2013, ERC issued its order for Therma Marine to refund the amount of ₱180.0 million to its customers for a period of 6 months with equal installments per month.

On August 27, 2014, ERC issued an order directing NGCP to refund its customers the amount of ₱12.7 million and the corresponding VAT for a period of twelve months. As such, Therma Marine will refund the said amount to NGCP and the latter will refund the same to its customers.

In 2015, ERC issued Provisional Approvals (PA) on ESA contracts extensions with capacity fees lower than the previously approved rates. Therma Marine filed MRs on these PAs. During the last quarter of 2015, ERC issued Final Approvals on some of these ESA's sustaining the decision in the PA's, thus Therma Marine filed MRs on the final decisions. As of December 31, 2016, there is no resolution yet on the MRs on the Final Approvals.

f. ERC Case No. 2013-077 MC

On August 29, 2013, MERALCO filed a petition for dispute resolution against TLI/APRI , among other Successor Generating Companies ("SGCs") under ERC Case No. 2013-077 MC. The case arose from a claim of refund of the alleged over charging of transmission line losses pursuant to the ERC Order dated March 4, 2013 and July 1, 2013 in ERC Case No. 2008-083 MC.

On September 20, 2013, TLI, together with the other SGCs, filed a Joint Motion to Dismiss arguing that MERALCO's petition should be dismissed for failure to state a cause of action and ERC's lack of jurisdiction over the subject matter of the case. The Joint Motion to Dismiss has since then been submitted for resolution with the ERC. To date, the ERC has yet to render its decision on the Joint Motion to Dismiss.

g. Sergio Osmena III vs. PSALM, Emmanuel R. Ledesma, Jr., SPC Power Corporation (SPC) and Therma Power Visayas, Inc. (TPVI)

In 2009, SPC acquired through a negotiated bid the 153.1MW Naga Land-Based Gas Turbine Power Plant ("Naga Plant") in Naga, Cebu. In the same year, it entered into a Land Lease Agreement (LLA) with PSALM, which includes SPC's right to top (RTT) the price of a winning bidder for the sale of any property in the vicinity of the leased premises.

PSALM subsequently bid out the Naga Plant located in the leased premises. On April 30, 2014 and after two failed biddings, PSALM issued a Notice of Award to TPVI for submitting the highest bid for the Naga Plant. SPC wrote PSALM of its intent to exercise its RTT the winning bid, on the condition that the LLA would be for a term of 25 years from closing date.

Senator Sergio Osmeña III filed with the Supreme Court (SC) a Petition for Certiorari and Prohibition with prayer for issuance of a Temporary Restraining Order and/or Writ of Preliminary Injunction dated June 16, 2014 (the "Case") with PSALM, Emmanuel R. Ledesma, SPC and TPVI as respondents to enjoin PSALM from making the award of the Naga Plant to SPC. In his petition, Sen. Osmeña argued that the RTT should be held invalid as it defeats the purpose of a fair and transparent bidding for a government asset and it discourages interested bidders considering the unfair advantage given to SPC.

On July 25, 2014, PSALM awarded the contract to SPC, despite TPVI's objection on the ground that SPC did not validly exercise its right to top because of its qualified offer. Thereafter, an Asset Purchase Agreement (APA) for the Naga Plant was executed between PSALM and SPC.

On September 28, 2015, the SC declared in the Case that the RTT and the APA executed in favor of SPC are null and void. The parties thereafter filed various motions for reconsideration which the SC subsequently denied.

On March 16, 2016, TPVI filed its Manifestation/Motion praying that the Notice of Award dated April 30, 2014 be reinstated and that respondent PSALM be ordered to execute the Asset Purchase Agreement ("NPPC-APA"), Land Lease Agreement ("NPPC-LLA") and other documents to implement TPVI's acquisition of the Naga Plant.

On April 6, 2016, the SC issued a Resolution that required PSALM and SPC to comment on TPVI's Manifestation/Motion. In the same Resolution, the SC denied the motion for leave to file and admit SPC's second motion for reconsideration and referral to the SC en banc.

On July 19, 2016, TPVI filed its Manifestation with Omnibus Motion to clarify the motion dated March 16, 2016 and for early resolution. TPVI prayed that the SC Decision dated September 28, 2015 be clarified, and if necessary, be amended to include in its "fallo" that the Notice of Award in favor of TPVI be reinstated.

In response to various motions, the SC issued a Notice of Judgment and Resolution dated October 5, 2016 clarifying that the nullification of SPC's right to top did not invalidate the entire bidding process. Thus, the SC ordered the reinstatement of the Notice of Award dated April 30, 2014 in favor of TPVI. Further, the SC annulled and set aside the APA and the LLA executed between SPC and PSALM and directed PSALM to execute with dispatch the NPPC-APA and the NPPC-LLA in favor of TPVI.

On October 26, 2016, SPC filed an Urgent Motion for Reconsideration with Alternative Motion to Refer to the En Banc of the SC. SPC reiterated its prayer for the reversal of the October 5, 2016 Resolution, denial of TPVI's Manifestation/Motion and for the conduct of a new round of bidding for the Naga Plant. PSALM also filed its Motion for Reconsideration with Leave and prayed that the SC's October 5, 2016 Resolution be re-examined and/or reconsidered.

In its Resolution dated November 28, 2016, the SC denied SPC's and PSALM's motions for reconsideration (of the October 5, 2016 Resolution) with finality. The SC ordered that no further pleadings, motions, letters, or other communications shall be entertained in the Case, and it ordered the issuance of Entry of Judgment.

Notwithstanding the above SC Resolution, SPC filed its Motion for Leave to File and Admit (Motion for Reconsideration dated 9 December 2016) with attached Motion for Reconsideration dated December 9, 2016. Thereafter, SPC filed its Supplemental Motion/Petition for Referral to the Banc dated January 16, 2017.

On February 14, 2017, TPVI received a copy of the Entry of Judgment which states that the October 5, 2016 Resolution of the SC has become final and executory on November 28, 2016.

h. DLP Case

On December 7, 1990, certain customers of DLP filed before the then Energy Regulatory Board (ERB) a letter-petition for recovery claiming that with the SC's decision reducing the sound appraisal value of DLP's properties, DLP exceeded the 12% Return on Rate Base (RORB). The ERB's order dated June 4, 1998, limited the computation coverage of the refund from January 19, 1984 to December 14, 1984. No amount was indicated in the ERB order as this has yet to be recomputed.

The CA, in Court of Appeals General Register Special Proceeding (CA-GR SP) No. 50771, promulgated a decision dated February 23, 2001 which reversed the order of the then ERB, and expanded the computation coverage period from January 19, 1984 to September 18, 1989.

The SC in its decision dated November 30, 2006 per GR150253 reversed the CA's decision CA-GR SP No. 50771 by limiting the period covered for the refund from January 19, 1984 to December 14, 1984, approximately 11 months. The respondent/customers filed a Motion for Reconsideration with the SC, which was denied with finality by the SC in its Order dated July 4, 2007.

The SC, following its decision dated November 30, 2006, ordered the ERC to proceed with the refund proceedings instituted by the respondents with reasonable dispatch.

On March 17, 2010, the ERC directed DLP to submit its proposed scheme in implementing the refund to its customers. In compliance with the order, the DLP filed its compliance stating that DLP cannot propose a scheme for implementing a refund as its computation resulted to no refund.

A clarificatory meeting was held where DLP was ordered to submit its memoranda.

On October 4, 2010, in compliance with the ERC directive, DLP submitted its memoranda reiterating that no refund can be made. After which, no resolution has been received by DLP from the ERC as of December 31, 2016.

i. LHC Franchise Tax Assessment
In 2007, the Provincial Treasurer of Benguet issued a franchise tax assessment against LHC, requiring LHC to pay franchise tax amounting to approximately ₱40.4 million, inclusive of surcharges and penalties covering the years 2002 to 2007. In 2008, LHC has filed for a petition for the annulment of the franchise tax assessment, based primarily on the fact that LHC is not liable for franchise tax because it does not have a franchise to operate the business. Section 6 of R.A. No. 9136 provides that power generation shall not be considered a public utility operation. As such, an entity engaged or which shall engage in power generation and supply of electricity shall not be required to secure a national franchise. Accordingly, no provision has been made in the consolidated financial statements. The case remains pending as of December 31, 2016.

41. **Events after the Reporting Period**

To comply with the requirements of Section 43 of the Corporation Code, on March 7, 2017, the BOD approved the following:

a. Declaration of a regular cash dividend of ₱1.33 per share (₱7.49 billion) to all stockholders of record as of March 21, 2017. These dividends will be taken out of the unrestricted retained earnings as of December 31, 2016, and will be paid on April 10, 2017. Said declaration is in compliance with the Company's policy of distributing a regular dividend equivalent to at least 33% of previous year's consolidated net income.

b. Reversal of ₱1.095 billion retained earnings appropriations for funding of additional capital infusions into the following investees (amounts in thousand pesos):

Investee	Project to be Funded	Board Approval Date	Estimated Project Start Date	Estimated Project Completion Date	Appropriation (in thousands)	Status of Capital Infusion as of Dec. 31, 2016
AboitizLand, Inc. and Subsidiaries	Land acquisition	July 2013	First quarter of 2014	End of fourth quarter 2017	₱500,000	Deferred
Aseagas, Inc.	Plant construction	March 2015	August 2014	Start of third quarter 2016	345,000	Executed
PETNET, Inc.	Business expansion	May 2015	June 2015	December 2016	250,000	Executed
Total					₱1,095,000	

ABOITIZ EQUITY VENTURES, INC.
AND SUBSIDIARIES

Supplementary Schedules
to the Financial Statements
Required by the Securities and Exchange Commission
For the Year Ended December 31, 2016

and

Independent Auditor's Report

Philippine
Pesos

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

Supplementary Schedules Required
By the Securities and Exchange Commission
As of and for the Year Ended December 31, 2016

NA: NOT APPLICABLE

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ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

SCHEDULE A - FINANCIAL ASSETS

AS OF DECEMBER 31, 2016
(Amounts in Thousands)

Name of Issuing Entity	Number of Shares	Amount Shown in the Balance Sheet	Value Based on Market Quotation at Balance Sheet Date	Income Received or Accrued
Cash In Bank				
ANZ	Not applicable	P 16,214	Not applicable	P 55
Allied Bank	Not applicable	11,504	Not applicable	10
Asian United Bank	Not applicable	10,076	Not applicable	14
Banco de Oro	Not applicable	1,735,291	Not applicable	1,920
Bank of America Corporation	Not applicable	248	Not applicable	-
Bank of Commerce	Not applicable	3,024	Not applicable	13
Bank of the Philippine Islands	Not applicable	2,915,931	Not applicable	5,077
China Banking Corporation	Not applicable	18,813	Not applicable	46
China Trust Banking Corporation	Not applicable	2,383	Not applicable	13
China Development Bank Corporation	Not applicable	45	Not applicable	-
Citibank	Not applicable	1,481,956	Not applicable	1,301
City Savings Bank	Not applicable	28,624	Not applicable	344
Development Bank of the Philippines	Not applicable	1,033	Not applicable	3
Eastwest Banking Corporation	Not applicable	18,841	Not applicable	32
Hongkong Shanghai Banking Corporation	Not applicable	56,281	Not applicable	4
ING Bank N.V.	Not applicable	1,290,374	Not applicable	-
Landbank of the Philippines	Not applicable	97,488	Not applicable	42
Maybank Corporation	Not applicable	5,184	Not applicable	25
Metropolitan Bank and Trust Company	Not applicable	352,058	Not applicable	1,827
Mizuho Corporatet Bank, Ltd.	Not applicable	9,514	Not applicable	2
One Network Bank	Not applicable	8,970	Not applicable	-
PB Com	Not applicable	3,826	Not applicable	5
Philippine Business Bank	Not applicable	2,838	Not applicable	11
Philippine National Bank	Not applicable	431,180	Not applicable	212
Philippine Veterans Bank	Not applicable	371	Not applicable	2
Planters Bank	Not applicable	-	Not applicable	13
Rizal Commercial Banking Corporation	Not applicable	239,630	Not applicable	1,355
Robinson's Bank	Not applicable	3,778	Not applicable	13
Standard Chartered Bank	Not applicable	20,844	Not applicable	-
Security Bank Corporation	Not applicable	391,064	Not applicable	761
Sterling Bank of Asia	Not applicable	2,444	Not applicable	9
Union Bank of the Philippines	Not applicable	3,815,244	Not applicable	31,270
United Coconut Planters Bank	Not applicable	3,912	Not applicable	12
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	Not applicable	10,693	Not applicable	1
ANZ, Ho Chi Minh City branch	Not applicable	710	Not applicable	-
Vietcombank, Ho Chi Minh City branch	Not applicable	153	Not applicable	32
SCB, Dong Thap branch	Not applicable	15	Not applicable	8
Sacombank, Dong Thap branch	Not applicable	2,476	Not applicable	4
Vietcombank, Dong Thap branch	Not applicable	1,324	Not applicable	8
HSBC, Ho Chi Minh City branch	Not applicable	6,403	Not applicable	26
Vietinbank, Dong Thap branch	Not applicable	6,165	Not applicable	11
Vietcombank, Ho Chi Minh City branch	Not applicable	20	Not applicable	0
T O T A L		**P 13,006,942**		**P 44,481**

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ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

SCHEDULE A - FINANCIAL ASSETS

AS OF DECEMBER 31, 2016
(Amounts in Thousands)

Name of Issuing Entity	Number of Shares	Amount Shown in the Balance Sheet	Value Based on Market Quotation at Balance Sheet Date	Income Received or Accrued
Money Market Placements				
Banco de Oro	Not applicable	P 1,941,076	Not applicable	P 65,505
BDO Unibank, Inc.	Not applicable	602,516	Not applicable	5,733
Bank of the Philippine Islands	Not applicable	13,969,693	Not applicable	199,921
Chinabank Corporation	Not applicable	-	Not applicable	12,479
Citibank	Not applicable	1,342,440	Not applicable	1,187
City Savings Bank	Not applicable	20,213,839	Not applicable	387,635
Deutsche Asset & Wealth Management	Not applicable	-	Not applicable	3
Hongkong & Shanghai Banking Corporation	Not applicable	3,964	Not applicable	54
First Metro Investment Corporation	Not applicable	-	Not applicable	26,093
Metropolitan Bank and Trust Company	Not applicable	4,355,034	Not applicable	68,902
Philippine National Bank	Not applicable	10,696	Not applicable	149,379
Rizal Commercial Banking Corporation	Not applicable	59,996	Not applicable	10,677
Rural Bank Quezon Capital	Not applicable	375	Not applicable	4
Security Bank Corporation	Not applicable	232,879	Not applicable	45,365
Mizuho Corporate Bank, Ltd.	Not applicable	15,043	Not applicable	94,198
United Coconut Planters Bank	Not applicable	10,218	Not applicable	-
Sacombank, Dong Thap branch - VND	Not applicable	-	Not applicable	9,453
SCB, Dong Thap branch - VND	Not applicable	-	Not applicable	4,530
Vietcombank, Dong Thap branch - VND	Not applicable	-	Not applicable	5,841
Union Bank of the Philippines	Not applicable	7,561,237	Not applicable	277,203
T O T A L		**P 50,319,006**		**P 1,364,162**
Trade Receivables				
Power	Not applicable	P 13,916,684	Not applicable	Not applicable
Real estate	Not applicable	2,855,165	Not applicable	Not applicable
Food manufacturing	Not applicable	1,848,628	Not applicable	Not applicable
Financial services	Not applicable	155,028	Not applicable	Not applicable
Holding and others	Not applicable	1,319,883	Not applicable	Not applicable
T O T A L		**P 20,095,388**		
Other Receivables				
Advances to contractors	Not applicable	P 773,547	Not applicable	Not applicable
Dividends receivable	Not applicable	748,000	Not applicable	Not applicable
Accrued revenues	Not applicable	595,533	Not applicable	Not applicable
Non-trade receivables	Not applicable	345,099	Not applicable	Not applicable
Others	Not applicable	1,331,439	Not applicable	Not applicable
T O T A L		**P 3,793,618**		
Available-For-Sale (AFS) Investments				
Publicly-listed:				
Empire East Land, Inc.	4,377,063	P 3,020	P 3,020	P -
Megaworld Properties, Inc.	1,842,750	6,579	6,579	-
Others	463,831	1,785	1,785	27
Non-publicly-listed:				
Alta Vista Golf and Country Club	2	3,245	-	-
Cebu Holdings, Inc.	1	1,038	-	-
Cebu Country Club	3	9,600	-	-
Equitable Banking Corporation	8,050	793	-	-
Philippine Long Distance and Telephone Company	44,344	560	-	-
Others	21,795,717	20,962	-	-
Investment in Bonds/Unit Investment Trust Fund				
Banco de Oro	-	317,920	-	10,626
Union Bank of the Philippines	2,050,350	198,246	198,246	57
T O T A L		**P 563,748**	**P 209,630**	**P 10,710**

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

SCHEDULE C - AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS

AS DECEMBER 31, 2016
(Amounts in Thousands)

			Deductions				
Name and Designation of Debtor	**Beginning Balance**	**Additions**	**Amounts Collected**	**Amounts Written Off**	**Current**	**Non-Current**	**Ending Balance**
TRADE							
Pilmico Foods Corporation	**P 138,778**	P -	(138,778)	P -	P -	P -	**P -**
Pilmico Animal Nutrition Corporation	**1,611**		(2,506)	-	(895)	-	**(895)**
Filagri, Inc.	**2**	17	-	-	19	-	**19**
AEV Aviation, Inc.	**919**	-	(918)	-	1	-	**1**
Cebu Praedia Development Corporation	**91**	-	(79)	-	12	-	**12**
Aseagas Corporation	**1,202**	-	(1,202)	-	-	-	**-**
APO Agua Infrastructura, Inc.	**175**	440	-	-	615	-	**615**
PETNET, Inc.	**31**	871	-	-	902	-	**902**
Aboitiz Power Corporation	**40,758**	-	(16,695)	-	24,063	-	**24,063**
Davao Light and Power Co., Inc.	**31,986**	-	(28,646)	-	3,340	-	**3,340**
Cotabato Light and Power Company	**990**	-	(309)	-	681	-	**681**
Cotabato Ice Plant, Inc.	**(717)**	-	(7)	-	(724)	-	**(724)**
Subic Enerzone Corporation	**900**	12,188	-	-	13,088	-	**13,088**
Mactan Enerzone Corporation	**168**	3,080	-	-	3,248	-	**3,248**
Balamban Enerzone Corp.	**217**	3,705	-	-	3,922	-	**3,922**
Lima Enerzone Corporation	**58**	5,305	-	-	5,363	-	**5,363**
Cebu Private Power Corporation	**546**	-	(286)	-	260	-	**260**
San Fernando Electric Light & Power Co.	**1,930**	-	(1,930)	-	-	-	**-**
East Asia Utilities Corp.	**786**	394	-	-	1,180	-	**1,180**
Aboitiz Energy Solutions, Inc.	**567**	-	(281)	-	286	-	**286**
RP Energy, Inc.	**8**	-	(8)	-	-	-	**-**
Advent Energy, Inc.	**243**	-	(123)	-	120	-	**120**
Therma Power, Inc.	**439**	-	(439)	-	-	-	**-**
Therma Power Visayas, Inc.	**3,305**	-	(3,305)	-	-	-	**-**
Therma Luzon, Inc.	**2,077**	4,015	-	-	6,092	-	**6,092**
Therma South, Inc.	**3,518**	-	(1,400)	-	2,118	-	**2,118**
Therma Mobile, Inc.	**1,030**	-	(320)	-	710	-	**710**
Therma Marine, Inc.	**(132)**	608	-	-	476	-	**476**
Pagbilao Energy Corp.	**16**	-	(16)	-	-	-	**-**
Hedcor, Inc.	**2,777**	-	(2,742)	-	35	-	**35**
Hedcor Sibulan, Inc.	**1,302**	-	(1,004)	-	298	-	**298**
Hedcor Tudaya, Inc.	**130**	-	(118)	-	12	-	**12**
Hedcor Bokod, Inc.	**94**	-	(94)	-	-	-	**-**
Hedcor Bukidnon, Inc.	**936**	-	(926)	-	10	-	**10**
Hedcor Sabangan, Inc.	**40**	-	(40)	-	-	-	**-**
Hedcor Tamugan, Inc.	**1**	-	(1)	-	-	-	**-**
Luzon Hydro Corporation	**881**	-	(900)	-	(19)	-	**(19)**
Manila-Oslo Renewable Enterprise, Inc.	**889**	-	(294)	-	595	-	**595**
SN Aboitiz Power, Inc.	**225**	-	(225)	-	-	-	**-**
SN Aboitiz Power - Benguet	**711**	-	(534)	-	177	-	**177**
SN Aboitiz Power - Magat	**682**	-	(505)	-	177	-	**177**
SN Aboitiz Power - Generation	**155**	-	(155)	-	-	-	**-**
SN Power Philippines, Inc.	**-**	14			14	-	**14**
San Carlos Sun Power, Inc.	**-**	49	-	-	49	-	**49**
AP Renewables, Inc.	**430**	-	(2,171)	-	(1,741)	-	**(1,741)**
Visayan Electric Company	**122,980**	467	-	-	123,447	-	**123,447**
Aboitizland, Inc.	**15,824**	-	(9,351)	-	6,473	-	**6,473**
Lima Land, Inc.	**1,720**	-	(1,488)	-	232	-	**232**
Lima Utilities Corporation	**33**	-	(33)	-	-	-	**-**
Lima Water Coporation	**453**	-	(361)	-	92	-	**92**
Cebu Industrial Park Developers, Inc.	**640**	-	(519)	-	121	-	**121**
Misamis Oriental Land Dev't. Corp.	**50**	-	(50)	-	-	-	**-**
Propriedad del Norte, Inc.	**1**	-	(1)	-	-	-	**-**
NON-TRADE							
Cebu Praedia Development Corporation	**-**	425,484		-	65,484	360,000	**425,484**
AEV Aviation, Inc.	**9,848**	-	(9,848)	-	-	-	**-**
AEV International PTE Ltd.	**1,223**	-	(1,223)	-	-	-	**-**
Pilmico Foods Corporation	**-**	700,000		-	700,000	-	**700,000**
Davao Light and Power Co., Inc.	**-**	2,541,552	-	-	2,541,552	-	**2,541,552**
Cotabato Light and Power Company	**-**	19,512	-	-	19,512	-	**19,512**
Total	**P 393,527**	**P 3,717,701**	**P (229,831)**	**P -**	**P 3,521,397**	**P 360,000**	**P 3,881,397**

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

SCHEDULE D - INTANGIBLE ASSETS AND OTHER ASSETS

AS OF DECEMBER 31, 2016
(Amount in Thousands)

Description	Beginning Balance	Additions At Cost	DEDUCTIONS Charged to Costs and Expenses	DEDUCTIONS Charged to Other Accounts	Other Changes Additions (Deductions)	Discontinued Operation	Ending Balance
A. Intangibles							
Goodwill	P 2,073,972	P 36,269,601	P (169,469)	P -	P -	P -	P 38,174,104
Intangible asset - service concession right	3,226,536	45,875	(199,342)	-	149,054	-	3,222,123
B. Other Noncurrent Assets							
Input VAT and tax credit receivable	4,750,339	2,015,844	-	-	-	-	6,766,183
Intangible assets:							
Franchise	2,879,615	-	(76,961)	-	-	-	2,802,654
Project development costs	294,071	209,754	(92,326)	-	-	-	411,499
Customer contracts	79,377	-	(15,409)	-	-	-	63,968
Software and licenses	86,124	82,588	-	-		-	168,712
Notes receivable	-	2,882,456	-	-	-	-	2,882,456
Prepaid rent and other deposits	874,130	59,841	-	-	-	-	933,971
Advances to contractors and projects	781,135	-	(304,565)	-	-	-	476,570
Receivable from NGCP	102,350	44,364	-	-	-	-	146,714
Bearer biological assets - net	98,662	28,353	-	-	-	-	127,015
Others	484,580	-	(47,137)	-	-	-	437,443
T o t a l	**P15,730,891**	**P41,638,676**	**(P905,209)**	**P0**	**P149,054**	**P0**	**P56,613,412**

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

SCHEDULE E - LONG-TERM DEBT

AS OF DECEMBER 31, 2016
(Amounts in Thousands)

Name of Issuer and Type of Obligation	Amount Authorized by	Amount Shown as Current	Amount Shown as Long-Term	Remarks
Parent Company:				
First Metro Investment Corporation	7,948,262	-	7,948,262	
BPI Capital Corporation	23,822,736	-	23,822,736	
Subsidiaries:				
Aboitiz Power Corporation	9,922,153	-	9,922,153	
AP Renewables, Inc.	11,608,257	1,250,240	10,358,017	
Hedcor, Inc.	626,620	89,151	537,469	
Hedcor Bukidnon, Inc.	5,567,832	-	5,567,832	
Hedcor Sibulan, Inc.	4,049,945	2,963	4,046,982	
Cotabato Light and Power Company	206,850	30,450	176,400	
Davao Light & Power Company, Inc.	1,034,250	152,250	882,000	
Subic Enerzone Corporation	282,500	56,500	226,000	
Pagbilao Energy Corporation	11,414,270	-	11,414,270	
Luzon Hydro Corporation	1,369,631	271,667	1,097,964	
Therma Power, Inc.	30,492,512	-	30,492,512	
Therma South, Inc.	23,737,423	1,280,444	22,456,979	
Therma Visayas, Inc.	27,185,268	-	27,185,268	
GMCP	26,425,533	3,991,223	22,434,310	
Visayan Electric Company	1,375,066	201,896	1,173,170	
Aseagas Corporation	2,423,554	131,579	2,291,975	
Pilmico Foods Corporation	2,834,499	12,649	2,821,850	
Pilmico Animal Nutrition Corp.	2,687,610	9,997	2,677,613	
Aboitizland, Inc.	217,252	217,252	-	
Total	**P195,232,023**	**P7,698,261**	**P187,533,762**	

SCHEDULE H - CAPITAL STOCK

AS OF DECEMBER 31, 2016
(Amounts in Thousands)

Title of Issue	Number of Shares Authorized	Number of Shares Issued and Outstanding	Number of Shares Reserved for Options, Warrants, Conversions, and Other Rights	Number of Shares Held By		
				Affiliates	Directors, Officers and Employees	Others
COMMON SHARES	9,600,000	5,633,793	-	2,737,173	275,231	2,621,389
PREFERRED SHARES	400,000	-	-	-	-	-

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

SCHEDULE I - TRADE AND OTHER RECEIVABLES FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS

AS DECEMBER 31, 2016
(Amounts in Thousands)

Related Party	Balances			Volume			Terms
	Trade	Non-trade	Total	Sales	Rental	Advances	
Pilmico Foods Corporation	P -	P -	P -	P 274,584	P 203	P -	30 days
Pilmico Animal Nutrition Corporation	(895)	-	(895)	7,915	16	-	30 days
Filagri, Inc.	19	-	19	4	-	-	30 days
AEV Aviation, Inc.	1	-	1	2,373	-	-	30 days
Cebu Praedia Development Corporation	12	-	12	1,528	-	-	30 days
Aseagas Corporation	-	-	-	5,525	9	-	30 days
APO Agua Infrastructura, Inc.	615	-	615	1,995	10	-	30 days
PETNET, Inc.	902	-	902	3,045	16	-	30 days
Aboitiz Power Corporation	24,063	-	24,063	87,169	4,108	-	30 days
Davao Light and Power Co., Inc.	3,340	-	3,340	59,942	60	-	30 days
Cotabato Light and Power Company	681	-	681	4,312	5	-	30 days
Cotabato Ice Plant, Inc.	(724)	-	(724)	1	-	-	30 days
Subic Enerzone Corporation	13,088	-	13,088	15,432	4	-	30 days
Mactan Enerzone Corporation	3,248	-	3,248	4,012	-	-	30 days
Balamban Enerzone Corp.	3,922	-	3,922	4,475	2	-	30 days
Lima Enerzone Corporation	5,363	-	5,363	6,063	-	-	30 days
Cebu Private Power Corporation	260	-	260	1,637	32	-	30 days
East Asia Utilities Corp.	1,180	-	1,180	2,287	-	-	30 days
Aboitiz Energy Solutions, Inc.	286	-	286	2,097		-	30 days
Advent Energy, Inc.	120	-	120	1,058	-	-	30 days
Therma Power, Inc.	-	-	-	3,076	-	-	30 days
Therma Visayas, Inc.	-	-	-	16,266	233	-	30 days
Therma Luzon, Inc.	6,092	-	6,092	9,288	278	-	30 days
Therma South, Inc.	2,118	-	2,118	16,258	430	-	30 days
Therma Mobile, Inc.	710	-	710	3,690	-	-	30 days
Therma Marine, Inc.	476	-	476	3,568	-	-	30 days
Hedcor, Inc.	35	-	35	8,350	88	-	30 days
Hedcor Sibulan, Inc.	298	-	298	4,098		-	30 days
Hedcor Tudaya, Inc.	12	-	12	506	-	-	30 days
Hedcor Bokod, Inc.	-	-	-	86	-	-	30 days
Hedcor Bukidnon, Inc.	10	-	10	3,791	-	-	30 days
Hedcor Sabangan, Inc.	-	-	-	435	-	-	30 days
Luzon Hydro Corporation	(19)	-	(19)	1,589	1	-	30 days
Manila-Oslo Renewable Enterprise, Inc.	595	-	595	2,762	101	-	30 days
SN Aboitiz Power - Benguet	177	-	177	5,613	17	-	30 days
SN Aboitiz Power - Magat	177	-	177	5,785	21	-	30 days
SN Aboitiz Power - Generation	-	-	-	206	-	-	30 days
SN Power Philippines, Inc.	14	-	14	494	13	-	30 days
San Carlos Sun Power, Inc.	49	-	49	2,987		-	30 days
AP Renewables, Inc.	(1,741)	-	(1,741)	20,592	511	-	30 days
Abovant Holdings, Inc.	-	-	-	195		-	30 days
Visayan Electric Company	123,447	-	123,447	276,701	33	-	30 days
Hijos de F. Escano, Inc.	-	-	-	92			30 days
Aboitizland, Inc.	6,473	-	6,473	27,446	3,297	-	30 days
Lima Land, Inc.	232	-	232	2,774	-	-	30 days
Lima Water Coporation	92	-	92	577	-	-	30 days
Cebu Industrial Park Developers, Inc.	121	-	121	1,803	-	-	30 days
Misamis Oriental Land Dev't. Corp.	-	-	-	342	-	-	30 days
NON-TRADE							
Cebu Praedia Development Corporation	-	425,484	425,484	-	-	430,470	on demand
Pilmico Foods Corporation	-	700,000	700,000	-	-	700,000	on demand
Davao Light and Power Co., Inc.	-	2,541,552	2,541,552	-	-	2,557,831	on demand
Cotabato Light and Power Company	-	19,512	19,512	-	-	19,523	on demand
Total	**P 194,849**	**P 3,686,548**	**P 3,881,397**	**P 904,824**	**P 9,488**	**P 3,707,824**	

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

SCHEDULE J- TRADE AND OTHER PAYABLES TO RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS

AS DECEMBER 31, 2016
(Amounts in Thousands)

Related Party	Balances			Volume			Terms
	Trade	Non-trade	Total	Purchases	Rental	Advances	
AEV Aviation, Inc.	P -	P 934	P 934	P -	P 26,468	P -	on demand
Cebu Praedia Development Corporation	-	338	338	-	7,353	-	on demand
Total	**P -**	**P 1,272**	**P 1,272**	**P -**	**P 33,821**	**P -**	

Aboitiz Equity Ventures, Inc.
32nd Street, Bonifacio Global City
Taguig City, Metro Manila

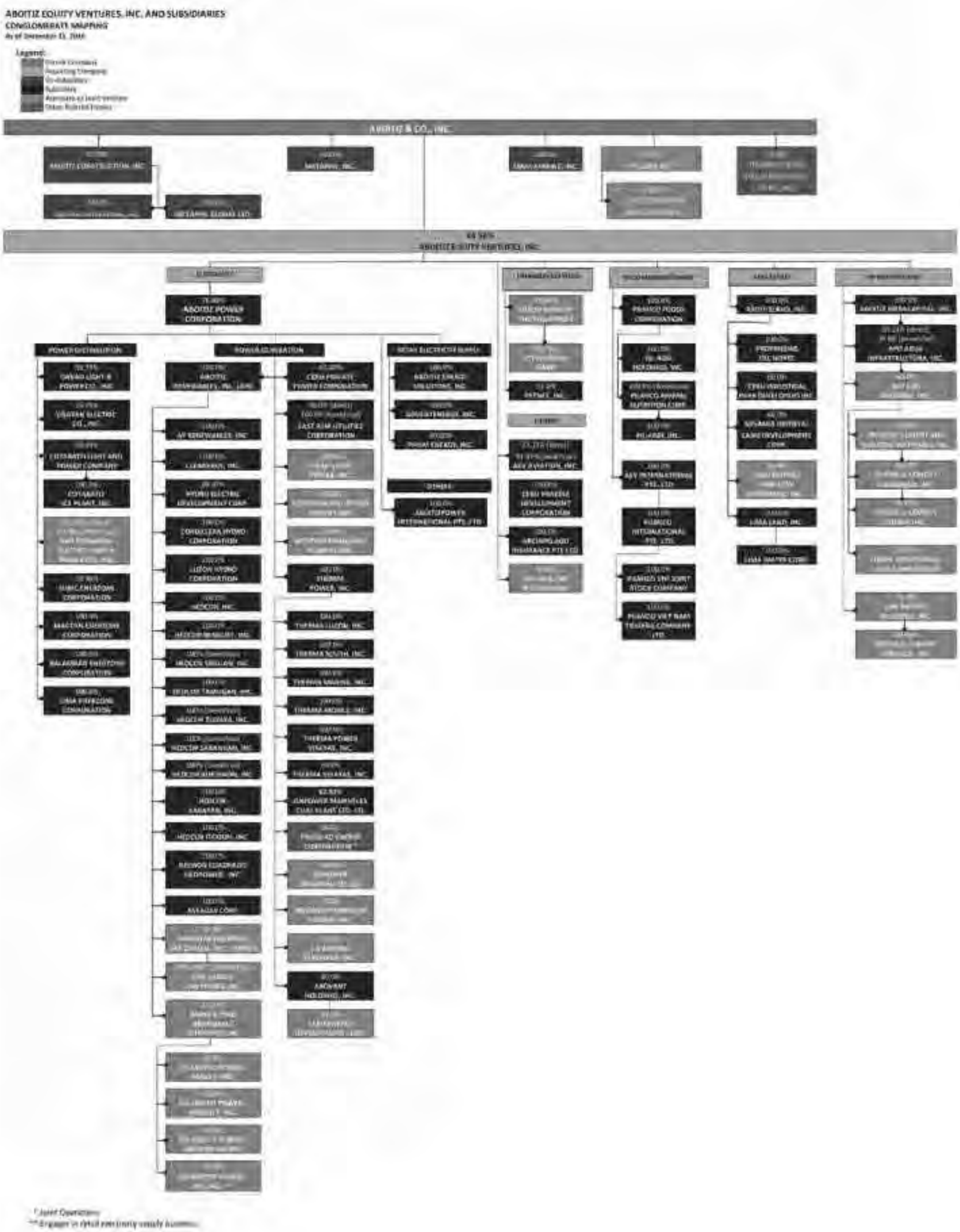
Statement of Reconciliation of Retained Earnings Available for Dividend Declaration
For the year ended December 31, 2016
(Amounts in Philippine Currency and in Thousands)

Unappropriated Retained Earnings, beginning	**22,613,298**
Adjustments:	
Less: Unrealized income, net of tax	
Unrealized foreign exchange gains - net (except those attributable to Cash and Cash Equivalents)	-
Add: Effect of changes in accounting for employee benefits (PAS 19)	-
Less: Adjustments directly made to retained earnings:	
Treasury Shares	1,065,585
Unappropriated Retained Earnings, as adjusted to available for dividend distribution, beginning	**21,547,713**
Net Income based on the face of audited financial statements	10,565,000
Less: Unrealized income, net of tax	
Unrealized foreign exchange gains - net (except those attributable to Cash and Cash Equivalents)	-
Net Income Realized	**10,565,000**
Less: Adjustments directly made to retained earnings:	
Cash dividends paid	5,887,523
Appropriations of Retained Earnings during the period	2,717,000
Treasury Shares sold	(544,454)
Retained Earnings available for Dividend, as of year-end	**24,052,644**

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

SCHEDULE OF RELEVANT FINANCIAL RATIOS

	FORMULA	DEC 2015	DEC 2016
LIQUIDITY RATIOS			
Current ratio	Current assets / Current liabilities	2.84	2.51
Acid test ratio	Cash + Marketable Securities + Accounts Receivable + Other Liquid Assets / Current liabilities	2.41	2.09
SOLVENCY RATIOS			
Debt to equity ratio	Total liabilities / Total equity	1.31	1.68
Asset to equity ratio	Total assets / Total equity	2.31	2.68
Net debt to equity ratio	Debt - cash & cash equivalents / Total equity	0.66	1.10
Gearing ratio	Debt - cash & cash equivalents / Total equity + (Debt - cash & cash equivalents)	39.88%	52.27%
Interest coverage ratio	EBIT / Net interest expense	5.22	5.08
PROFITABILITY RATIOS			
Operating Margin	Operating Profit / Total revenues	24.6%	24.8%
Return on Equity	Net income after tax / Total equity (adjusted for cash dividend)	17.07%	19.70%


ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES
CONGLOMERATE MAPPING
Legend:
ABOITIZ & CO., INC.
ABOITIZ POWER CORPORATION
POWER DISTRIBUTION
POWER GENERATION
OTHERS
THERMA POWER, INC.

Aboitiz Equity Ventures, Inc. and Subsidiaries

Schedule of Philippine Financial Reporting Standards and Interpretations
Effective as of December 31, 2016

Standards and Interpretations		Remarks
Philippine Financial Reporting Standards (PFRS)		
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	Adopted
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters	Not Applicable
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters	Not Applicable
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters	Not Applicable
	Amendments to PFRS 1: Government Loans	Not Applicable
PFRS 2	Share-based Payment	Not Applicable
	Amendments to PFRS 2: Vesting Conditions and Cancellations	Not Applicable
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions	Not Applicable
	Amendments to PFRS 2: Definition of Vesting Condition	Not Applicable
	Amendments to PFRS 2, Share-based Payment, Classification and Measurement of Share-based Payment Transactions	See footnote[1]
PFRS 3 (Revised)	Business Combinations	Adopted
	Amendments to PFRS 3: Accounting for Contingent Consideration in a Business Combination	Adopted
	Amendments to PFRS 3: Scope Exceptions for Joint Ventures	Adopted
PFRS 4	Insurance Contracts	Adopted
	Amendments to PFRS 4: Financial Guarantee Contracts	Adopted
	Amendments to PFRS 4, Insurance Contracts, Applying PFRS 9, Financial Instruments, with PFRS 4	See footnote[1]
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations	Adopted
	Amendment to PFRS 5: Changes in Methods of Disposal	Adopted
PFRS 6	Exploration for and Evaluation of Mineral Resources	Not Applicable
PFRS 7	Financial Instruments: Disclosures	Adopted
	Amendments to PFRS 7: Transitions	Adopted
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	Adopted
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	Adopted
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	Adopted
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	Adopted
	Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities	Adopted
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures	See footnote[1]
	Amendments to PFRS 7: Servicing Contracts	Adopted
	Amendments to PFRS 7: Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements	Adopted
PFRS 8	Operating Segments	Adopted
	Amendments to PFRS 8: Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets	Adopted
PFRS 9	Financial Instruments: Classification and Measurement of Financial Assets	Not Early Adopted
	Financial Instruments: Classification and Measurement of Financial Liabilities	Not Early Adopted
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures	See footnote[1]
	PFRS 9, Financial Instruments (Hedge Accounting and amendments to PFRS 9, PFRS 7 and PAS 39)	See footnote[1]
	PFRS 9, Financial Instruments (2014 or final version)	See footnote[1]

PFRS 10	Consolidated Financial Statements	Adopted
	Amendments to PFRS 10: Transition Guidance	Adopted
	Amendments to PFRS 10: Investment Entities	Adopted
	Amendments to PFRS 10: Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture	See footnote[1]
	Amendments to PFRS 10: Investment Entities: Applying the Consolidation Exception	Not Applicable
PFRS 11	Joint Arrangements	Adopted
	Amendments to PFRS 11: Transition Guidance	Adopted
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations	Adopted
PFRS 12	Disclosure of Interests in Other Entities	Adopted
	Amendments to PFRS 12: Transition Guidance	Adopted
	Amendments to PFRS 12: Investment Entities	Adopted
	Amendments to PFRS 12: Investment Entities: Applying the Consolidation Exception	Not Applicable
	Amendment to PFRS 12, Clarification of the Scope of the Standard (Part of Annual Improvements to PFRSs 2014-2016 cycle)	See footnote[1]
PFRS 13	Fair Value Measurement	Adopted
	Amendments to PFRS 13: Short-term Receivables and Payables	Adopted
	Amendments to PFRS 13: Portfolio Exception	Adopted
PFRS 14	Regulatory Deferral Accounts	Not Applicable

Philippine Accounting Standards (PAS)

PAS 1 (Revised)	Presentation of Financial Statements	Adopted
	Amendment to PAS 1: Capital Disclosures	Adopted
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	Adopted
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	Adopted
	Amendment to PAS 1: Disclosure Initiative	Adopted
PAS 2	Inventories	Adopted
PAS 7	Statement of Cash Flows	Adopted
	Amendments to PAS 7, Statement of Cash Flows, Disclosure Initiative	See footnote[1]
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	Adopted
PAS 10	Events after the Reporting Period	Adopted
PAS 11	Construction Contracts	Adopted
PAS 12	Income Taxes	Adopted
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	Adopted
	Amendments to PAS 12, Income Taxes, Recognition of Deferred Tax Assets for Unrealized Losses	See footnote[1]
PAS 16	Property, Plant and Equipment	Adopted
	Amendments to PAS 16: Revaluation Method - Proportionate Restatement of Accumulated Amortization	Adopted
	Amendments to PAS 16: Clarification of Acceptable Methods of Depreciation and Amortization	Adopted
	Amendments to PAS 16: Bearer Plants	Not Applicable
PAS 17	Leases	Adopted
PAS 18	Revenue	Adopted
PAS 19 (Amended)	Employee Benefits	Adopted
	Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures	Adopted
	Amendments to PAS 19: Defined Benefit Plans: Employee Contributions	Adopted
	Amendment to PAS 19: Discount Rate: Regional Market Issue	Adopted
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance	Not Applicable

PAS 21	The Effects of Changes in Foreign Exchange Rates	Adopted
	Amendment: Net Investment in a Foreign Operation	Adopted
PAS 23 (Revised)	Borrowing Costs	Adopted
PAS 24 (Revised)	Related Party Disclosures	Adopted
	Amendments to PAS 24: Key Management Personnel Services	Adopted
PAS 26	Accounting and Reporting by Retirement Benefit Plans	Adopted
PAS 27 (Amended)	Separate Financial Statements	Adopted
	Amendments to PAS 27 (Amended): Investment Entities	Adopted
	Amendments to PAS 27: Equity Method in Separate Financial Statements	Adopted
PAS 28 (Amended)	Investments in Associates and Joint Ventures	Adopted
	Amendments to PAS 28: Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture	See footnote[1]
	Amendments to PAS 28, Investment Entities: Applying the Consolidation Exception	Not Applicable
	Amendments to PAS 28, Measuring an Associate or Joint Venture at Fair Value (Part of Annual Improvements to PFRSs 2014-2016 Cycle)	See footnote[1]
PAS 29	Financial Reporting in Hyperinflationary Economies	Not Applicable
PAS 32	Financial Instruments: Disclosure and Presentation	Adopted
	Financial Instruments: Presentation	Adopted
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	Adopted
	Amendment to PAS 32: Classification of Rights Issues	Adopted
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	Adopted
PAS 33	Earnings per Share	Adopted
PAS 34	Interim Financial Reporting	Adopted
	Amendment to PAS 34: Disclosure of Information 'Elsewhere in the Interim Financial Report'	Adopted
PAS 36	Impairment of Assets	Adopted
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-financial Assets	Adopted
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	Adopted
PAS 38	Intangible Assets	Adopted
	Amendments to PAS 38: Revaluation Method - Proportionate Restatement of Accumulated Amortization	Adopted
	Amendments to PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization	See footnote[1]
PAS 39	Financial Instruments: Recognition and Measurement	Adopted
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	Adopted
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions	Adopted
	Amendments to PAS 39: The Fair Value Option	Adopted
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts	Adopted
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	Adopted
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets – Effective Date and Transition	Adopted
	Amendments to Philippine Interpretation IFRIC 9 and PAS 39: Embedded Derivatives	Adopted
	Amendment to PAS 39: Eligible Hedged Items	Adopted
	Amendments to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting	Adopted

PAS 40	Investment Property	Adopted
	Amendments to PAS 40: Clarifying the Interrelationship Between PFRS 3 and PAS 40 when Classifying Property as Investment Property or Owner-occupied Property	Adopted
	Amendments to PAS 40, Investment Property, Transfers of Investment Property	See footnote[1]
PAS 41	Agriculture	Adopted
	Amendments to PAS 41: Bearer Plants	Not Applicable

Philippine Interpretations - International Financial Reporting Interpretations Committee (IFRIC)

IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities	Adopted
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments	Not Applicable
IFRIC 4	Determining Whether an Arrangement Contains a Lease	Adopted
IFRIC 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	Not Applicable
IFRIC 6	Liabilities Arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment	Not Applicable
IFRIC 7	Applying the Restatement Approach under PAS 29, Financial Reporting in Hyperinflationary Economies	Not Applicable
IFRIC 9	Reassessment of Embedded Derivatives	Adopted
	Amendments to Philippine Interpretation IFRIC 9 and PAS 39: Embedded Derivatives	Adopted
IFRIC 10	Interim Financial Reporting and Impairment	Adopted
IFRIC 12	Service Concession Arrangements	Adopted
IFRIC 13	Customer Loyalty Programmes	Adopted
IFRIC 14	PAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	Adopted
	Amendments to Philippine Interpretations IFRIC 14, Prepayments of a Minimum Funding Requirement	Adopted
IFRIC 15	Agreements for the Construction of Real Estate	Effective date deferred
IFRIC 16	Hedges of a Net Investment in a Foreign Operation	Not Applicable
IFRIC 17	Distributions of Non-cash Assets to Owners	Adopted
IFRIC 18	Transfers of Assets from Customers	Adopted
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	Adopted
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine	Not Applicable
IFRIC 21	Levies	Adopted
IFRIC 22	Philippine Interpretation IFRIC 22, Foreign Currency Transactions and Advance Consideration	See footnote[1]

Philippine Interpretations - Standing Interpretations Committee (SIC)

SIC 7	Introduction of the Euro	Not Applicable
SIC 10	Government Assistance - No Specific Relation to Operating Activities	Not Applicable
SIC 15	Operating Leases - Incentives	Adopted
SIC 25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders	Adopted
SIC 27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	Adopted
SIC 29	Service Concession Arrangements: Disclosures	Adopted
SIC 31	Revenue - Barter Transactions Involving Advertising Services	Not Applicable
SIC 32	Intangible Assets - Web Site Costs	Adopted

International Financial Reporting Standards

IFRS 15	Revenue from Contracts with Customers	See footnote[1]
IFRS 16	Leases	See footnote[1]

[1] Effective subsequent to December 31, 2016

aboitiz
Equity Ventures

UNDERTAKING

I, **ERRAMON I. ABOITIZ**, Filipino, of legal age, with office address at NAC Tower, 32nd Street, Bonifacio Global City, 1634 Taguig City, after having sworn in accordance with law, hereby depose and state as follows:

1. I am the President and Chief executive Officer of **ABOITIZ EQUITY VENTURES INC.** (the "**Company**"), a corporation duly organized and existing under and by virtue of the laws of the Republic of the Philippines, with principal office address at 32nd Street, Bonifacio Global City, 1634 Taguig City, Philippines.

2. In compliance with the requirements under SRC Rule 12.1 in connection with the Registration Statement filed by the Company with the Securities and Exchange Commission ("**SEC**") relative to the issuance and registration of fixed-rate retail bonds with an aggregate principal amount of up to PhP 30.0 billion fixed-rate retail bonds ("**Bonds**"), to be registered under the shelf registration program of the SEC, and to be offered in one or several tranches, with the first tranche of the Bonds to be offered up to Philippine Pesos: Three Billion (PhP 3,000,000,0000.00), plus an oversubscription option of up to Philippine Pesos: Two Billion (PhP 2,000,000,0000.00), I, as the duly authorized representative of the Company, hereby undertake that the Company will publish the notice of the filing of the Registration Statement once per week for two (2) consecutive weeks in two (2) newspapers of general circulation in the Philippines stating that:

   a. A registration statement for the sale of the subject securities has been filed with the SEC;
   b. The registration statement and the papers attached hereto are open for inspection at the SEC during business hours by interested parties; and
   c. Copies thereof can be obtained from the SEC at a reasonable charge, following the required format for the publication, hereto attached as **Annex "A"**.

IN WITNESS WHEREOF, I have hereunto affixed my signature this 2 9 MAR 2019 at Taguig City, Philippines.

[redacted]

ERRAMON I. ABOITIZ
President and Chief Operating Officer

SUBSCRIBED AND SWORN before me this 2 9 MAR 2019 affiant exhibiting to me his Philippine Passport [redacted]

[redacted]

ATTY. MAILENE M. DELA TORRE
ROLL NO. 55885
NOTARY PUBLIC
TAGUIG CITY, PHILS.

Notary Public for Taguig City
Notarial Commission No. 61
Until December 31 2019
NAC Tower 32nd St. Bonifacio Global City, Taguig City
PTR No. A-4208916; January 07, 2019, Taguig City
IBP Lifetime Member No. 010379 Taguig City; Jan 06, 20..
Roll No. 55885
MCLE No. VI-0014710 November 13, 2018

Doc No. 88;
Page No. 18;
Book No. I;
Series of 2019.

Annex "A"
(SRC Rule 8)

REPUBLIC OF THE PHILIPPINES
SECURITIES AND EXCHANGE COMMISSION
METRO MANILA

MARKET AND SECURITIES DEPARTMENT

IN THE MATTER OF THE	:	
	:	
	:	
ABOITIZ EQUITY VENTURES INC.	:	REGISTRATION OF SECURITIES
(Registrant)	:	In Relation to Shelf Registration of Fixed Rate Retail Bonds

xxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxx

NOTICE

Notice is hereby given that on [• March 2019], a sworn Registration Statement was filed with the Securities and Exchange Commission for and on behalf of **ABOITIZ EQUITY VENTURES INC.** for the registration of fixed-rate retail bonds with an aggregate principal amount of up to Thirty Billion Pesos (PhP 30,000,000,0000.00) fixed-rate retail bonds ("**Bonds**"), to be offered in one or several tranches. For the first tranche, the offer of the Bonds shall be up to an aggregate principal amount of up to Three Billion Pesos (PhP 3,000,000,0000.00) plus an oversubscription option of up to PhP2.0 Billion (PhP 2,000,000,0000.00).

According to the papers presented, the following persons are the officers/directors of the corporation:

NAME	POSITION
Enrique M. Aboitiz	Chairman of the Board
Mikel A. Aboitiz	Vice Chairman of the Board
Erramon I. Aboitiz	Director/ President and Chief Executive Officer
Sabin M. Aboitiz	Director/ Executive Vice President and Chief Operating Officer
Ana Maria A. Delgado	Director
Edwin R. Bautista	Director
Raphael P.M. Lotilla	Lead Independent Director
Justice Jose C. Vitug (ret.)	Independent Director
Manuel R. Salak III	Independent Director
Manuel R. Lozano	Senior Vice President/ Chief Financial Officer/ Corporate Information Officer
Susan V. Valdez	Senior Vice President and Chief Human Resources Officer
Gabriel T. Mañalac	Senior Vice President and Group Treasurer
Robert McGregor	Executive Director – Chief Investments Officer
Luis Miguel O. Aboitiz	Senior Vice President
Jojo S. Guingao	Senior Vice President and Chief Digital Officer
David Jude L. Sta. Ana	Senior Vice President and Chief External Affairs Officer
Christopher P. Beshouri	Executive Director – Chief Strategy Officer

NAME	POSITION
Ricardo F. Lacson, Jr.	Data Privacy Officer
Annacel A. Natividad	Chief Risk Officer
Maria Lourdes Y. Tanate	Group Internal Audit Head
Manuel Alberto R. Colayco	Chief Legal Officer/ Corporate Secretary/ Chief Compliance Officer
Mailene M. de la Torre	Assistant Corporate Secretary
Joanne L. Ranada	Assistant Corporate Secretary

Said Registration Statement and other papers/documents attached thereto are open to inspection by interested parties during business hours, and copies thereof, photostatic or otherwise, shall be furnished to every party at such reasonable fees as the Commission may prescribe.

[redacted]

ERRAMON I. ABOITIZ
President and Chief Executive Officer

REPUBLIC OF THE PHILIPPINES
SECURITIES AND EXCHANGE COMMISSION
SEC Building, EDSA, Greenhills
City of Mandaluyong, Metro Manila

COMPANY REG. NO. CEO2536

CERTIFICATE OF FILING
OF
AMENDED ARTICLES OF INCORPORATION

KNOW ALL PERSONS BY THESE PRESENTS:

This is to certify that the amended articles of incorporation of the

ABOITIZ EQUITY VENTURES INC.
[Amending Article II Secondary Purposes thereof.]

copy annexed, adopted on March 27, 2014 by majority vote of the Board of Directors and on May 19, 2014 by the vote of the stockholders owning or representing at least two-thirds of the outstanding capital stock, and certified under oath by the Corporate Secretary and a majority of the Board of Directors of the corporation was approved by the Commission on this date pursuant to the provision of Section 16 of the Corporation Code of the Philippines, Batas Pambansa Blg. 68, approved on May 1, 1980 and copies thereof are filed with the Commission.

Unless this corporation obtains or already has obtained the appropriate Secondary License from this Commission, this Certificate does not authorize it to undertake business activities requiring a Secondary License from this Commission such as, but not limited to acting as: broker or dealer in securities, government securities eligible dealer (GSED), investment adviser of an investment company, close-end or open-end investment company, investment house, transfer agent, commodity/financial futures exchange/broker/merchant, financing company and time shares/club shares/membership certificates issuers or selling agents thereof. Neither does this Certificate constitute as permit to undertake activities for which other government agencies require a license or permit.

IN WITNESS WHEREOF, I have set my hand and caused the seal of this Commission to be affixed to this Certificate at Mandaluyong City, Metro Manila, Philippines, this 9th day of June, Twenty Fourteen.

FERDINAND B. SALES
Director
Company Registration and Monitoring Department

COVER SHEET
for Applications at
COMPANY REGISTRATION AND MONITORING DEPARTMENT

Name of Application: **Amended Articles of Incorporation**

SEC Registration Number: C E O 2 5 3 6

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

Principal Office (No./Street/Barangay/City/Town/Province): 3 2 N D S T R E E T , B O N I F A C I O G L O B A L C I T Y , T A G U I G C I T Y , M E T R O M A N I L A P H I L I P P I N E S

Company's Telephone Number/s: **(02) 886-2800**

Contact Person: **M. JASMINE S. OPORTO**

Contact Person's Telephone Number: **(02) 886-2729**

Contact Person's Address: **NAC Tower, 32nd Street, Bonifacio Global City, Taguig City, Metro Manila**

To be accomplished by CRMD Personnel

		Date	**Signature**
Assigned Processor:			

Document I.D.

Received by **Corporate Filing and Records Division (CFRD)**

Forwarded to:

- [ ] Corporate and Partnership Registration Division
- [ ] Green Lane Unit
- [ ] Financial Analysis and Audit Division
- [ ] Licensing Unit
- [ ] Compliance Monitoring Division

AMENDED ARTICLES OF INCORPORATION

OF

ABOITIZ EQUITY VENTURES, INC.
(Formerly: CEBU PAN ASIAN HOLDINGS CORPORATION)
(As amended on November 27, 1993)

KNOW ALL MEN BY THESE PRESENTS:

That we, all of legal age, citizens and residents of the Republic of the Philippines, have this day voluntarily associated ourselves together for the purpose of forming a corporation under the laws of the Republic of the Philippines.

AND WE HEREBY CERTIFY:

FIRST: That the name of the said corporation shall be:

ABOITIZ EQUITY VENTURES, INC.
(Formerly: CEBU PAN ASIAN HOLDINGS CORPORATION)
(As amended on November 27, 1993)

SECOND: That the purposes for which the said corporation is formed are:

PRIMARY PURPOSE

To invest in, hold, own, purchase, acquire, lease, contract, operate, improve, develop, manage, grant, sell, exchange, or otherwise dispose of real and personal properties of every kind and description, including shares of stock, bonds, and other securities or evidence of indebtedness of any other corporation, association, form, or entity, domestic or foreign, where necessary or appropriate, and to possess and exercise in respect thereof all the rights, powers and privileges of ownership, including all voting powers of any stock so owned, without acting as, or engaging in, the business of an investment company, or dealer or broker in securities, and to act as managers or managing agents of persons, firms, associations, corporations, partnerships, and other entities; to provide management, investment and technical advise for commercial, industrial and other kinds of enterprises; and to undertake, carry on, assist or participate in the promotion, organization, management, liquidation, or reorganization of corporations, partnerships and other entities. (As amended on August 30, 1994)

SECONDARY PURPOSES

1. To purchase, acquire, own, lease, sell and convey real properties such as lands, buildings, factories and warehouses and machineries, equipment and other personal properties as may be necessary or incidental to the conduct of the corporate business, and to pay in cash, shares of its capital, debentures and other evidence of indebtedness, or other securities, as may be deemed expedient, for any business or property acquired by the corporation.

2. To borrow or raise money necessary to meet the financial requirements of its businesses and for any of the purposes of the corporation, and from time to time, to draw, make, accept, endorse, transfer, assign, execute, and issue promissory notes, drafts, bills of exchange, warrants, bonds, debentures and other negotiable and

transferable instruments and other evidence of indebtedness or issue third party accommodations, sureties to its affiliated corporations and guarantees, or otherwise lend its credit to another person or corporation, and for the purpose of securing any of its obligations or contracts, to convey, transfer, assign, deliver, mortgage and/or pledge, or enter into deed of trust or allow the creation of lien upon, all or any part of the properties or assets at any time held or owned by the corporation, and to issue pursuant to law shares of its capital stock, debentures, and other evidence of indebtedness in payment for properties acquired by the corporation or for money borrowed in the prosecution of its lawful business.

3. To invest and deal with moneys and properties of the corporation in such manner as may from time to time be considered wise or expedient for the advancement of its interests and to sell, dispose of or transfer the business, properties, and goodwill of the corporation or any part thereof for such consideration and under such terms as it shall see fit to accept.

4. To aid in any manner any corporation, association or trust estate, domestic or foreign, or any firm or individual, of which any shares of stock or any bonds, debentures, notes, securities, evidence of indebtedness, contracts or obligations are held by or for this corporation, directly or indirectly or through other corporations or otherwise.

5. To enter into any lawful arrangement for sharing profits, union of interests, unitization of farmout agreement, reciprocal concession, or cooperation, with any corporation, association, partnership, syndicate, entity, person, or governmental, municipal, or public authority, domestic or foreign, in the carrying on of any business or transaction deemed necessary, convenient or incidental to carrying out any of the purposes of this corporation.

6. To acquire, or obtain from any government or authority, national, provincial, municipal, or otherwise, or any corporation, company or partnership or person, such charter, contracts, franchise, privileges, exemption, licenses, and concessions as may be conducive to any of the objects of the corporation.

7. To establish and operate one or more offices or agencies and to carry on any or all of its operations and business without any restrictions as to place or amount, including the right to hold, purchase, acquire, lease, mortgage, pledge, and convey or otherwise deal in and with real and personal property anywhere within the Philippines.

8. To distribute dividends, the surplus profits of the corporation to the stockholders thereof in kind or in cash, namely, properties of the corporation, particularly any shares of stock, debentures or securities of other companies belonging to this corporation.

9. To offer shares of its original or increased capital stock to the public for subscription and increased capitalization, subject to the requirements provided by law.

10. To enter into and perform contracts of any kind, and nature and business purpose with any person, firm, or corporation; including but not limited to contracts creating rights, easements, and other privileges relating to any of the property, real or personal, of any kind owned by the corporation; and in the conduct of its business and for the purpose of attaining or furthering any of its purposes, to do any and all other acts and things, to exercise any and all other powers which a natural person could do and exercise and which are now or may hereafter be authorized by law.

(As amended by the Board of Directors on March 27, 2014 and the Stockholders on May 19, 2014)

11. To conduct and transact any and all lawful business, and to do or cause to be done any one or more of the acts and things herein set forth as its purposes, within or without the Philippines, and in any and all foreign countries, and to do everything necessary, desirable or incidental to the accomplishment of the purposes or the exercise of any one or more of the powers herein enumerated, or which shall at any time appear conducive to or expedient for the protection or benefit of this corporation.

THIRD : That the place where the principal office of the corporation is to be established or located is at 32nd Street, Bonifacio Global City, Taguig City, Metro Manila, Philippines.

(As amended by the Board of Directors on March 21, 2013 and the Stockholders on May 20, 2013)

FOURTH. That the term for which said corporation is to exist is Fifty (50) years from and after the date of incorporation.

FIFTH. That the names, nationalities, and residences of the incorporators of said corporation are as follows:

NAMES	NATIONALITY	RESIDENCE
Alberto de Rotaeche	Filipino	Guadalupe Heights, V. Rama, Cebu City
Mariano G. Perdices	Filipino	13 Molave St., Camputhaw, Cebu City
Matthias G. Mendezona	Filipino	No. 4 Fernandez Compound, Banawa, Cebu City
Julio M. Antunez	Filipino	Ma. Luisa Estate Park, Banilad, Cebu City
Corona C. Fernan	Filipino	Rosalina Vil. Banawa, Cebu City

SIXTH. That the number of directors of said corporation shall be Nine (9) and that the names, nationalities, and residences of the directors who are to serve until their successors are elected and qualified as provided by in the by-laws, as are follows: (As amended by the stockholders on June 25, 1994 and on May 18, 2009).

NAMES	NATIONALITY	RESIDENCE
Alberto de Rotaeche	Filipino	Guadalupe Heights, V. Rama, Cebu City
Mariano G. Perdices	Filipino	13 Molave St., Camputhaw, Cebu City
Matthias G. Mendezona	Filipino	No. 4 Fernandez Compound, Banawa, Cebu City
Julio M. Antunez	Filipino	Ma. Luisa Estate Park, Banilad, Cebu City
Corona C. Fernan	Filipino	Rosalina Vil. Banawa, Cebu City

SEVENTH. That the authorized capital stock of said corporation is TEN BILLION (P10,000,000,000.00) PESOS, and said capital stock is divided into:

1. Nine Billion Six Hundred Million (9,600,000,000) COMMON SHARES with a par value of One Peso (P1.00) per share;
2. Four Hundred Million (400,000,000) PREFERRED SHARES with a par value of One Peso (P1.00) per share. (As amended by the stockholders on November 27, 1993, February 22, 1994, June 25, 1994, May 13, 1996 and further amended on July 21, 1999 by the written assent of the stockholders in accordance with Section 16 of the Corporation Code.)

PREFFERED shares shall be non-voting, non-participating, non-convertible, redeemable, cumulative, reissuable and may be issued from time to time by the Board in one or more series. The designations, relative rights, preferences, privileges and limitations of the PREFERRED shares and/or particularly the shares of each series thereof, may be similar to or may differ from those of any other series. The Board of Directors is hereby expressly authorized to issue from time to time PREFERRED shares in one or more series and to fix before issuance thereof, the number of shares in each series and all designations, relative rights, preferences and limitations of the shares in each series subject to the provisions of this Article. The holders of the Preferred Shares are entitled to receive dividends payable out of the unrestricted retained earnings of the Corporation at a rate based on the offer price that is either fixed or floating from date of issuance to final redemption. In either case, the rate of dividend, whether fixed or floating, shall be referenced, or be a discount or premium to a market-determined benchmark as the Board of Directors may determine at the time of issuance with due notice to the Securities & Exchange Commission (SEC).

In the event of any liquidation or dissolution or winding up (whether voluntary or involuntary) of the corporation, the holders of the PREFERRED shares shall be entitled to be paid in full the offer price of their shares before any payment in liquidation is made upon the holders of the COMMON shares.

No holder of shares of the capital stock of any class of the corporation shall have any pre-emptive or preferential right of subscription to any shares of any class of stock of the corporation whether now or hereafter authorized, other than such, if any, as the Board of Directors, in its discretion, may from time to time determine and at such price as the Board of Directors may from time to time set. (As amended by the written assent of the stockholders in accordance with Section 16 of the Corporation Code on July 21, 1999.)

EIGHTH. That the amount of said capital stock which has been actually subscribed is Five Million (P5,000,000.00) Pesos and the following persons have subscribed for the number of shares and the amount of capital stock indicated opposite their respective names:

Name	Citizenship	No. of Shares	Amount Subscribed
Alberto de Rotaeche	Filipino	2,000,000	P 2,000,000.00
Mariano G. Perdices, Jr.	Filipino	1,500,000	1,500,000.00
Matthias G. Mendezona	Filipino	500,000	500,000.00
Julio M. Antunez	Filipino	500,000	500,000.00
Corona C. Fernan	Filipino	500,000	500,000.00
Total		5,000,000	5,000,000.00

NINTH. That the following persons have paid on the shares of capital stock for which they have subscribed, the amount set out after their respective names:

Name	Amount Paid
Alberto de Rotaeche	P 500,000.00
Mariano G. Perdices, Jr.	375,000.00
Matthias G. Mendezona	125,000.00
Julio M. Antunez	125,000.00
Corona C. Fernan	125,000.00
Total	1,250,000.00

TENTH. That no issuance or transfer of shares of stock of the corporation which would reduce the stock ownership of Filipino citizens to less than the minimum percentage of the outstanding capital stock required by law to be owned by Filipino citizens shall be allowed or permitted to be recorded in the books of the corporation. This restriction shall be printed or indicated in all the certificates of stock to be issued by the corporation.

ELEVENTH. That ALBERTO DE ROTAECHE has been elected by the subscribers as Treasurer of the corporation to act as such until his/her successor is duly elected and shall have qualified in accordance with the by-laws; and that, as such Treasurer, he/she has been authorized to receive for the corporation, and to issue in its name receipts for all subscriptions paid in by the subscribers.

IN W ITNESS WHEREOF, we have hereunto set our hands this 6th day of September 1989 at Cebu City, Philippines.

(SGD) ALBERTO DE ROTAECHE (SGD) MARIANO G. PERDICES, JR.

(SGD) MATTHIAS G. MENDEZONA (SGD) JULIO M. ANTUNEZ

(SGD) CORONA C. FERNAN

With my marital consent: (SGD) FRANCISO FERNAN
SIGNED IN THE PRESENCE OF:

(SGD) C.S. CABILES (SGD) DANILO I. MARTIN

ACKNOWLEDGMENT

REPUBLIC OF THE PHILIPPINES)
CITY OF CEBU) S.S.

Before me, a Notary Public, in and for Cebu City, Philippines, this 6th day of September 1989, personally appeared:

Names	Res. Cert. No.	Date/Place issued
Alberto de Rotaeche	05972585	Cebu City-Feb. 6/89
Mariano G. Perdices, Jr.	05978512	Cebu City-Feb. 20/89
Matthias G. Mendezona	07528282	Cebu City-March 17/89
Julio M. Antunez	05991986	Cebu City-Feb. 28/89
Corona C. Fernan	05972643	Cebu City-Feb. 17/89

all known to me and to me known to be the same persons who executed the foregoing Articles of Incorporation and they acknowledged to me that the same is their free and voluntary act and deed.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my notarial seal on the date and place first above written.

Doc. No. 309;
Page No. 63;
Book No. 67;
Series of 1989.

(SGD) DELFIN H. DECIERDO
NOTARY PUBLIC
Until December 31, 1990
PTR No. 563219 Issued on
Jan. 3/89 at Cebu City
TAN-D2636-GO538-A-8

REPUBLIC OF THE PHILIPPINES)
CITY OF CEBU)S.S.

TREASURER'S AFFIDAVIT

ALBERTO DE ROTAECHE, being first duly sworn, depose and state:

That he was duly elected by the subscribers named in the foregoing Articles of Incorporation as Treasurer of the corporation to act as such until his successor has been duly elected and qualified in accordance with the By-laws of the corporation and as such Treasurer, he has been authorized by the subscribers to receive for the corporation all subscriptions paid in by the subscribers for the capital stock: that out of the authorized capital stock, FIVE MILLION (P5,000,000.00) PESOS, has been actually subscribed and that of said subscription ONE MILLION TWO HUNDRED FIFTY THOUSAND PESOS (P1,250,000.00) has been paid in cash to him for the benefit and to the credit of the corporation; and that at least twenty-five (25%) percent of the entire number of authorized shares of capital stock has been subscribed; and that at least twenty-five (25%) percent of such subscribed has been actually paid up to him for the benefit and to the credit of the corporation.

(SGD) ALBERTO DE ROTAECHE
Treasurer-in-Trust

SUBSCRIBED AND SWORN to before me this 7th day of September 1989 at the City of Cebu, Philippines; affiant having exhibited to me his Res. Cert. No. 05972585 issued at Cebu City on Feb. 16, 1989.

Doc. No. 312;
Page No. 64;
Book No. 47;
Series of 1989.

(SGD) DELFIN H. DECIERDO
NOTARY PUBLIC
Until December 31, 1990
PTR No. 563219 issued on
Jan. 3/89 at Cebu City
TAN-D2636-G0538-A-8

DIRECTOR'S CERTIFICATE

We, the undersigned members of the Board of Directors and the Corporate Secretary, do hereby certify that the amendments to the Secondary Purposes of the Amended Articles of Incorporation of ABOITIZ EQUITY VENTURES, INC. (AEV) was approved by an affirmative vote of the stockholders owning or representing at least two-thirds (2/3) of the outstanding capital stock at its annual meeting held in Taguig City, Philippines on May 19, 2014.

The amendment to Article II of the Amended Articles of Incorporation was likewise approved by at least majority of all directors at a meeting held in Taguig City on March 27, 2014.

[redacted]
JON RAMON ABOITIZ
Chairman
[redacted]

[redacted]
ERRAMON I. ABOITIZ
Director/President and Chief Executive Officer
[redacted]

[redacted]
ENRIQUE M. ABOITIZ, JR.
Director
[redacted]

[redacted]
JUSTO A. ORTIZ
Director
[redacted]

[redacted]
ROBERTO E. ABOITIZ
Director
[redacted]

[redacted]
JOSE C. VITUG
Independent Director
[redacted]

[redacted]
RAPHAEL P. M. LOTILLA
Independent Director
[redacted]

Countersigned:

[redacted]
M. JASMINE S. OPORTO
Corporate Secretary
[redacted]

REPUBLIC OF THE PHILIPPINES)
CITY OF TAGUIG)S.S.

SUBSCRIBED AND SWORN TO before me this MAY 1 9 2014 at Taguig City, Philippines. Affiants, who are personally known to me, presented their respective identification cards with the details shown below as follows:

NAME	COMPETENT IDENTIFICATION	DATE / PLACE ISSUED	EXPIRY DATE
Jon Ramon Aboitiz	[redacted]		
Erramon I. Aboitiz			
Enrique M. Aboitiz, Jr.			
Justo A. Ortiz			
Roberto E. Aboitiz			
Jose C. Vitug			
Raphael P.M. Lotilla			
M. Jasmine S. Oporto			

Doc. No. 42;
Book No. 10;
Page No. 111;
Series of 2014.

ATTY. [illegible]
ROLL NO. 48[illegible]
NOTARY PUBLIC
PASIG, TAGUIG, SAN JUAN, PATEROS CITY

[redacted]

[illegible] LEE N. ARCHES
Notary Public for Taguig City
[illegible] Commission No. [illegible]
[illegible]
[illegible] Taguig City
[illegible] 2013, Makati City
[illegible], Makati City
[illegible]
[illegible]

REPUBLIC OF THE PHILIPPINES)
CITY OF TAGUIG) S.S.

CERTIFICATION

I, M. JASMINE S. OPORTO, after having been duly sworn according to law, hereby depose and state that:

1. I am a Filipino citizen, of legal age, with office address at NAC Tower, 32nd Street, Bonifacio Global City, Taguig City, Metro Manila, Philippines.

2. I am the duly elected and qualified Corporate Secretary of **ABOITIZ EQUITY VENTURES, INC.**, a corporation duly organized and existing under and by virtue of the laws of the Republic of the Philippines, with principal office address at 32nd Street, Bonifacio Global City, Taguig City, Metro Manila, Philippines.

3. To the best of my knowledge, no action or proceeding has been filed or is pending before any Court involving an intra-corporate dispute and/or claim by any person or group against the Board of Directors, individual directors and/or major corporate officers of the Corporation as its duly elected and/or appointed directors or officers or vice-versa arising out of any such intra-corporate dispute.

IN WITNESS WHEREOF, the undersigned has hereunto set her hand this MAY 0 5 2014 at Taguig City, Philippines.

[redacted]

M. JASMINE OPORTO
Corporate Secretarymp

SUBSCRIBED AND SWORN TO before me this MAY 0 5 2014 at the City of Taguig,
[redacted]

Doc. No. 120;
Page No. 25;
Book No. LV;
Series of 2014.

NOTARY PUBLIC

[redacted]

ANTHONY [illegible] A. [illegible]
Notary Public for Taguig City
Notarial Commission No. 210
[illegible] 31, 2014
NAC Tower, 32nd [illegible] Global City, Taguig City
PTR No. A-2017[illegible], January 5, 2014, Taguig City
Lifetime IBP No. [illegible], March 5, 2003
Roll No. [illegible], IBP Makati Chapter
MCLE [illegible]

REPUBLIC OF THE PHILIPPINES
SECURITIES AND EXCHANGE COMMISSION
Ground Floor, Secretariat Building, PICC
City Of Pasay, Metro Manila

COMPANY REG. NO. CEO0002536

CERTIFICATE OF FILING
OF
AMENDED BY-LAWS

KNOW ALL PERSONS BY THESE PRESENTS:

THIS IS TO CERTIFY that the Amended By-Laws of

ABOITIZ EQUITY VENTURES INC.

copy annexed, adopted on March 08, 2018 by majority vote of the Board of Directors pursuant to the authority duly delegated to it by the stockholders owning at least two-thirds (2/3) of the outstanding capital stock during the Company's Annual Stockholders' Meeting on May 18 2009 and renewed on May 19, 2014, and certified under oath by the Corporate Secretary and majority of the said Board, was approved by this Commission on this date pursuant to the provisions of Section 48 of the Corporation Code of the Philippines (Batas Pambansa Blg. 68), approved on May 1, 1980, and copies thereof are filed with the Commission.

IN WITNESS WHEREOF, I have set my hand and caused the seal of this Commission to be affixed to this Certificate at Pasay City, Metro Manila, Philippines, this 23rd day of May, Twenty Eighteen.

FERDINAND B. SALES
Director
Company Registration and Monitoring Department

AMENDED BY-LAWS

OF

ABOITIZ EQUITY VENTURES, INC.
(Formerly: CEBU PAN ASIAN HOLDINGS CORPORATION)

ARTICLE I

STOCKHOLDERS' MEETING

SECTION 1. Annual Meeting – The annual meeting of the stockholders shall be held, **if practicable,** at the principal office of the Company at 32nd Street, Bonifacio Global City, Taguig City, Metro Manila, Philippines, **or in lieu thereof at any location within Metro Manila that the Board of Directors may approve, and** at a time to be announced by the Board of Directors **on the day which is the 4th MONDAY OF APRIL** of each year; **provided that if** such day is a legal holiday, **the annual meeting of the stockholders** shall be held on the next **succeeding** business day. *(As amended on November 11, 2003 and further amended by the Board of Directors on March 21, 2013 and the Stockholders on May 20, 2013, and by the Board of Directors on March 8, 2018 pursuant to its authority delegated by the stockholders representing at least 2/3 of the issued and outstanding capital stock on May 18, 2009, and renewed on May 19, 2014.)*

SECTION 2. Special Meetings – Special meeting of the stockholders may be called by the President of the Corporation at his discretion or by resolution of the Board of Directors or upon written demand of stockholders holding one-third of the outstanding capital stock of the Corporation.

SECTION 3. Notices – Notice of time and place of annual or special meetings of the stockholders shall be given personally, by mail addressed to each stockholder of record at the address left by such stockholder with the Corporate Secretary of the Corporation or at his last known address, by telefacsimile, electronic mail or publication in a newspaper of general circulation, at least fifteen (15) days before the date set for such meetings; Provided, however, that in the case of special meetings, notice shall be given at least five (5) days before the said meeting and shall state the object or objects of the same. Failure or irregularity of notice of any annual or special meeting shall not invalidate such meetings or any proceedings when all the stockholders are present and voting thereat without protest. (As amended on September 15, 1994, February 10, 2003 and May 18, 2009).

SECTION 4. Quorum – A quorum for any meeting of stockholders shall consist of a majority of the outstanding capital stock of the Corporation, and a majority of such quorum shall decide any question at the meeting save and except in those matters where the Corporation Law requires the affirmative vote of a greater proportion.

SECTION 5. Vote – Voting upon all questions at all meetings of the stockholders shall be by shares of stock and not per capita.

SECTION 6. Proxy – Stockholders may vote at all meetings either in person or by proxy duly given in writing and presented to the Corporate Secretary for inspection, validation and record at least seven (7) days prior to the opening of said meeting. Unless stated in the proxy, said proxy is valid only at the meeting at which it has been presented to the Corporate Secretary, and any adjournments thereof, provided that such proxy is presented to the Corporate Secretary not later than the deadline set in this section. Such proxies may be revoked by the stockholder in writing duly presented to the Corporate Secretary at least a day prior to a scheduled meeting or by the stockholder's persons appearance at the meeting. The decision of the Corporate Secretary on the validity of the proxies shall be final and binding until and unless set aside by a court of competent jurisdiction. (As amended on September 5, 1994, February 10, 2003 and May 18, 2009 and further amended on November 12, 2010.)

SECTION 7. Order of Business – The order of business at the annual meeting of the stockholders shall be as follows:

A. Proof of the required notice of the meeting (As amended on February 10, 2003).
B. Proof of the presence of a quorum
C. Reading of the minutes of the previous meeting
D. Report of the President and the Board of Directors
E. Ratification and approval of the acts of the President and the Board of Directors
F. Election of Directors for the ensuing year
G. Appointment of External Auditors (As amended on September 15, 1994)
H. Other Matters
I. Adjournment

SECTION 8. Minutes – Minutes of all meetings of the stockholders shall be kept and preserved as a record of the business transacted at such meetings. The minutes shall contain such entries as may be required by law.

ARTICLE II

THE BOARD OF DIRECTORS

SECTION 1. Qualification and Election – The general management of the Corporation shall be vested in a board of nine (9) directors who shall be stockholders and who shall be elected annually by the stockholders owning majority of the outstanding capital stock for a term of one (1) year and who shall serve until the election and qualification of their successors. (As amended on May 18, 2009)

No person shall qualify or be eligible for nomination or election to the Board of Directors if he is engaged in any business which competes with or is antagonistic to that of the Corporation or any of its subsidiaries or affiliates. Without limiting the generality of the foregoing, a person shall be deemed to be so engaged:

a) If he is an officer, manager or controlling person of, or the owner (either of record or beneficial) of 20% or more of any outstanding class of shares of any corporation (other than one in which this Corporation owns at least 30% of the capital stock) engaged in business which the

Board, by at least majority vote, determines to be competitive or antagonistic to that of the Corporation or any of its subsidiaries or affiliates;

b) If he is an officer, manager or controlling person of, or the owner (either of record or beneficial) of 20% or more of any outstanding class of shares of, any corporation or entity engaged in any line of business of the Corporation or any of its subsidiaries or affiliates, when in the judgment of the Board, by at least majority vote, the law against combinations in restraint of trade shall be violated by such person's membership in the Board of Directors; or

c) If the Board, in the exercise of its judgment in good faith, determines by at least majority vote that he is the nominee of any person set forth in (a) or (b). (As amended on May 18, 2009)

In determining whether or not a person is a controlling person, beneficial owner or nominee of another, the Board may take into account such factors as business and family relationships. (As on May 18, 2009)

Nominations for election of members of the Board of Directors by stockholders must be received by the Corporate Secretary no less than fifteen (15) working days prior to the date of the regular annual stockholders' meeting, except as may be provided by the Board of Directors in appropriate guidelines that it may promulgate from time to time in compliance with law. (As amended on May 12, 2003 and further amended on May 18, 2009)

Any vacancy in the Board of Directors other than removal or expiration of term may be filled by a majority vote of the remaining members thereof at a meeting called for that purpose if they still constitute a quorum, and the director or directors so chosen shall serve for the unexpired term. (As amended by the stockholders on September 5, 1994).

SECTION 2. Independent Directors - The Corporation shall have at least two (2) independent directors or at least twenty percent (20%) of the entire Board membership, whichever is lesser.

The independent directors shall have all the qualifications and none of the disqualifications set forth in Section 38 of the Securities Regulation Code and its Implementing Rules and Regulations, as the same may be amended from time to time. (As amended on May 18, 2009)

SECTION 3. Quorum – The directors shall act as a Board and the individual directors shall have no power as such. A majority of the directors shall be necessary at all meetings to constitute a quorum for the transaction of any business and every decision of a majority of the quorum duly assembled as a Board shall be valid as a corporate act, except as provided by law.(As amended on May 12, 2003).

SECTION 4. Meetings – The Board of Directors shall hold a meeting, for organization and for the election of officers, immediately after their election, of which meeting no notice is required. Thereafter, the Board of Directors shall hold regular meetings at least quarterly on such dates as it may fix. (As amended on August 12,1998 and further amended on February 10, 2003 , May 12, 2003 and May 18, 2009).

Special meetings of the Board of Directors may be called by the Chairman or the President or on the written request of two (2) directors on one day's prior notice to each director personally, in writing, by telefacsimile, electronic media, and such meeting may be held any place within the Philippines. (As amended on February 10, 2003 and on May 18, 2009)

Attendance at board meetings by tele/videoconferencing shall be allowed. (As amended on February 10, 2003)

SECTION 5. Powers – The Board of Directors shall have the management of the business of the company and such powers and authorities as are herein by these By-laws or by statutes of the Philippines expressly conferred upon it.

Without prejudice to the general powers herein-above conferred, the Board of Directors shall have the following express powers:

a) From time to time to make and change rules and regulations not inconsistent with these by-laws for the management of the Corporation's business and officers;

b) To create committees and other bodies as it may deem advantageous and necessary in the internal regulation of the Corporation; (As amended on May 12, 2003).

c) To purchase or otherwise acquire for the Corporation, rights or privileges which the Corporation is authorized to acquire at such price and on such terms and conditions and for such consideration as it shall from time to time see fit;

d) To borrow money for the Corporation and for such purpose, to create, make and issue mortgage, bonds, deeds of trust and negotiable instruments and securities secured by mortgage of pledge or property belonging to the Corporation;

e) To pay for any property or rights acquired by the company or to discharge obligations of the company either wholly or partly in money or in stocks, bonds, debentures, or other securities of the company;

f) To delegate, from time to time, any of the powers of the Board which may lawfully be delegated in the course of the current business or business of the Corporation to any officer or agent and to appoint any person or persons to be agents of the Corporation with such powers and upon such terms as may be deemed fit;

SECTION 6. Order of Business – The order of business at any regular or special meeting of the Board of Directors shall be as follows:

A. Calling to Order
B. Confirmation of Quorum

C. Reading and disposal of the minutes of the previous meeting
D. Business Overview
E. Other Business
F. Adjournment

The foregoing order of business may, however, be changed by the affirmative vote of the majority of the members of the Board. (As amended on May 18, 2009 and further amended on March 27, 2014)

SECTION 7. Minutes – Minutes of all meetings of the Board of Directors shall be kept and preserved as a record of the business transacted at such meetings. The minutes shall contain such entries as may be required by law.

ARTICLE III

THE OFFICERS

SECTION 1. Corporate Officers – The officers of the Corporation shall consist of a Chairman, a Vice Chairman, a President, a Chief Executive Officer, a Chief Operating Officer(s), a Treasurer, a Corporate Secretary and an Assistant Corporate Secretary(ies), and such other officers as maybe appointed by the Board, whose powers and duties shall be hereinafter provided and as the Board of Directors may fix in conformity with the provisions of these By-laws. All officers shall be elected to their offices by a majority vote of all the members of the Board of Directors and they shall hold office for a term of one (1) year. Two or more compatible offices may be vested in the same person whenever deemed convenient or expedient, unless otherwise provided by law. (As amended on September 15, 1994; May 12, 2003 and May 18, 2009 and further amended on March 27, 2014).

SECTION 2. General Proviso. – In addition to the duties enjoined upon them under the law or these By-laws, the officers of the Corporation shall exercise such powers and discharge such duties as the Board of Directors may prescribe from time to time (As amended on May 18, 2009).

SECTION 3. Chief Executive Officer – The Chief Executive Officer shall assume overall leadership of the Corporation. He shall report to, and take instructions from, the Board of Directors. He is responsible for leading the development and execution of the Company's long term strategy in accordance with the Board's mandate. He is also responsible for implementing the Company's long and short term strategic plans and shall have oversight over the President. (Amended on March 27, 2014)

SECTION 4. President – The President, who must be a director, shall have general supervision of the business affairs and property of the Corporation and over its several offices and employees. He shall execute all resolutions of the Board and sign all certificates, contracts and other written undertakings of the Corporation. He shall submit to the Board as soon as possible, at each annual meeting, a complete report of the operations of the Corporation for the preceding year and the state of its affairs. He shall also from time to time, report to the Board and to the Chief Executive Officer all matters within his knowledge which the interests of the Corporation may require to be brought to their notice. He shall do and perform such other duties as from time to time may be assigned to him by the Board of Directors.

The President may assign the exercise or performance of any of the foregoing powers, duties, and functions to any other officer(s), subject always to his supervision and control. (As amended on March 27, 2014)

SECTION 4. Chairman – The Chairman, who may be a non-executive Director, shall preside in all meetings of the Board of Directors and stockholders. He shall approve the agenda for all meetings of the Board of Directors and stockholders and also inform the Board of Directors and the stockholders of matters of interest to them at their respective meetings. (As amended on September 15, 1994 and further amended on May 18, 2009)

SECTION 5. Vice Chairman - The Vice Chairman, who must be a Director, shall have such powers and performs such duties as the Board of Directors may from time to time prescribe. In the absence or inability of the Chairman, the Vice Chairman shall act in his stead, and shall exercise any and all such powers and perform any and all duties pertaining to the office of the Chairman as conferred upon him by these By-laws. (As amended on May 18, 2009)

SECTION 6. Corporate Secretary - The Corporate Secretary, who must be a citizen and a resident of the Philippines, shall keep the minutes of all the meetings of the stockholders and the Board of Directors. He shall have charge of the corporate seal, the stock certificate books and such other books and papers of the Corporation. He shall countersign with the President the certificate of stock issued as well as such other instruments which require his signature. He shall attend to the giving and serving of all notices required by the corporation law or by these By-laws. He shall also perform such other duties as are incident to his office and as the Board of Directors may from time to time direct. (As amended on May 12, 2003 and May 18, 2009)

SECTION 7. Assistant Corporate Secretary(ies) - The Assistant Corporate Secretary(ies) shall assist the Corporate Secretary in the performance of the Corporate Secretary's functions. In the absence of the Corporate Secretary, the Assistant Corporate Secretary, if qualified, shall exercise all the powers and perform all the duties of the Corporate Secretary and discharge such duties as the Board of Directors may prescribe. (As amended on May 12, 2003 and May 18, 2009)

SECTION 8. Treasurer – The Treasurer, who must be a resident of the Philippines, shall have charge of the funds, securities, receipts and disbursements of the Corporation. He shall deposit or cause to be deposited all monies and other valuable effects of the Corporation in such banks or trust companies as the Board of Directors may delegate. He shall render to the President or the Board of Directors, whenever required, an account of the financial condition of the Corporation and of all transactions made by him as Treasurer. He shall keep correct books of account of all the business transactions of the Corporation. He shall perform all other duties which are incident to his position and which are from time to time prescribed by the Board of Directors. He maybe required to post a bond of sufficient securities for the fruitful performance of his duties. (As amended on February 10, 2003, May 12, 2003 and May 18, 2009).

SECTION 9. Executive Committee – An Executive Committee may be formed by the Board of Directors to consist of such number of members as may be determined by the Board of Directors provided that not less than three (3) members thereof shall be members of the Board of Directors. The powers of the Executive Committee shall extend to any acts within the competence of the Board of Directors except with respect to the following:

a) approval of any action for which shareholders' approval is also required;
b) the filling of vacancies in the Board of Directors;
c) the amendment or repeal of these By-laws or the adoption of new By-laws;
d) the amendment or repeal of any resolution of the Board of Directors which by its express terms is not amendable or repealable; and
e) a distribution of cash dividends to the stockholders.
(As amended on November 12, 1998 and on May 18, 2009)

ARTICLE IV

STOCKS

SECTION 1. Issuance – The Board of Directors shall, in accordance with law, provide for the issuance of the stock certificate of the Corporation and shall be signed by the President and countersigned by the Corporate Secretary and sealed with the seal of the Corporation; provided, that in case any such stock certificate is countersigned by a duly appointed stock transfer agent, transfer clerk or registrar, the signature of the President, as well as the countersignature of the Corporate Secretary or Assistant Corporate Secretary, upon such certificate, may be facsimiles, which can be engraved or printed on the same. The certificate of stocks shall be issued in consecutive order, and the certificates shall be numbered in the order in which they are issued. Upon the stub of each certificate issued shall be entered the name and the nationality of the person, firm, or corporation owning the stock represented by such certificate, the number of shares in respect of which the certificate is issued and, in the case of cancellation, the date thereof. (As amended on September 15, 1994, May 12, 2003 and May 18, 2009 and March 27, 2014.)

SECTION 2. Transfer – Transfer of stock shall be made by endorsement of the certificate and delivery thereof, but shall not be effective and binding in so far as the Corporation is concerned until it is duly registered in the books of the Corporation. Every certificate surrendered for exchange or transfer shall be cancelled, and no new certificate shall be issued in exchange for cancelled certificate until the old certificate has been so cancelled.

SECTION 3. Stock and Transfer Book – There shall be kept by the Corporate Secretary of the Corporation a book (which may be electronic) to be known as the "Stock and Transfer Book" containing the names, alphabetically arranged, of the stockholders of the Corporation, showing their places of residence, the number of stock held by them and the time when they respectively become the owner thereof and the amount paid by them thereon. A record date may be set by the Board of Directors during such period as the Board of Directors may from time to time direct and in accordance with rules and regulations issued by the Securities and Exchange Commission or Philippine Stock Exchange from time to time. (As amended on September 15, 1994, February 10, 2003 and on May 18, 2009)

SECTION 4. Sale of Unissued Shares – The unissued shares of stock of the Corporation may be offered for sale in such quantities and at such time as the Board of Directors may from time to time determine. They shall be sold upon such terms and for such price, which in no case, shall however be less than the par value, as may be fixed in the resolution directing such sale.

SECTION 5. Treasury Shares – The Treasury stock of the Corporation shall consist of such issued and outstanding stocks which have found their way back into the treasury of the Corporation either by reason of donation in its favor or by virtue of any other forms of acquisition. The said stocks may be disposed of by virtue of a resolution adopted by the Board of Directors. While held by the Corporation, said stocks shall neither vote nor participate in the distribution of dividends.

SECTION 6. Loss or Destruction of Certificates – The Board of Directors may direct a new certificate of stock to be issued in place of any certificate theretofore issued and alleged to have been lost or destroyed. The Board of Directors authorizing such issue of a new certificate, may, in its discretion, require the owner of the stock or his legal representative to furnish proof by affidavit or otherwise to the satisfaction of the Board as to ownership of the stock alleged to have been lost or destroyed, and the facts which supported its loss or destruction. The Board of Directors may also require him to give notice of such loss or destruction by publication or otherwise, as it may direct, and cause the delivery to the Corporation of a bond with or without sureties in such sum as it may direct, indemnifying the Corporation from any claims that may be made against it by reason of the issue of such new certificate. The Board of Directors, however, may refuse in its discretion, to issue and such new certificate except pursuant to legal proceedings made and provided for in such case. In this connection, the provision of Sec. 73 of the Corporation Code shall be complied with.

SECTION 7. Compulsory Exchange of Certificates – When the articles of incorporation are amended in any way affecting the statements contained in the certificates for outstanding shares, or it becomes desirable for any reason to cancel the outstanding certificates of shares and issue new certificates thereafter conforming to the rights of the holder, the Board of Directors may order any holder of outstanding certificates for shares to surrender and exchange them for new certificates within reasonable time to be fixed by the Board of Directors. (As amended on May 12, 2003)

SECTION 8. Uncertificated Securities – Anything in this Article to the contrary notwithstanding, the Board of Directors may, subject to existing laws and regulations which may be issued by the Securities and Exchange Commission from time to time, approve the issuance or transfer of stocks by way of electronic book entries of uncertificated securities in any duly registered clearing agency. (As amended on May 18, 2009)

ARTICLE V

FISCAL YEAR, DIVIDENDS, AUDITING AND INSPECTION OF BOOKS OF ACCOUNTS

SECTION 1. Fiscal Year – The Fiscal Year of the Corporation shall commence with the opening of the business on the 1st day of January of each calendar year and shall close on the 31st day of December of the same year.

SECTION 2. Dividends – Dividends shall be declared only from the unrestricted retained earnings of the Corporation, and shall be payable at such times and in such amounts as the Board of Directors shall determine, and payment shall be in cash or in shares of the unissued stock of the Corporation or both, as said Board of Directors shall determine; Provided, that no stock dividend shall be declared without the concurrence of stockholders representing not less than two-thirds (2/3) of all capital stock outstanding. No dividends shall be declared that will impair the capital of the Corporation.

SECTION 3. Auditing of Books of Accounts – Inspection of the books of accounts by any member of the Board of Directors may be made at any and all times and such inspection may embrace all books, records, and vouchers of the Corporation. Stockholders may inspect the books of the Corporation only on reasonable time during business hours.

ARTICLE VI

SEAL

The corporate seal of the Corporation shall consist of two concentric rings, between which shall be inscribed the words “ABOITIZ EQUITY VENTURES, INC.” and in the center of the word, the words “Incorporated on”, followed immediately by the date of the approval of the Articles of Incorporation by the Securities & Exchange Commission. (As amended by the stockholders on September 15, 1994).

ARTICLE VII

AMENDMENTS

These By-laws may be amended, repealed, or altered in whole or in part by a majority of the Board of Directors and majority of the entire outstanding capital stock of the Corporation at any regular or special meeting of the shareholders or at any special meeting where such action has been announced in the call and notice of such meetings; Provided, however, that the owners of two-thirds (2/3) of the outstanding capital stock may delegate to the Board of Directors the power to amend or repeal any by-laws or to adopt new By-laws. Such delegation of powers shall be considered revoked whenever a majority of the outstanding capital stock shall so vote at a regular or special meeting.

ADOPTED THIS 6TH day of September 1989, at Cebu City, Philippines, by the unanimous vote of the undersigned incorporators of CEBU PAN ASIAN HOLDINGS CORPORATION, representing the majority of the outstanding capital stock of the Corporation.

(SGD) ALBERTO DE ROTAECHE

(SGD) MARIANO G. PERDICES JR.

(SGD) MATTHIAS G. MENDEZONA

(SGD) JULIO M. ANTUNEZ

(SGD) CORONA C. FERNAN

DIRECTOR'S CERTIFICATE

We, the undersigned majority members of the Board of Directors and the Corporate Secretary, of **ABOITIZ EQUITY VENTURES, INC.** (the "Company"), a corporation duly organized and existing under the laws of the Republic of the Philippines, with principal address at 32nd Street, Bonifacio Global City, Taguig City, Metro Manila 1634, Philippines, do hereby certify that the amendments to the Company's By-Laws were approved in a Special Board Meeting held on March 8, 2018, by the vote of at least a majority of the members of the Board of Directors in accordance with Section 48 of the Corporation Code and the delegated authority approved and renewed by the stockholders representing at least 2/3 of the issued and outstanding capital stock in the Company's Annual Stockholders' Meetings held on May 18, 2009 and renewed on May 19, 2014 in Taguig City, respectively.

The amendments consist of an amendment to Article I of the Amended By-Laws, to move the date of the Annual Stockholders Meetings from the 3rd Monday of May of every year to 4th Monday of April of every year, and to clarify the venue of the Company's Annual Stockholders' Meetings.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, we have signed this certificate this 17 APR 2018 in the City of Taguig, Philippines.

[redacted]

JON RAMON ABOITIZ
Chairman
[redacted]

[redacted]

RAPHAEL P. M. LOTILLA
Lead Independent Director
[redacted]

[redacted]

ENRIQUE M. ABOITIZ
Director
[redacted]

[redacted]

JOSE C. VITUG
Independent Director
[redacted]

[redacted]

ERRAMON I. ABOITIZ
Director/President and Chief Executive Officer
[redacted]

[redacted]

STEPHEN T. CUUNJIENG
Independent Director
[redacted]

[redacted]

JUSTO A. ORTIZ
Director
[redacted]

Countersigned:

[redacted]

MANUEL ALBERTO R. COLAYCO
Corporate Secretary
[redacted]

REPUBLIC OF THE PHILIPPINES)
CITY OF TAGUIG) S.S.

SUBSCRIBED AND SWORN TO before me this 17 APR 2018 at TAGUIG CITY, Philippines, affiants who are personally known to me, exhibited to me their respective identification cards with the details shown below as follows:

NAME	COMPETENT IDENTIFICATION	DATE / PLACE ISSUED	EXPIRY DATE
Enrique M. Aboitiz, Jr.	[redacted]		
Jon Ramon Aboitiz			
Erramon I. Aboitiz			
Antonio R. Moraza			
Justo A. Ortiz			
Jose C. Vitug			
Raphael P.M. Lotilla			
Stephen T. CuUnjieng			

Doc. No. **136**;
Page No. **29**;
Book No. **1**;
Series of 2018.

ATTY. SAMMY DAVE A. SANTOS
ROLL NO. 63272
NOTARY PUBLIC
TAGUIG CITY, PHILS.

[redacted]

Atty. Sammy Dave A. Santos
Notary Public for Taguig City
Notarial Commission No. 48
Until December 31, 2019
NAC Tower, 32nd Street, Bonifacio Global City, Taguig City
PTR No. A-3747887; Taguig City; January 08, 2018
IBP OR No. 023446; January 9, 2018
Roll No. 63272
MCLE Compliance No. V-0012594

IN WITNESS WHEREOF, the undersigned has hereunto set his hand this APR 1 1 2018 at CEBU CITY.

[redacted]

MIKEL A. ABOITIZ
Director

[redacted]

SUBSCRIBED AND SWORN TO before me this APR 1 1 2018 in CEBU CITY, Philippines. Affiant, who is personally known to me, personally appeared before me and exhibited his respective Passport P3931084A issued on August 5, 2017 at Cebu City and his Community Tax Certificate No. 11860762 issued on February 9, 2018 at Cebu City.

ATTY. JUSTINE MAE A. CABATINGAN
ROLL NO. 62000
NOTARY PUBLIC
CEBU CITY, PHILIPPINES

[redacted]

JUSTINE MAE A. CABATINGAN
Notary Public for Cebu City
Notarial Commission No. 94-16
Until December 31, 2019
Aboitiz Corporate Center
Gov. M. Cuenco Ave., Cebu City
Roll No. 62000
PTR 8804839 12.27.17 Cebu City
IBP Lifetime No. 015514 1.21.15 Cebu City
MCLE Compliance No. V-0005012

Doc. No. 441;
Page No. 90;
Book No. II;
Series of 2018.

GATMAYTAN
YAP
PATACSIL
GUTIERREZ &
PROTACIO

March 29, 2019

SECURITIES AND EXCHANGE COMMISSION
Secretariat Building, PICC Complex
Roxas Boulevard, Pasay City
Philippines

Ladies and Gentlemen:

PUBLIC OFFERING OF FIXED RATE BONDS – ABOITIZ EQUITY VENTURES INC.

We have been requested to deliver an opinion on:

(a) the legality and validity of the issue and public offer, sale and distribution of PHP30,000,000,000.00 fixed rate bonds of Aboitiz Equity Ventures Inc. (the "*Issuer*") which have been applied for shelf-registration (the "*Bonds*") to be offered and sold to the public at face value, in several tranches within a period of three (3) years; and

(b) the accuracy of the information on tax matters set out in the Preliminary Prospectus dated March 29, 2019 appended to the Registration Statement filed by the Issuer with the Securities and Exchange Commission (the "*Commission*").

In this connection, we have examined originals or copies, photocopied, certified or otherwise identified to our satisfaction, of the documents identified in Schedule I (the "*Offer Documents*"), and such other documents and other matters as we have deemed appropriate as bases for the opinions hereinafter expressed. In our examination of the aforesaid documents, we have assumed (i) that the Offer Documents are authentic and have been duly executed and delivered by or on behalf of each party in whose name they have been delivered; (ii) except in respect of the Issuer, that all persons signing the Offer Documents on behalf of each party in whose name they have been respectively delivered are duly authorized; (iii) except in respect of the Issuer, that all signatures on all Offer Documents are genuine and copies of all documents submitted to us are complete and conform to the original documents; and (iv) in respect of the Issuer, that each Offer Document has been duly authorized by all parties thereto.

As to questions of fact material to our conclusions expressed herein, we have relied upon the statements of fact contained in the documents we examined and on certificates or representations of officers and other representatives of the Issuer and other parties in the relevant documents.

Based upon the foregoing, we are of the opinion that:

1. The Issuer is a corporation duly incorporated and validly existing under the laws of the Republic of the Philippines.

2. The Issuer has taken all corporate action required to legally and validly issue the Bonds.

3. Other than the registration of the Bonds with the Commission, no licenses, validations, filings, recordings, consents, approvals, notices, acknowledgments, exemptions or other actions by or with any government agency or regulatory or other official body in the Philippines or other person are necessary for the legality and validity of the issue of the Bonds.

4. The issue of the Bonds does not conflict with or result in a breach of any provision of any law, rule or regulation, or of any of the constitutional documents of the Issuer.

5. The Bonds, when issued and sold in accordance with the terms of their registration, will be legally binding obligations of the Issuer.

6. The description of the taxes applicable to the issuance of the Bonds and any subsequent disposition of such Bonds, as stated in the Prospectus under the heading *Taxation*, fairly presents the taxes applicable to such original issuance and disposition.

This opinion is delivered pursuant to Section 12 of the Securities Regulation Code ("SRC") in relation to Part VII (B)(6) and (7), Annex C of the 2015 Implementing Rules and Regulations of the SRC. We acknowledge that this is intended to form part of the Issuer's Registration Statement/Prospectus and as such we hereby give our consent to such submission.

Very truly yours,

GATMAYTAN YAP PATACSIL GUTIERREZ & PROTACIO

By:

[redacted]

This **ISSUE MANAGEMENT AND UNDERWRITING AGREEMENT** (“**Agreement**”) is entered into on [•] (the “**Signing Date**”) by and among:

ABOITIZ EQUITY VENTURES INC., a corporation duly organized and existing under and by virtue of the laws of the Republic of the Philippines, with principal offices at the 32nd Street, Bonifacio Global City, 1634 Taguig City, Metro Manila (hereinafter referred to as the **“Issuer”**);

BDO CAPITAL & INVESTMENT CORPORATION, a corporation duly organized and validly existing under the laws of the Republic of the Philippines, with principal offices at the 20th Floor, South Tower, BDO Corporate Center Makati City (hereinafter referred to as the “**Joint Issue Manager or Joint Lead Underwriter**”;

– and –

FIRST METRO INVESTMENT CORPORATION, a corporation duly organized and validly existing under the laws of the Republic of the Philippines, with principal offices at the 45th Floor, GT Tower International, 6813 Ayala Ave. cor. H.V. Dela Costa St., Makati City (hereinafter referred to as the “**Joint Issue Manager or Joint Lead Underwriter**”;

(BDO Capital & Investment Corporation and First Metro Investment Corporation shall be collectively referred to as the “Joint Issue Managers and/or Joint Lead Underwriters”)

RECITALS:

WHEREAS, the Issuer is authorized to issue Fixed Rate Peso-Denominated Bonds for offering, distribution and sale to the general public of up to the aggregate principal amount of PHILIPPINE PESOS: THIRTY BILLION (PhP30,000,000,000.00) to be issued in one or several tranches within three years from the date of effectivity of its shelf registration (the “**Bonds**”). The first tranche shall comprise of [•]% per annum fixed rate bonds due [•] (“**Series A Bonds**”) and [•]% per annum fixed rate bonds due [•] (“**Series B Bonds**”), for a total of PHILIPPINE PESOS: THREE BILLION (PhP3,000,000,000.00) with an oversubscription option of PHILIPPINE PESOS: TWO BILLION (PhP2,000,000,000.00) (the “**Oversubscription Option**”; the bonds under the Oversubscription Option, the “**Oversubscription Bonds**”; the Series A and B Bonds and the Oversubscription Bonds, the “**First Tranche Bonds**”; and this first tranche, the “**Offer**”);

WHEREAS, in case the Oversubscription Option is partly exercised or not exercised at all during the Offer Period (as defined below), the remaining Bonds under shelf registration will be automatically increased by such number of Oversubscription Bonds that will not be taken up or exercised;

WHEREAS, the terms and conditions of the First Tranche Bonds are more fully described in Annex **“B”** hereof and in the Prospectus to be issued and circulated for the Offer which is made an integral part hereof by reference;

WHEREAS, the Issuer expects to obtain a Certificate of Registration for the Bonds and the Permit to Sell Securities from the SEC in respect of a public distribution and sale of the First Tranche Bonds prior to the start of the Offer Period;

WHEREAS, the First Tranche Bonds are being underwritten on a firm commitment underwriting basis by the Joint Lead Underwriters, on the basis of the representations and warranties of the Issuer and under the terms and conditions hereinafter set forth;

WHEREAS, the Issuer has appointed, and hereby confirms the appointment of BDO Capital & Investment Corporation and First Metro Investment Corporation as Joint Issuers and Joint Lead Underwriters for the Offer and they have consented to said appointment and agreed to underwrite the First Tranche Bonds under the terms and conditions hereinafter set forth on a firm basis;

NOW, THEREFORE, for and in consideration of the foregoing premises, and the mutual terms and conditions hereinafter set forth, the Parties hereby agree as follows:

Section 1 DEFINITIONS AND INTERPRETATION

1.1 Definitions

When used in this Agreement and the Recitals, unless the context provides otherwise, capitalized terms used herein shall have the same meanings as set forth below and under the Terms and Conditions:

"***Agreement***" means this Issue Management and Underwriting Agreement, and its annexes and attachments, as may be modified, supplemented, or amended from time to time;

"***Allocation Day***" means the Banking Day after the end of the Offer Period during which the First Tranche Bonds shall be allocated to Applicants in accordance with the Allocation Plan;

"***Allocation Plan***" means the procedure for application, acceptance, or rejection of the Applications to Purchase, whether in whole or in part, as agreed among the Joint Issue Managers and Joint Lead Underwriters and the Issuer;

"***Allocation Report***" means the report to be prepared by the Joint Lead Underwriters and sent to the Issuer and the Registrar no later than 9:00 a.m., three (3) Banking Days before the Issue Date, allocating the First Tranche Bonds, for issuance to their respective clients;

"***AMLA***" means Republic Act No. 9160, otherwise known as the Anti-Money Laundering Act of 2001, as amended from time to time;

"***Applicable Law***" means: (i) any statute, decree, constitution, regulation, rule, order or any directive of any Government Authority; (ii) any treaty, pact, compact or other agreement to which any Government Authority is a signatory or party; (iii) any judicial or administrative interpretation or application of any law described in clause (i) or (ii) above; and (iv) any amendment or revision of any law described in clause (i), (ii) or (iii) above;

"***Applicant***" means any person who submits a duly accomplished Application to Purchase, together with all requirements set forth therein;

"***Application to Purchase***" means the application form accomplished and submitted by an Applicant for the purchase of a specified amount of the First Tranche Bonds, together with all the other requirements set forth in such application form, substantially in the form attached as Annex A hereof;

"Banking Day" means a day other than Saturday, Sunday and public holidays on which commercial banks and the Philippine Clearing House Corporation are generally open for the transaction of business in Makati City and Taguig City; *provided,* that all other days unless otherwise specified herein shall mean calendar days which shall be construed as successive periods of twenty-four (24) hours each;

"***BIR***" means the Bureau of Internal Revenue of the Philippines.

"***Bondholders***" means the holders of the First Tranche Bonds who, at any relevant time, appear in the Register of Bondholders as the registered owner of the First Tranche Bonds, with each holder being a "Bondholder";

"***BSP***" shall mean the Bangko Sentral ng Pilipinas;

"***Eligible Bondholders***" means institutional and retail investors determined by the Issuer and the Joint Lead Underwriters to be eligible holders of the First Tranche Bonds;

"***Event of Default***" has the meaning given to it under the Trust Agreement;

"***Final Sales Report***" has the meaning given to that term in Section 4.2e;

"First Tranche Bonds" shall mean the Series A Bonds and the Series B Bonds with an aggregate amount of PHILIPPINE PESOS: THREE BILLION (PhP3,000,000,000.00) with an Oversubscription Option, which the Issuer shall issue for distribution and sale on Issue Date;

"***Government Approval***" means any authorization, consent, concession, grant, approval, right, franchise, privilege, registration, filing, certificate, license, permit or exemption from, by or with any Government Authority, whether given or withheld by express action or deemed given or withheld by failure to act within any specified time period;

"Government Authority" means the government of the Republic of the Philippines, or any political subdivision or agency thereof, and any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to the said government, and any national agency or body vested with jurisdiction or authority over any Person;

"Indebtedness" means, with respect to the Issuer: (i) all indebtedness or other obligations of the Issuer for borrowed money or for the deferred purchase price of property or services and similar arrangements; (ii) all indebtedness or other obligations of any other Person, the payment or collection of which is guaranteed by the Issuer (except by reason of endorsement for collection in the ordinary course of business) or in respect of which the Issuer is liable, contingently or otherwise, including without limitation, any agreement to purchase, to provide funds for payment, to supply funds to or otherwise invest in such Person; and (iii) capitalized lease obligations of the Issuer;

"***Issue Date***" means [•] or such other date as the Issuer and the Joint Lead Underwriters may agree in writing; provided, that such date shall be a date, which is within the validity of the SEC Permit to Sell Securities;

"***Issuer***" means Aboitiz Equity Ventures Inc.;

"*Lien*" means, with respect to any Person, any lien, pledge, mortgage, charge, hypothecation, encumbrance, or other security or preferential arrangement on or with respect to any asset or revenue of such Person;

"Majority Bondholders" shall mean, at any time, the Bondholders who hold, represent or account for more than fifty percent (50%) of the aggregate outstanding principal amount of the First Tranche Bonds;

"Master Certificate of Indebtedness" means the certificates to be issued by the Issuer in the name of the Trustee for the benefit of the Bondholders evidencing and covering each of the aggregate principal amount of the Series A Bonds and Series B Bonds purchased during the Offer Period for such First Tranche Bonds, substantially in the form set forth in **Annex "C-1"** and **Annex "C-2"** of the Trust Agreement;

"Material Adverse Effect" means, in relation to the Issuer, and in the reasonable opinion of the Joint Issue Managers and the Joint Lead Underwriters after discussions with the Issuer, a material adverse effect on: (i) the ability of the Issuer to perform or comply with any of its obligations, or to exercise any of its rights, under this Agreement, the Trust Agreement, or the First Tranche Bonds; (ii) the validity or enforceability of this Agreement, the Trust Agreement, or the First Tranche Bonds; or (iii) the financial condition and business operations of the Issuer taken as a whole.

"*Offer*" or **"*Issue*"** as the context may require, shall mean the First Tranche Bonds or the offering, issuance, distribution and sale of the First Tranche Bonds;

"*Offer Period*" shall mean the period when the First Tranche Bonds are offered for sale, distribution and issuance by the Issuer, commencing on [•] and ending on [•] or such other date as may be mutually agreed between the Issuer and the Joint Lead Underwriters;

*"**Omnibus Rules**"* shall mean the Omnibus Rules and Regulations for Investment Houses and Universal Banks Registered as Joint Lead Underwriters of Securities dated 23 July 2002;

"Oversubscription Option" shall mean the oversubscription option exercisable by the Joint Issue Managers and the Joint Lead Underwriters, upon consultation with the Issuer, of up to PHILIPPINE PESOS: TWO BILLION (PhP2,000,000,000.00);

"Oversubscription Bonds" shall mean the up to PHILIPPINE PESOS: TWO BILLION (PhP2,000,000,000.00) First Tranche Bonds under the Oversubscription Option.

"*Paying Agent*" shall mean the Philippine Depository & Trust Corporation acting as paying agent in accordance with the Registry and Paying Agency Agreement;

"***PDEx***" means the Philippine Dealing & Exchange Corp;

"***Permit to Sell Securities***" means the permit to be issued by the SEC authorizing the Issuer to sell, distribute and issue the First Tranche Bonds to the public;

"***Permitted Liens***" means the each of the liens permitted to be incurred by the Issuer as enumerated under Section 5.2a of the Trust Agreement.

"***Person***" means any individual, firm, corporation, partnership, association, joint venture, tribunal, limited liability company, trust, government or political subdivision or agency or instrumentality thereof, or any other entity or organization;

"***PFRS***" means Philippine Financial Reporting Standards;

"***Philippine Peso***" or "***PhP***" means the legal currency of the Republic of the Philippines;

"Prospectus" means the selling material including any amendment or supplement thereto duly filed by the Issuer with, and duly approved by, the SEC for the purpose of the offering, distribution, and sale of the First Tranche Bonds;

"***Purchase Price***" has the meaning given to that term in Section 4.1f;

*"**Receiving Account**"* has the meaning given to that term in Section 4.3a;

"***Register of Bondholders***" means the electronic records of the Registrar bearing the official information on the names and addresses of the Bondholders and the amount of the First Tranche Bonds they respectively hold, including all transfers and assignments or any liens or encumbrance thereon and the names of subsequent transferee Bondholders;

"***Registrar***" means Philippine Depository & Trust Corporation, a corporation duly organized and existing under and by virtue of the laws of the Republic of the Philippines, with principal office at the 37th Floor, Tower 1, The Enterprise Center, 6766 Ayala Avenue, Makati City, whose principal obligation is to maintain the Register of Bondholders and record the initial issuance and subsequent transfers of the First Tranche Bonds, pursuant to the Registry and Paying Agency Agreement;

"***Registration Statement***" means the registration statement dated [•] filed by the Issuer with the SEC in accordance with the Securities Regulation Code relating to the registration and issuance of the Bonds, as the same may be amended or supplemented;

"*Registry and Paying Agency Agreement*" shall mean the agreement dated [•] by and between the Issuer and Philippine Depository & Trust Corporation, as the Paying Agent and Registrar for the Offer;

"*Registry Confirmation*" means the written advice sent by the Registrar to the Bondholders, confirming the registration in the name of such Bondholder in the registry being maintained by the Registrar (the "**Registry**") of the specified amount of the First Tranche Bonds issued to or purchased by a Bondholder, in the Registry;

"*RTGS*" means Real Time Gross Settlement System;

"***SEC***" means the Securities and Exchange Commission of the Philippines;

"***SEC Rules***" has the meaning given to that term in Section 8.1a;

"Series A Bonds" shall mean the fixed rate bonds having a term ending [•] ([•]) years from the Issue Date, or on [•], with a fixed interest rate of [•]% per annum;

"Series B Bonds" shall mean the fixed rate bonds having a term ending [•] ([•]) years from the Issue Date, or on [•], with a fixed interest rate of [•]% per annum;

"***SRC***" means Republic Act No. 8799, otherwise known as "The Securities Regulation Code of the Philippines," as amended from time to time, and including the rules and regulations issued thereunder;

"***Terms and Conditions***" means the terms and conditions pursuant to which the Issuer issues, and the Eligible Bondholders subscribe for, the First Tranche Bonds which constitute an integral part of the relevant Master Certificate of Indebtedness, attached as Annex B hereof;

"***Transaction Documents***" means this Agreement, the Registry and Paying Agency Agreement, the Trust Agreement, and any amendments thereto;

"*Trust Agreement*" shall mean the agreement dated [•] between the Issuer and the Trustee for the Bondholders;

"*Trustee*" shall mean BDO Unibank, Inc.—Trust and Investments Group or any successor Trustee acting as trustee in accordance with the Trust Agreement;

"***Underwritten Bonds***" means the First Tranche Bonds to be offered for subscription and which the Joint Lead Underwriters commits to underwrite on a firm basis pursuant to its Underwriting Commitment; and

"***Underwriting Commitment***" has the meaning given to that term in Section 3.2.

1.2 Interpretation

In this Agreement, unless the context otherwise requires:

a. words importing the singular number shall include the plural and vice versa, and words importing the masculine shall include the feminine and neuter gender and vice versa;

b. any reference to Sections or Annexes is a reference to the sections or annexes of this Agreement;

c. any reference to any document, instrument or agreement shall (i) include all annexes, exhibits, schedules and other attachments thereto, (ii) include all documents, instruments or agreements issued or executed in replacement thereof, and (iii) mean such document, instrument or agreement, or replacement or predecessor thereto, as amended, modified and supplemented from time to time in accordance with the terms thereof and in effect at any given time;

d. the headings to the Sections and paragraphs hereof are inserted for ease of reference only and shall not affect the interpretation thereof or of this Agreement;

e. any reference to “writing” or cognate expressions includes a reference to facsimile transmission or comparable means of communication;

f. any reference to a person or entity includes such person or entity’s permitted successors and assigns;

g. accounting terms have the meanings assigned to them by Philippine Accounting Standards and PFRS, as applied by the accounting entity to which they refer;

h. the words “include,” “includes” and “including” are not limiting and shall be deemed to be followed by the words “without limitation,” whether or not so followed;

i. the words “hereof,” “herein” and “hereunder” and words of similar import when used in any document shall mean such document as a whole and not to any particular provision of such document; and

j. any reference to “days” shall mean calendar days, unless the term “Banking Days” is used.

k. a “company” shall be construed so as to include any company, corporation or any association or partnership (whether or not having separate legal personality) of any two or more Persons;

l. “Joint Issue Managers,” “Joint Lead Underwriters,” “Registrar,” “Paying Agent” and “Bondholders” shall be construed so as to include their respective successors, transferees and assigns in accordance with their respective interests to the extent permitted under the terms hereof and, in the case of the “Issuer,” its respective successors, transferees and assigns, to the extent permitted under the terms hereof;

m. a “month” is the period commencing on a specified day in a calendar month and ending on the numerically corresponding day in the relevant subsequent calendar month (or if there is no day so corresponding in the calendar month in which such period ends, such period shall end on the last day of such calendar month);

n. the “winding-up”, “dissolution” or “administration” of a company shall be construed so as to include any equivalent or analogous proceedings under the law of the jurisdiction in which such company is incorporated or any jurisdiction in which such company carries on business.

o. Save where the contrary is indicated, any reference in this Agreement to:

(i) this Agreement, the Bonds, the First Tranche Bonds, or any other agreement or document shall be construed as a reference to this Agreement or, as the case may be, the Bonds, the First Tranche Bonds, other agreement or document as the same may have been, or may from time to time be (subject to any restrictions herein), amended, varied, novated, supplemented, replaced or substituted;

(ii) a statute shall be construed as a reference to such statute as the same may have been, or may from time to time be, amended or re-enacted; and

p. In case of any conflicts between this Agreement, the Trust Agreement and Prospectus, the provisions of the Trust Agreement shall prevail.

Section 2 RESPONSIBILITIES OF THE JOINT ISSUE MANAGERS

2.1 Appointment of the Joint Issue Managers

a. The Issuer hereby appoints BDO Capital Corporation and First Metro Investment Corporation as Joint Issue Managers in connection with the issuance, placement, distribution, and sale of the First Tranche Bonds to the Eligible Bondholders.

b. The appointment of the Joint Issue Managers shall subsist until the Joint Issue Managers shall have fulfilled all its obligations under this Agreement, unless otherwise terminated in accordance with this Agreement.

2.2 Arrangement

a. Subject to the terms and conditions hereof, the Joint Issue Managers agree to arrange the issuance, placement, distribution and sale of the First Tranche Bonds within the Philippines to Eligible Bondholders during the Offer Period.

b. Nothing in this Agreement shall be deemed to create a partnership or joint venture between the Issuer and the Joint Issue Managers.

2.3 Scope of Obligations of the Joint Issue Managers

a. The Joint Issue Managers shall have such rights and obligations as set forth in this Agreement as well as such other rights as may be further granted to it by the Issuer in writing. No implied covenants or obligations shall be read into this Agreement against the Joint Issue Managers save where such covenants or obligations are imposed or implied by Applicable Law.

b. The Joint Issue Managers shall not be liable except for the performance of its duties and obligations as specifically set forth in this Agreement and neither the Joint Issue Managers nor any of their respective officers, directors, agents, or employees shall be held liable for any action taken or omitted to be taken by each of them in connection with this Agreement, except for such person’s own gross negligence or willful default.

c. Nothing herein shall be construed as requiring the Joint Issue Managers to give or provide any legal, accounting, tax, or other specialist or technical advice or services, including but not limited to insurance, legal, taxation, accounting, regulatory or financial or strategic advice, other than as otherwise expressly set out in this Agreement, or give advice on any aspect relating to regulatory requirements in the Philippines or elsewhere.

d. Without diminishing its obligations under this Agreement, the Joint Issue Managers may execute any of its duties hereunder by or through, or in conjunction with, one or more of its affiliates or through agents or attorneys-in-fact. Without diminishing its obligations under this Agreement, the Joint Issue Managers may consult with legal counsel and other professional experts and consultants selected by it and shall not be liable for any action taken or omitted to be taken in good faith by it in accordance with the reasonable advice of such counsel, expert or consultant.

e. The Joint Issue Managers may have certain material interests in the Offer other than the fees to be paid by the Issuer herein in respect of the work undertaken as arranger of the Offer. Provided that the obligations of the Joint Issue Managers herein shall not be diminished, the Issuer accepts that the Joint Issue Managers may, without reference to the Issuer, and without taking into account the Joint Issue Manager's involvement with the Issuer as Issue Manager or in any other capacity in connection with the Offer, have a financial interest in the Offer, and/or make a market in the shares or other securities of the Issuer, or those of other companies with an interest in the Offer, and/or advise clients in relation to the buying, selling and/or holding of such shares or securities, and/or buy, sell or hold such shares or securities on behalf of clients for investment purposes and/or have existing lending exposure to the Issuer or other companies with an interest in the Offer. Although the Joint Issue Managers in the course of such other relationships may acquire information about the Offer or other matters concerning the Issuer, they shall have no obligation to disclose such information, or the fact that a Joint Issue Manager is in possession of such information, to the Issuer or to use such information for the benefit of the Issuer. It is hereby understood and agreed that the Issuer's acceptance as above provided does not in any way imply acceptance of knowledge, responsibility or liability for any such transactions.

f. None of the provisions contained in this Agreement shall require the Joint Issue Managers to expend or risk its own funds or otherwise incur personal financial liability in the performance of any of its duties or in the exercise of any of its rights or powers under this Agreement if, in the determination of the Joint Issue Managers, there is reasonable ground for believing that the repayment of such funds or liability is not reasonably assured to them under the terms of this Agreement, unless such cost, expense or liability is for the account of the Joint Issue Managers under this Agreement.

Section 3 RESPONSIBILITIES OF THE JOINT LEAD UNDERWRITERS

3.1 Appointment of the Joint Lead Underwriters

a. The Issuer hereby appoints BDO Capital & Investment Corporation and First Metro Investment Corporation as Joint Lead Underwriters in connection with the issuance, placement, distribution, and sale of the First Tranche Bonds within the Philippines to the Eligible Bondholders.

b. The engagement of the Joint Lead Underwriters shall subsist until the Joint Lead Underwriters shall have fulfilled all of their obligations under this Agreement, unless otherwise earlier terminated in accordance with this Agreement.

3.2 Underwriting Commitment

a. Subject to the conditions provided in this Agreement and the Terms and Conditions, each Joint Lead Underwriter shall offer, distribute, and sell the First Tranche Bonds within the Philippines during the Offer Period and each Joint Lead Underwriter agrees to underwrite the First Tranche Bonds jointly, not solidarily, on a firm basis, in the following respective amounts, and if the Oversubscription Option is exercised, including the amount so exercised (the "**Underwriting Commitment**").

Underwriter	Underwriting Commitment
BDO Capital & Investment Corporation	Php 1,500,000,000.00
First Metro Investment Corporation	Php 1,500,000,000.00
Total	Php 3,000,000,000.00

b. During the Offer Period and after prior consultations with the Issuer, the Joint Lead Underwriters may exercise the Oversubscription Option by submitting an irrevocable written notice to the Issuer, indicating the amount of Oversubscription Bonds applied for, which shall not be less than PHILIPPINE PESOS: ONE HUNDRED MILLION (PhP100,000,000.00), in accordance with the allocation agreed upon among the Joint Lead Underwriters. The amount of the Ovesubscription Bonds indicated in the irrevocable written notice to the Issuer forms part of the Underwriting Commitment of the relevant Joint Lead Underwriter. In case the Oversubscription Option is partly exercised or not exercised at all during the Offer Period, the remaining Bonds under shelf registration will be automatically increased by such number of Oversubscription Bonds that will not be taken up or exercised.

c. In the event that any of the Joint Lead Underwriters fails to comply with its Underwriting Commitment because of its own fault for any reason whatsoever and such failure is not caused by an event beyond its control and/or such failure is attributable to the fault of the Issuer, the Issuer may appoint such other Joint Lead Underwriter/s under terms and conditions as the Issuer may deem reasonable under the circumstances.

3.3 Scope of Obligations of the Joint Lead Underwriters

a. For the avoidance of doubt, the obligations and liabilities of each Joint Lead Underwriters to the Issuer arising from the offer, distribution, and sale of the First Tranche Bonds is strictly limited to its respective Underwriting Commitment.

b. Nothing in this Agreement shall be deemed to create a partnership or joint venture between the Issuer and the Joint Lead Underwriters.

c. Each of the Joint Lead Underwriters shall not be liable except for the performance of its duties and obligations as specifically set forth in this Agreement and neither the Joint Lead Underwriters nor any of their officers, directors, agents, or employees shall be held liable for any action taken or omitted to be taken by it or them in connection with this Agreement, except for its own gross negligence or willful default.

d. Nothing herein shall be construed as requiring the Joint Lead Underwriters to give or provide any legal, accounting, tax, or other specialist or technical advice or services including but not limited to insurance, legal, taxation, accounting, regulatory or financial or strategic advice, other than as otherwise expressly set out in this Agreement, or give advice on any aspects relating to regulatory requirements in the Philippines or elsewhere.

e. Without diminishing its obligations under this Agreement, each of the Joint Lead Underwriters may execute any of its duties hereunder by or through, or in conjunction with, one or more of their affiliates or through agents or attorneys-in-fact. Without diminishing their obligations under this Agreement, the Joint Lead Underwriters may consult with legal counsel and other professional experts and consultants selected by them and shall not be liable for any action taken or omitted to be taken in good faith by them in accordance with the reasonable advice of such counsel, expert or consultant.

f. The Joint Lead Underwriters may have certain material interests in the Offer other than the fees to be paid by the Issuer herein in respect of the work undertaken as Joint Lead Underwriters to the Offer. Provided that the obligations of the Joint Lead Underwriters herein shall not be diminished, the Issuer accepts that the Joint Lead Underwriters may, without reference to the Issuer, and without taking into account the Joint Lead Underwriters' involvement with the Issuer as Joint Lead Underwriters or in any other capacity in connection with the Offer, have a financial interest in the Offer, and/or make a market in the shares or other securities of the Issuer, or those of other companies with an interest in the Offer, and/or advise clients in relation to the buying, selling and/or holding of such shares or securities, and/or buy, sell or hold such shares or securities on behalf of clients for investment purposes and/or have existing lending exposure to the Issuer or other companies with an interest in the Offer. Although the Joint Lead Underwriters in the course of such other relationships may acquire information about the Offer or other matters concerning the Issuer, it shall have no obligation to disclose such information, or the fact that the Joint Lead Underwriters is in possession of such information, to the Issuer or to use such information for the benefit of the Issuer. It is hereby understood and agreed that the Issuer's acceptance as above provided does not in any way imply acceptance of knowledge, responsibility or liability for any such transactions, without prejudice to Section 10.1.

g. None of the provisions contained in this Agreement shall require the Joint Lead Underwriters to expend or risk their own funds or otherwise incur personal financial liability in the performance of any of their duties or in the exercise of any of their rights or powers under this Agreement (other than their respective Underwriting Commitment or unless such cost, expense or liability is for the account of the Joint Lead Underwriters under this Agreement) if, in the determination of the Joint Lead Underwriters, there is reasonable ground for believing that the repayment of such funds or liability is not reasonably assured to them under the terms of this Agreement.

h. In consultation with the Issuer, the Joint Lead Underwriters may organize such syndicate of participating or sub-underwriters, soliciting dealers and/or selling agents as they may deem necessary or convenient, and as they may select under such terms and conditions not inconsistent with this Agreement as may be agreed upon between and among them and such members.

i. For the duration of the Offer Period, the First Tranche Bonds may be acquired only through any of the Joint Lead Underwriters and such syndicate of participating or sub-underwriters, soliciting dealers, and/or selling agents selected by them in accordance with this Agreement.

3.4 Fulfillment of Underwriting Commitment

a. Each Joint Lead Underwriter shall remain solely responsible to the Issuer in respect of its obligations under this Agreement.

b. Relying on the representations and warranties contained in Section 8.1 hereof and subject to satisfaction of the conditions set out in Section 6.1, each Joint Lead Underwriter shall be deemed as of 12:00 noon on the last day of the Offer Period, to have irrevocably subscribed for and agreed to purchase on the terms set forth herein and in the Application to Purchase, the unsold portion of the Underwritten Bonds but only to the extent of their respective Underwriting Commitment as set out in Section 3.2 and after taking into account the First Tranche Bonds taken up by the investors in general, all duly completed Applications to Purchase and payments received by the end of the Offer Period. The Joint Lead Underwriters shall pay or shall cause their respective clients to pay at the Purchase Price (it being understood that any portion of such Underwritten Bonds not taken up and paid for by their respective clients shall be taken up and paid for by relevant Joint Lead Underwriters/s to the extent of their relevant Underwriting Commitment.

3.5 Submission of Documents to the Registrar

a. Before the commencement of the Offer Period, the Issuer shall deliver to the Registrar the documents referred to in Section 2.4.2 of the Registry and Paying Agency Agreement.

b. In the event that there are deficiencies in the foregoing documents as specified in a written notice issued by the Registrar, the Issuer, or the Joint Lead Underwriters, shall correct or remedy such deficiencies in accordance with the Registry and Paying Agency Agreement.

Section 4 APPLICATION AND PAYMENT FOR THE FIRST TRANCHE BONDS

4.1 Application to Purchase and Payment Terms

a. Subject to Applicable Law and the Terms and Conditions, there shall be no limitation on the number of First Tranche Bonds that Applicants may apply for.

b. All applications to purchase the First Tranche Bonds shall be evidenced by a duly completed and signed Application to Purchase, and should be submitted to the Joint Lead Underwriters, together with the documentary requirements set forth in Sections 4.1c to 4.1e below not later than 12:00 noon on the last day of the Offer Period.

c. The Application to Purchase of corporate, partnership, institutional or trust account Applicants must be accompanied by the following:

(i) an original notarized certificate of the corporate secretary (or an equivalent officer of the Applicant) setting forth resolutions of the board of directors, partners or equivalent body (x) authorizing the purchase of the First Tranche Bonds indicated in the Application to Purchase and (y) designating the signatory/ies, with their specimen signature/s, for the said purposes;

(ii) copies of its Articles of Incorporation and latest amendments thereof, together with the Certificate of Incorporation issued by the SEC or other organizational documents issued by an equivalent government institution, stamped and signed as certified true copies by the SEC or the equivalent government institution, or by the corporate secretary, or by an equivalent officer(s) of the Applicant who is/are authorized signatory(ies);

(iii) two (2) duly accomplished signature cards containing the specimen signatures of the authorized signatories of the Applicant, validated by its corporate secretary or by an equivalent officer(s) who is/are authorized signatory(ies), whose authority(ies) and specimen signatures have been submitted to the Registrar;

(iv) identification document(s) of the authorized signatories of the Applicant, as specified in Section 4.1d below; and

(v) such other documents as may be reasonably required by the Joint Lead Underwriters and the Registrar in the implementation of its internal policies regarding "know your customer" and anti-money laundering and requirements related to the Foreign Account Tax Compliance Act ("**FATCA**").

d. The Application to Purchase of an individual Applicant must be accompanied by the following:

(i) identification document ("**ID**") of the Applicant which shall consist of any one of the following valid identification documents bearing a recent photo, and which is not expired: Tax Identification Number (TIN) ID, Passport, Driver's License, Professional Regulation Commission ID, National Bureau of Investigation Clearance, Police Clearance, Postal ID, Voter's ID, Barangay Certification, Government Service Insurance System e-Card, Social Security System Card, Senior Citizen Card, Overseas Workers Welfare Administration ID, OFW ID, Seaman's Book, Alien Certification of Registration/Immigrant Certificate of Registration, Government Office and government-owned and controlled corporation ID, *e.g.*, Armed Forces of the Philippines, Home Development Mutual Fund, Certification from the National Council for the Welfare of Disabled Persons, Department of Social Welfare and Development Certification, Integrated Bar of the Philippines ID, Maritime Industry Authority, Philippine Health Insurance Corporation company IDs issued by private entities or institutions registered with or supervised or regulated either by the BSP, SEC or the Insurance Commission, or school ID duly signed by the principal or head of the school (for students who are beneficiaries of remittances/fund transfers who are not yet of voting age);

(ii) two duly accomplished signature cards containing the specimen signature of the Applicant; and

(iii) such other documents as may be reasonably required by the Joint Lead Underwriters or the Registrar in implementation of its internal policies regarding “know your customer” and anti-money laundering and requirements related to the FATCA.

e. An Applicant who is claiming exemption from any applicable tax, or entitlement to preferential tax rates shall, in addition to the requirements set forth in Section 4.1c and Section 4.1d above, be required to submit the following requirements to the Joint Lead Underwriters (together with the Application to Purchase), subject to acceptance by the Issuer as being sufficient in form and substance:

(i) Proof of Tax Exemption or Entitlement to Preferential Tax Rates

- For (a) tax-exempt corporations under Section 30 of the Tax Code (except non-stock, non-profit educational institutions under Section 30(H) of the Tax Code); (b) cooperatives duly registered with the Cooperative Development Authority; and (c) BIR-approved pension fund and retirement plan – certified true copy of valid, current and subsisting tax exemption certificate, ruling or opinion issued by the BIR. For this purpose, a tax exemption certificate or ruling shall be deemed “valid, current and subsisting” if it has not been more than 3 years since the date of issuance thereof;

- For Tax-Exempt Personal Equity Retirement Account established pursuant to PERA Act of 2008 – certified true copy of the Bondholder’s current, valid and subsisting Certificate of Accreditation as PERA Administrator;

- For all other tax-exempt entities (including, but not limited to, (a) non-stock, non-profit educational institutions; (b) government-owned or -controlled corporations; and (c) foreign governments, financing institutions owned, controlled or enjoying refinancing from foreign governments, and international or regional financial institutions established by foreign governments) – certified true copy of tax exemption certificate, ruling or opinion issued by the BIR expressly stating that their income is exempt from income tax and, consequently, withholding tax;

- With respect to tax treaty relief, (i) certificate of tax residence issued for the current year (whether using the form prescribed in their country of residence, or using Part I (D) of the Certificate of Tax Residence for Tax Treaty Relief (“CORTT”) Form prescribed under Revenue Memorandum Order No. 8-2017), and (ii) duly accomplished CORTT Form (particularly Part I (A), (B) and (C), and Part II (A), (B), (C) and (D)). In addition, upon the request of the Underwriter, the Bondholder shall submit an updated Part II (A), (B), (C) and (D) of the CORTT Form.

(ii) A duly notarized declaration (in the prescribed form) warranting that the Bondholder’s tax-exemption certificate or ruling has not been revoked or cancelled and that there are no material changes in character, purpose or method of operation of the Bondholder which are inconsistent with the basis of its income tax exemption, or warranting the Bondholder’s entitlement to preferential treaty rates, and undertaking to immediately notify the Issuer and the Registrar and Paying Agent of any suspension or revocation of its tax exemption or treaty privileges and agreeing to indemnify and hold the Issuer and Registrar and Paying Agent free and harmless against any claims, actions, suits and liabilities arising from the non-withholding or reduced withholding of the required tax; and

(iii) Such other documentary requirements as may be reasonably required by the Issuer or the Registrar or Paying Agent, or as may be required under applicable regulations of the relevant taxing or other authorities.

f. The purchase price for each First Tranche Bond which is equal to the face amount of such First Tranche Bond (the “**Purchase Price**”) is payable in full upon submission of the duly executed Application to Purchase. Payments of the Purchase Price shall be made either in cash, checks or appropriate debit instructions or payment instructions made out to the order of, and delivered to, the Joint Lead Underwriters.

4.2 Allocation and Submission of Final Sales Report

a. The Joint Issue Managers and Joint Lead Underwriters, in consultation with the Issuer, shall agree on the process for allocating the First Tranche Bonds and the manner of accepting the Applications to Purchase (the “**Allocation Plan**”). Consistent with bank procedures (if applicable) and the Allocation Plan, the Joint Lead Underwriters shall be responsible for determining who are Eligible Bondholders from the Applicants and for establishing the *bona fide* identity of each in accordance with AMLA, as well as its own internal policies and arrangements under acceptable standards and policies regarding “know-your-customer” and anti-money laundering. Nothing herein, however, shall be construed as preventing any of the Parties from performing their own investigation in accordance with the AMLA and their own internal guidelines and standards.

   The Application to Purchase, once accepted, shall constitute the duly executed purchase agreement covering the amount of the First Tranche Bonds so accepted and shall be valid and binding on the Issuer and the Applicant. Once accepted, an Application to Purchase may not be unilaterally revoked or canceled by the Applicant, in full or in part, and the rights and privileges pertaining thereto shall be non-transferrable.

b. Based on each tentative reports on sales of the Joint Lead Underwriters, as monitored by the Joint Issue Managers during the Offer Period, the Joint Issue Managers shall, as soon as practicable, commence the evaluation of the same for purposes of allocating the First Tranche Bonds to the Applicants based on the Allocation Plan.

c. If the First Tranche Bonds shall be insufficient to satisfy all Applications to Purchase, the Joint Lead Underwriters, in consultation with the Issuer, shall proceed with the manner of allocation and/or rejection of the Applications to Purchase, including the scaling down of allocations.

d. After allocating the First Tranche Bonds to the Applicants, the Joint Issue Managers shall immediately prepare and complete the Allocation Report and transmit the same to the Joint Lead Underwriters and the Registrar on or before the date that is three (3) Banking Days before the Issue Date.

e. Based on the Allocation Report, each Joint Lead Underwriter shall prepare a sales report detailing the Applications to Purchase covering the First Tranche Bonds it has approved and accepted, for purchase during the Offer Period (the "**Final Sales Report**").

f. In the event that the total sales reflected in a Final Sales Report is less than the principal amount of the First Tranche Bonds allocated to the Joint Lead Underwriters, any such discrepancy shall be registered in the name of such Joint Lead Underwriters pursuant to its Underwriting Commitment. The Joint Lead Underwriters shall submit the Application(s) to Purchase covering such unsold Bonds simultaneously with the submission of the Final Sales Report.

g. The Final Sales Report by the Joint Lead Underwriters shall be submitted to the Registrar no later than 5:00 p.m., three (3) Banking Days immediately preceding the Issue Date, together with such other documents as may be required by the Registrar under the Registry and Paying Agency Agreement to enable the Registrar to issue and prepare the Register of Bondholders and the relevant Registry Confirmations, including but not limited to the following:

    (i) a copy of the Allocation Report;

    (ii) A certificate issued by an authorized representative of each of the Joint Lead Underwriters, that: (w) the necessary or know-your client process was conducted on the Applicants pursuant to the AMLA and the amendments thereto as well as its implementing rules and regulations ("IRR"), (x) the identity of the applicant-purchasers were duly established pursuant to the AMLA and its IRR; (y) to the best knowledge of each of the Joint Lead Underwriters, all information provided to the Registrar regarding the applicant-purchasers are true, complete, current and correct and (z) all authorizations and waivers from the applicant-purchasers necessary for each of the Joint Lead Underwriters to disclose all information required by the Registrar to determine the eligibility of the applicant-purchasers have been duly obtained;

    (iii) the copy of the Registrar of each duly accomplished Application to Purchase, including the required supporting documents set forth in Sections 4.1c to 4.1e for each Application to Purchase.

h. A copy of the Final Sales Report accompanied by the notarized Certification under Section 4.2g(ii) above shall likewise be given to the Issuer.

i. The Parties acknowledge that the procedure in relation to the Registrar, the Registry, and other matters in relation thereto shall be as follows:

(i) The Registrar shall register in its Registry on Issue Date the amount of the First Tranche Bonds held by each accepted Applicant and the information needed to create the registry account based solely on the certified Final Sales Report from the Joint Lead Underwriters.

(ii) The Registrar shall verify that the total sales as indicated in the Final Sales Report submitted by the Joint Lead Underwriters are within the total amount of the First Tranche Bonds authorized for sale by the SEC, and consistent with the Underwriting Commitment of the Joint Lead Underwriters.

(iii) In the event that the Registrar determines that there is any documentation deficiency or error in the submission of the Joint Lead Underwriters, the Registrar shall coordinate with the Joint Lead Underwriters to immediately take the necessary action to remedy the deficiency. The Joint Lead Underwriters shall be given five (5) Banking Days after Issue Date to remedy or cure any documentation or other deficiency as stated in the Final Sales Report.

(iv) The Registrar will not issue a Registry Confirmation to the Bondholder pending completion of documentation. In addition, such Bondholder will not be allowed to sell or transfer his Bonds until such deficient document/s has been remedied.

(v) The Issuer shall, not later than 9:00 a.m. on Issue Date, deliver the duly executed Master Certificates of Indebtedness covering the entire principal amount of the First Tranche Bonds, to the Trustee, with a copy to the Registrar. The Trustee shall, upon its receipt of the duly executed Master Certificates of Indebtedness, immediately notify the Joint Issue Managers and the Joint Lead Underwriters of such fact in writing (including, without limitation, by facsimile transmission, telex or telecopier or electronic mail).

4.3 Remittance of Purchase Price

a. After confirmation of receipt by the Trustee of the Master Certificates of Indebtedness, the Joint Lead Underwriters shall deliver or cause the delivery of the Purchase Price of the Underwritten Bonds to the Issuer in accordance with this Section 4.3, subject to the satisfaction of the conditions set out in Section 4.1. The Purchase Price of the Underwritten Bonds shall be remitted in cleared and available funds via RTGS to bank account no. [•], under the account name, "Aboitiz Equity Ventures Inc." (the **"Receiving Account**"), not later than 11:00 a.m., Philippine Standard Time, on the Issue Date as payment for the Purchase Price of the Underwritten Bonds sold by the Joint Lead Underwriters or deemed purchased by the Joint Lead Underwriters pursuant to their respective Underwriting Commitments except when the Issuer rejected Application/s. In such a case, the Joint Lead Underwriters shall not be obliged to remit the amount/s of the rejected Application/s by the Issuer. The Joint Lead Underwriters shall, not later than 11:30 a.m. on the Issue Date, submit to the Issuer via fax or electronic mail a copy of its RTGS remittance instructions.

b. All remittances of the Purchase Price by the Joint Lead Underwriters to the Receiving Account shall be in an amount equal to the Purchase Price for the First Tranche Bonds allocated to it pursuant to the allocation held prior to the Offer Period, including all payments received from qualified institutional buyers, and its proprietary sales or in an amount equal to the Underwriting Commitment in the event that the Issuer calls on the Underwriting Commitment of the Joint Lead Underwriters.

c. In the event that a Joint Lead Underwriter fails to remit the Purchase Price to the Receiving Account on the Issue Date, such Joint Lead Underwriter shall be liable to the Issuer for the interest on such amount not remitted on time at a rate equal to the then applicable interest rate on First Tranche Bonds, from the Issue Date to the date of the actual remittance, without prejudice to any other action which the Issuer may take to protect its interest; provided, that such Joint Lead Underwriter shall not be liable hereunder where such failure is not due to the fault of such Joint Lead Underwriter or where such failure is caused by an event beyond the control of such Joint Lead Underwriter and/or such failure is attributable to the fault of the Issuer.

4.4 Rejection of Applications to Purchase/Refunds

a. In the event an Application to Purchase is rejected or the amount of the First Tranche Bonds applied for is scaled down for a particular Applicant in accordance with the Allocation Plan, the relevant Joint Lead Underwriter, upon completion of the Allocation Report, shall notify the Applicant concerned that his/her application has been rejected or that the amount of First Tranche Bonds applied for is scaled down.

b. With respect to an Applicant whose application was rejected, refund shall be made without interest by the relevant Joint Lead Underwriter by making the check payment of the Applicant concerned available for his retrieval. With respect to an Applicant whose application has been scaled down, refund shall be made by the issuance by the relevant Joint Lead Underwriter of its own check payable to the order of the Applicant and crossed ‘‘Payees’ Account Only’’ corresponding to the amount in excess of the accepted Application. All checks shall be made available for pick up by the Applicant concerned at the office of the relevant Joint Lead Underwriter to whom the rejected or scaled down Application was submitted within ten (10) Banking Days after the last day of the Offer Period.

4.5 Correction of Entries

Any changes to the Register of Bondholders as may be necessary to correct erroneous information shall be made in accordance with the Registry and Paying Agency Agreement.

Section 5 LISTING

5.1 Application for Listing

a. The Issuer shall, as soon as reasonably practicable, apply for the First Tranche Bonds to be listed on the PDEx.

b. The Issuer agrees to deliver to PDEx copies of all necessary documents and to take such other steps as may be required for the purpose of obtaining and maintaining such listing including, without limitation, the payment of the necessary fees for listing.

5.2 Maintenance of Listing

In the event the First Tranche Bonds are listed in the PDEx, the Issuer shall maintain the listing of the First Tranche Bonds for as long as the First Tranche Bonds are outstanding.

Section 6 CONDITIONS PRECEDENT

6.1 Conditions to Obligations of the Joint Lead Underwriters

The obligations of the Joint Lead Underwriters under this Agreement: (i) are premised and conditioned on the truth and accuracy of the representations and warranties of the Issuer in Section 8.1 hereof from the signing of this Agreement and up to Issue Date; and (ii) shall be conditioned on the occurrence of all of the following conditions on or before Issue Date:

a. the completion of a customary due diligence review of the Issuer, with results reasonably satisfactory to the Joint Lead Underwriters;

b. the receipt by the Trustee (and the Trustee having certified such receipt and delivering copies to the Joint Lead Underwriters) and the Registrar through their respective counsels, of a copy of the Prospectus, the Permit to Sell Securities, and order rendering effective the Registration Statement certified by the corporate secretary of the Issuer or any of its authorized officers as a true copy;

c. the execution and delivery of the Transaction Documents by the relevant parties thereto;

d. the receipt by the Trustee (and the Trustee having certified such receipt and delivering copies to the Joint Lead Underwriters) and the Registrar two (2) days before the Issue Date, through their respective counsels, of a certificate issued by the corporate secretary of the Issuer certifying to:

    (i) the resolutions of the board of directors of the Issuer authorizing the issuance, offering and distribution of the First Tranche Bonds and the performance by the Issuer of all the terms and conditions of the First Tranche Bonds including *inter alia* details of the issue size, and the appointment of the Joint Issue Managers, the Joint Lead Underwriters, the Registrar, the Paying Agent, and the Trustee, and

    (ii) the authority, name, title, and specimen signature of each officer of the Issuer authorized to sign, execute and deliver any document necessary for the Offer, including but not limited to the Transaction Documents;

e. the receipt by the Trustee (and the Trustee having certified such receipt and delivering copies to the Joint Lead Underwriters) and Registrar, at least two (2) Banking Days before Issue Date, through counsel, of the SEC Certificate of

Incorporation and Articles of Incorporation and By-Laws of the Issuer, certified by the corporate secretary of the Issuer or any of its authorized officers as a true copy;

f. the receipt by the Joint Lead Underwriters on the Issue Date, through counsel, of a written confirmation from the Issuer, executed by an authorized officer, dated as of the Issue Date and in form and substance acceptable to the Joint Lead Underwriters, that:

(i) the representations and warranties contained in Section 8.1 of this Agreement are true and correct at, and as if made on, the Issue Date;

(ii) the Issuer has performed its obligations herein to the extent required as of Issue Date, and that the conditions specified in this Section 6.1 have been satisfied;

(iii) none of the events enumerated in Section 11.1a(i) to Section 11.1a(xiii) has occurred or is continuing as of Issue Date;

(iv) all documents delivered to the Joint Issue Managers and the Joint Lead Underwriters pursuant to this Section 6.1 are in full force and effect as of Issue Date; and

(v) subsequent to the date of the most recent financial statements in the Prospectus, there has been no event or condition which would have a Material Adverse Effect on the Issuer except as disclosed in the Prospectus or other documents in the public domain.

g. the receipt by the Trustee (and the Trustee having certified such receipt and delivering copies to the Joint Lead Underwriters), through counsel, of a closing opinion, issued by the General Counsel of the Issuer, in form and substance acceptable to the Joint Issue Managers and the Joint Lead Underwriters;

h. the receipt by the Trustee (and the Trustee having certified such receipt and delivering copies to the Joint Lead Underwriters) of comfort letters from the external auditor of the Issuer, SyCip Gorres Velayo & Co., dated as of the commencement of the Offer Period, in form and substance acceptable to the Joint Lead Underwriters;

i. the Offer Period shall have closed according to the terms and conditions of the Offer, except if certain terms and conditions of the Offer are changed due to the fault or gross negligence, or with the consent, of the Joint Lead Underwriters;

j. there shall have occurred no downgrading, nor shall any notice have been given of (i) any intended or potential downgrading, or (ii) any review or possible change which does not indicate the direction of any change, in a rating solicited by the Issuer in accordance with SEC regulations for the First Tranche Bonds from any rating agency;

k. the receipt by the Joint Lead Underwriters of a closing opinion, issued by the Joint Lead Underwriters' legal counsel on the capacity and due authorization of the Issuer to enter into the Transaction Documents.

6.2 Non-Fulfillment of Conditions Precedent

The Joint Lead Underwriters shall notify the Issuer in writing in the event that any of the above conditions are not complied with on the dates that compliance is required (unless the condition is waived unanimously in writing by the Joint Lead Underwriters at their sole discretion), and thereupon this Agreement and the obligations of the Parties under this Agreement shall forthwith lapse with the effects set forth in Section 11.4 below. Provided however that, in lieu of cancellation or termination, and with the prior consent of the Issuer and subject to Applicable Law, the Joint Issue Managers may change the structure and pricing of the Offer if it determines that such changes are advisable in order to ensure the successful placement of the Offer.

Section 7 INFORMATION AND PROSPECTUS

7.1 Materials for the Offer

a. The Issuer, the First Tranche Bonds and the terms and conditions of the Offer are more fully described in the Prospectus which is made an integral part hereof by reference.

b. The Issuer shall furnish the Joint Lead Underwriters with applicable and relevant documents and information, give all such relevant undertakings, execute all such required agreements and instruments, and do all such acts and deliver all such things as may be reasonably required in connection with the fulfillment of the conditions contained in Section 6.1 of this Agreement, and the preparation and finalization of the Registration Statement, any offer supplement, the Prospectus and all Transaction Documents.

c. The Issuer hereby authorizes the use by the Joint Lead Underwriters of the Prospectus for purposes of the Offer. The Issuer shall, through the Joint Issue Managers, furnish and deliver as many copies of the Prospectus and the Application to Purchase as the Joint Lead Underwriters may reasonably request.

7.2 Limitations of Use

a. Each of the Joint Lead Underwriters agrees not to use any material except the Prospectus, its amendments or supplements, and other circulars, letters, or sales literature provided by the Issuer or approved by the Issuer in writing in respect of the Offer. Any advertisement or press release relating to the Offer shall be subject to prior written approval by the Joint Lead Underwriters and the Issuer, provided the final approval by the Issuer shall not be unreasonably delayed or withheld. Any Party to this Agreement committing a violation of this Section 7.2 shall be liable to the Joint Lead Underwriters and the Issuer for any advertisement or press release relating to the Offer, which has not been previously approved by the Joint Lead Underwriters and the Issuer.

b. Neither the Issuer nor the Joint Lead Underwriters shall make public announcements or communications concerning any aspect of the Offer, which is or may be material without the other Parties' prior written approval (which approval shall not to be unreasonably withheld) except for such announcements or communications required by Applicable Law.

c. If so required under Applicable Law, any and all acts and deeds legally required to be done or obtained before such notices or advertisements can be made or such other sales literature can be distributed shall be performed, executed, done or obtained by the Issuer on or before the final approval by the Issuer of the advertisements and/or sales literature.

Section 8 REPRESENTATIONS AND WARRANTIES

8.1 Representations and Warranties of the Issuer

The Issuer hereby represents, warrants and undertakes to the other Parties that, except as otherwise disclosed in the Prospectus:

a. To the best of the knowledge of the Issuer, reckoned from date of this Agreement, no grounds exist for the issuance of any cease and desist order suspending the effectiveness of the Registration Statement or preventing or suspending the use of the Prospectus or no such order has been issued or threatened by the SEC. If at any time the SEC shall issue any order suspending the effectiveness of the Registration Statement or the Prospectus, the Issuer shall exert its best efforts to obtain the withdrawal of such order at the earliest possible time. The Prospectus and the Registration Statement: (i) are compliant and will remain compliant in all material respects with relevant SEC regulations on bond issuances currently existing ("**SEC Rules**"); (ii) contain all information and particulars with respect to the Issuer and to the First Tranche Bonds which are material in the context of the Offer (including, without limitation, all information required by the Applicable Law and the information which, according to the particular nature of the Issuer and the First Tranche Bonds, are required to be provided to potential investors to enable investors to make an informed assessment of the financial position, capitalization, assets, business, operations and prospects of the Issuer in its entirety and the rights attaching to the First Tranche Bonds); (iii) do not contain any untrue statement of a material fact nor omit to state a material fact required to be stated or necessary to make the statements (taken as a whole) not misleading under the circumstances; and (iv) all reasonable enquiries have been made by the Issuer to ascertain such material facts and to verify the accuracy of all such material information and statements. The Permit to Sell Securities, Registration Statement or the Prospectus shall continue to be in the aforementioned condition during the Offer Period.

b. Except for the Certificate of Regsitration and the Permit to Sell Securities which shall be in full force and effect on or before the Offer Period and until the Listing Date, there are no filings or registrations with, nor any rulings, approvals and consents of, any government, administrative or regulatory agency, that are necessary or desirable for the execution and delivery by the Issuer of the Transaction Documents, the circulation of the Prospectus, the issue and distribution of the First Tranche Bonds, and the performance by the Issuer of its obligations under the First Tranche Bonds and the Transaction Documents.

c. No proceeding for the purpose of non-issuance of the Permit to Sell Securities has been instituted or, to the best knowledge of the Issuer, threatened by the SEC or any third party.

d. The statements, forecasts, estimates and expressions of opinion contained in the Registration Statement and the Prospectus including but not limited to the profits, prospects, dividends, indebtedness, assets, liabilities, cash flow and working capital of the Issuer have been made after due and proper consideration, and represent reasonable and fair expectations honestly held based on facts known to the Issuer as of the respective dates as of which information is given in the Registration Statement and Prospectus.

e. The Issuer is a corporation duly organized, validly existing, and in good standing under and by virtue of the laws of the Philippines, and has its principal office at the address indicated in the recitals of this Agreement.

f. The Issuer is registered or qualified to do business in every jurisdiction where registration or qualification is necessary; and has full legal right, corporate power and authority to carry on and conduct its present business, to own and lease the properties and assets owned and leased by it, to issue the First Tranche Bonds and to execute and deliver the Transaction Documents, and to comply, perform and observe the terms and conditions thereof.

g. The Articles of Incorporation, By-Laws and other constituent documents of the Issuer authorize, and all required corporate, governmental and legal action, approvals, consents and authorization have been taken by the Issuer to authorize, the execution, delivery and performance of the Transaction Documents.

h. This Agreement constitutes, and each other Transaction Documents when executed and delivered pursuant hereto and the obligations of the Issuer will constitute, the legal, valid and binding obligations of the Issuer, enforceable in accordance with their respective terms, and except as enforceability may be limited by (i) applicable bankruptcy, insolvency, reorganization or other similar laws of general application relating to or affecting the enforcement of creditors' rights; and (ii) the application of general equitable principles; provided*,* that the documentary stamp taxes due on the issuance of the First Tranche Bonds shall be paid by the Issuer within the period allowed under Applicable Laws.

i. The execution, delivery and performance of the Transaction Documents, the obligations of the Issuer under the First Tranche Bonds and the payment of all amounts due on the dates and in the currency provided for therein by the Issuer (i) will not violate any Applicable Law, (ii) will not conflict with the Articles of Incorporation and By-Laws of the Issuer, (iii) will not conflict with or result in the breach of any provision of, or in the creation or imposition of any Lien on any of the properties of the Issuer under, any agreement or instrument to which the Issuer is a party or by which it or any of its properties or assets are bound, and (iv) will not conflict with, or constitute a default or an event that, with the giving of notice or the passing of time, or both, would constitute a default under, any such agreement or instrument, except for any such conflict, breach, violation, default or Lien under (i), (iii) or (iv) above that would not have a Material Adverse Effect.

j. Except for the Certificate of Regsitration and the Permit to Sell Securities which shall be obtained on or before the Offer Period and until the Listing Date, the Issuer has obtained all material Government Approvals and the consents of third parties, if any, which are necessary for the due execution, delivery, performance, validity and enforceability of the Transaction Documents other than the payment of the documentary stamp taxes due on issuance of the First Tranche Bonds which shall be paid by the Issuer within the period allowed by Applicable Laws and except if the failure to obtain such Government Approvals will not have a Material Adverse Effect.

k. All conditions imposed under the SRC and any subsequent conditions imposed by the SEC for the Offer under this Agreement have been and will be complied with by the Issuer as of the date and/or time that they are required to be complied with.

l. The Issuer shall promptly advise the Joint Lead Underwriters: (i) of any request by the SEC to the Issuer for any updating, amendment or supplement to the Registration Statement or the Prospectus or for any additional information thereon; and (ii) of the issuance by any government agency or office of any cease and desist order suspending the distribution or sale of the First Tranche Bonds or the initiation of any proceeding for any such purpose. No amendment or supplement to the Registration Statement or the Prospectus have been or will be made during the Offer Period without prior written approval of the Joint Lead Underwriters, which approval shall not be unreasonably withheld.

m. All written information supplied or provided by the Issuer to the Joint Lead Underwriters for the due diligence review for the Offer and for other purposes directly relating to the Offer and to the Trustee in connection with the Transaction Documents, including the information contained in the Registration Statement and the Prospectus, are, taken as a whole and as of their respective dates, and if amended or supplemented, as of the date of such amendment or supplement: (i) are not violative of any statute, or any rule or regulation of any government agency or office, (ii) are true, correct, and complete, in all material respects, on the Issuer, as of the date such written information is dated or certified, and (iii) are not incomplete by omitting to state any fact necessary to make such written information (taken as a whole) not misleading in any material respect at such time in light of the circumstances under which such written information was provided; provided that:

    (i) any statement in such written information describing documents and agreements are summaries only and such summaries are qualified in their entirety by reference to such documents and agreements;

    (ii) to the extent any information was based upon or constitutes a forecast, projection, opinion or other data which by its nature is uncertain, the Issuer represents only that it acted in good faith and utilized due and careful consideration in the preparation of such information;

    (iii) as to such written information which has been sourced from or supplied by or with respect to third parties (other than any such written information supplied by the agents of the Issuer on behalf of the Issuer), the Issuer represents only that, to its reasonable knowledge and without making any independent inquiry, it is not aware of any misstatement or omission therein; and

(iv) no representation or warranty is made as to any information which has been expressly qualified as an opinion.

n. Except as otherwise disclosed in the Prospectus, since the respective dates as of which information is given in the Prospectus and until the Issue Date: (i) there has not been any event which may have a Material Adverse Effect, or any development involving a Material Adverse Effect, in or affecting the general affairs, condition (financial or otherwise), results of operation, business, prospects, management, financial position, stockholders' equity, or financial performance of the Issuer or which makes it improbable that it will be able to fulfill any of its obligations under Transaction Documents; and (ii) the Issuer have not entered into any transaction or agreement which has a Material Adverse Effect to the Offer.

o. The Issuer has good and marketable title to all its properties, free and clear of Liens except for Permitted Liens.

p. The obligations of the Issuer under the First Tranche Bonds shall constitute direct, unconditional, unsecured, and unsubordinated Peso denominated obligations of the Issuer and shall rank *pari passu* and ratably without any preference or priority amongst themselves and at least *pari passu* in priority of payment with all other present and future unsecured and unsubordinated obligations of the Issuer, other than (i) obligations preferred by the law, (ii) any Permitted Lien, or as may be allowed by the Trust Agreement, and (iii) other Indebtedness or obligations disclosed by the Issuer to the Trustee as of the Issue Date.

q. No event has occurred and is continuing or would result from the making of this Agreement which constitutes an Event of Default or which, upon a lapse of time or notice or both, would become such an Event of Default.

r. The Issuer is not in default in the performance, observance or fulfillment of any obligation, covenant or condition in any agreement or instrument to which they are parties or by which it or any of its properties or assets are bound, where such default will have a Material Adverse Effect;

s. No litigation, arbitration or administrative proceeding or claim before or of any court, tribunal, arbitrator or other relevant Government Authority is pending or presently in progress or, after due inquiry and to the best knowledge of the Issuer, threatened against the Issuer, or affecting its assets and properties, which, by itself or together with any other such proceeding or claim is reasonably likely to be adversely decided against the Issuer and if so adversely decided, would have a Material Adverse Effect, or which would enjoin the execution and delivery of the Transaction Documents.

t. The Issuer is conducting their respective businesses and operations in compliance with all Applicable Laws except where failure to do so will not have a Material Adverse Effect;

u. The Issuer has filed true, complete and timely tax returns and have paid all taxes due on such tax returns and assessments received by it in respect of the ownership of its properties and assets or the conduct of their operations, except (i) to the extent the payment of such taxes is being contested in good faith and by appropriate proceedings duly conducted and covered by adequate reserves to the extent required in accordance with PFRS as interpreted by the independent external auditor of the Issuer; or (ii) the failure to file such true, complete and timely tax returns or pay such taxes will not have a Material Adverse Effect;

v. The audited financial statements as of December 31, 2017 and December 31, 2018 of the Issuer provided to the Trustee or the Bondholders have been prepared in accordance with PFRS; such financial statements fairly present the financial condition and results of operations of the Issuer as of the dates stated therein and for the periods then ended, and there are no material or substantial liabilities, direct or indirect, fixed or contingent, of the Issuer as of Issue Date that are not reflected therein or in the notes thereto; and since the latest date of such financial statements, to the best knowledge of the Issuer, there has not occurred any event or circumstance which has had or would be reasonably likely to have a Material Adverse Effect and which has not been disclosed to the Trustee or the Bondholders.

w. No information which could have a material adverse effect on the business of the Issuer has been withheld from the independent public accountants of the Issuer for the purposes of the relevant audited financial statements as set out in the Prospectus and as used in connection with the Offer.

x. There is no tax payable by the Issuer pursuant to the terms of any of the Transaction Documents or to be imposed on or by virtue of the execution, delivery, performance or enforcement of any of the Transaction Documents other than as disclosed in the statements in the Registration Statement and the Prospectus under the caption "Taxation".

y. The Issuer has not entered into any business other than those as disclosed in the Prospectus.

z. The operations of the Issuer are and have been conducted at all times in compliance with applicable financial record keeping and reporting requirements and money laundering statutes in the Philippines and of all jurisdictions in which the Issuer conducts business or operations, the rules and regulations thereunder and any related or similar rules, regulations or guidelines, issued and administered or enforced by any government agency or proceeding by or before any court or government agency (collectively, "Money Laundering Laws") and except as otherwise disclosed in the Prospectus, no action, suit or proceeding by or before any court or government agency, authority or body or any arbitrator involving the Issuer with respect to Money Laundering Laws is pending and to the best of knowledge, information and belief of the Issuer, no such actions, suits or proceedings are threatened.

aa. Neither the Issuer nor any of its properties or assets enjoy any right of immunity from suit, jurisdiction, of any competent court, attachment prior to judgment, attachment in aid of execution, execution of judgment or set-off in respect of its obligations under this Agreement, the Trust Agreement and the First Tranche Bonds

bb. The Issuer is solvent to operate and engage in business, and specifically that: (i) it is able to meet its obligations as they mature; (ii) the fair value of its assets exceeds its liabilities; and (iii) it has sufficient capital to carry on its business;

cc. The Issuer shall use the proceeds of the Offer in accordance with the Prospectus.

8.2 Representations and Warranties of the Joint Lead Underwriters

Each of the Joint Lead Underwriters, jointly and not solidarily, and with respect to itself only, represents and warrants that:

a. It is a corporation duly organized and existing under the laws of the place of its incorporation, and is duly authorized to do business in the Philippines, with full power and authority to undertake its respective duties as a Joint Lead Underwriter.

b. The execution, delivery, and performance by it of this Agreement have been duly authorized by appropriate or necessary corporate actions or approvals and constitute its valid and binding agreement and will not conflict with or constitute a breach of its Articles of Incorporation or By-Laws, or any contract or other instrument by which it or any of its assets is bound, or any Philippine law, regulation, judgment, or order of any of its offices, agencies, or instrumentalities.

c. It has made its own independent appraisal of the business, financial condition, operations, creditworthiness and status of the Issuer based on information provided by the Issuer, and will continue to be solely responsible for making its own independent appraisal of such matters in the future.

d. Since no action has been taken to permit a public offer of the First Tranche Bonds or the distribution of the Prospectus in any jurisdiction other than the Philippines, the Joint Lead Underwriters shall not sell or offer any of the First Tranche Bonds which may be sold or acquired by them or distribute copies of the Prospectus in any jurisdiction except under circumstances that will result in compliance with any applicable laws and/or regulations. For this purpose, the Joint Lead Underwriters shall require a representation and warranty from their foreign investors that their investment in the First Tranche Bonds will not violate the laws of their jurisdiction and that they are allowed to acquire or invest in the First Tranche Bonds.

8.3 Notice of Material Events

The Issuer shall forthwith notify the Joint Lead Underwriters if, at any time on or prior to the Issue Date, anything becomes known to the Issuer that renders or may render untrue or inaccurate any of the representations and warranties of the Issuer in this Agreement. The Issuer shall forthwith take steps as the Joint Issue Managers and Joint Lead Underwriters may reasonably request to remedy and/or publicize that fact, including the making of any announcement.

8.4 Accuracy of Representations and Warranties

The representations and warranties made by the Issuer and by the Joint Lead Underwriters in this Agreement are true, correct and accurate as of the Signing Date, throughout the Offer Period and up to the Issue Date.

Section 9 UNDERTAKINGS OF THE JOINT LEAD UNDERWRITERS

The Joint Lead Underwriters agree not to give any information or make any representation in respect of the Issuer, the Offer and the First Tranche Bonds other than those (i) allowed by Applicable Law or required by the courts or government authorities; (ii) contained in the Prospectus, its amendments or supplements, and other circulars, letters, or sales literature provided by the Issuer; (iii) announcements made during a road show; or (iv) any other corporate information approved in writing by the Issuer.

Section 10 INDEMNITIES AND LIMITATIONS

10.1 Indemnity Obligation

a. The Issuer shall indemnify and hold the Joint Issue Managers and Joint Lead Underwriters, its directors, officers employees, affiliates, agents, and stockholders, free and harmless from any and all actual and documented losses, claims, damages, liabilities and expenses (including attorney's fees), or any actions with respect thereto, arising directly out of or by virtue of: (i) the failure of the Issuer to comply with any of its undertakings, covenants or other obligations in this Agreement and related agreements referred to herein; (ii) any defect, falsity or inaccuracy in the representations and warranties of the Issuer herein or in any material fact contained in the Prospectus, or any misleading statement of a material fact contained therein, or omission of, a material fact necessary or required to be stated therein for purposes of fair disclosure or to make such statement not misleading in the light of the circumstances under which it was made; or (iii) any court proceeding, litigation or other similar action against the Joint Issue Managers and the Joint Lead Underwriters in connection with or with respect to the sale by the Issuer of the First Tranche Bonds in the Offer, and will pay for or reimburse the Joint Issue Managers and the Joint Lead Underwriters within ten (10) Banking Days from demand for any reasonable and documented legal or other expense reasonably incurred by it in connection with investigating or defending against such losses, claims, damages, expenses, liabilities or actions, except where such court proceeding, litigation or other similar action is due to the willful misconduct or gross negligence of the Joint Issue Managers or the Joint Lead Underwriters.

b. The Issuer shall indemnify and hold the Joint Issue Managers and Joint Lead Underwriters, its respective directors, officers and employees, free and harmless from any and all actual and documented losses, claims, damages, liability and expenses, or actions with respect thereto arising directly out of, or in connection with the appointment of the Joint Issue Managers and Joint Lead Underwriters as such pursuant to this Agreement, except to the extent that said losses, claims, damages, liability and expenses, or actions have resulted primarily and directly from the Joint Issue Managers and Joint Lead Underwriters's own willful misconduct or gross negligence. The Issuer will pay for or reimburse within ten (10) Banking Days from demand of the Joint Issue Managers and Joint Lead Underwriters of any actual and documented legal or other expense in connection with investigating or defending against such losses, claims, damages, expenses, liabilities or actions.

c. The obligation of the Issuer to indemnify the Joint Issue Managers or the Joint Lead Underwriters for breach of the representations and warranties set out in Section 8.1 shall continue in full force and effect, notwithstanding the completion of the Offer, the performance of other provisions of this Agreement, or the termination of this Agreement.

d. In case of assertion of any claim against the Joint Issue Managers or the Joint Lead Underwriters or of the commencement of any claim, action or proceeding relating to this Agreement, including any breach or violation by or any action that may be attributable to the Issuer or any claim, action or proceeding to refund to any person the moneys paid for the First Tranche Bonds or to pay damages to any person ("**Claimant**") on the grounds that any statement contained in the Prospectus or any other offering material prepared by the Issuer or which were known to and/or approved by it in connection with the Offer is found to be untrue, inaccurate or misleading in any material respect or that the Prospectus or any other offering material prepared by it in connection with the Offer did not contain any material information in the context of other grounds which constitute a breach of any of the representations or warranties contained herein, Issuer agrees to indemnify the actual and documented liabilities, losses, damages, actions, claims, costs, charges and expenses in respect thereof including, without limitation, all such costs, charges and expenses the Joint Issue Managers or the Joint Lead Underwriters may pay or incur in disputing any such claim or defending any proceeding instituted against it. If the Joint Issue Managers or the Joint Lead Underwriters receives notice of the assertion of any claim or of the commencement of any claim, action, or proceeding made or brought by any Claimant, the Joint Issue Managers or the Joint Lead Underwriters will give the Issuer prompt written notice thereof. Such notice shall describe the nature of the claim in reasonable detail (including a copy of the Claimant's claim, if made in writing) and shall indicate the estimated amount, if practicable, of the claim costs, charges, and expenses that has been or may be sustained by the Joint Issue Managers or the Joint Lead Underwriters. The Issuer will have the right to participate in or, by giving written notice to the Joint Issue Managers or the Joint Lead Underwriters, assume the defense of any such claim at the Issuer's own expense and by the Issuer's own counsel, by all appropriate proceedings, which proceedings will be diligently defended, and the Joint Issue Managers or the Joint Lead Underwriters will, upon reasonable request of the Issuer, cooperate in good faith in such defense, provided it is not inconsistent with the Joint Issue Managers' or Joint Lead Underwriters's interest, at the Issuer's expense. Without the prior written consent of the Issuer (not to be unreasonably withheld or delayed), the Joint Issue Managers or the Joint Lead Underwriters will not enter into any settlement with the Claimant.

e. The Joint Issue Managers and the Joint Lead Underwriters agree to indemnify and hold the Issuer free and harmless from any and all actual and documented losses, claims, damages, liability and expenses or actions with respect thereto arising primarily and directly from or in connection with the willful misconduct or gross negligence of each of the Joint Issue Managers and the Joint Lead Underwriters, its respective successors, assigns, directors, officers, shareholders, employees, agents and representatives in the discharge of the obligations of the Joint Issue Managers and Joint Lead Underwriters under this Agreement, provided that any such losses, claims, damages, liability, and expenses are incurred from the date of this Agreement. The maximum liability of the Joint Issue Managers and the Joint Lead Underwriters in respect of this Section shall be limited to the amount of their respective fees due or payable to it under this Agreement.

f. If in one or more instances the Joint Issue Managers and the Joint Lead Underwriters shall take any action or assume any responsibility not specifically required to be taken or assumed pursuant to the provisions of this Agreement, neither the taking of such action nor the assumption of such responsibility shall be deemed to be an express or implied undertaking on the part of the Joint Lead Underwriters that they will take the same or similar action or assume the same or similar responsibility in any other instance.

g. Nothing in this Agreement shall be construed as (i) excusing the Joint Lead Underwriters from its obligation under Section 5(A) of the Omnibus Rules and potential liability under Section 56.1(g) of the SRC, (ii) preventing the public from claiming against the Joint Lead Underwriters in respect of their obligation under Section 5(A) of the Omnibus Rules, and (iii) reducing or limiting the obligation of the Joint Lead Underwriters to conduct due diligence under Section 5(A) of the Omnibus Rules.

10.2 Scope of Indemnity Obligation

a. The Joint Issue Managers and the Joint Lead Underwriters assume no obligation and shall not be subject to any obligation or liability to any other person, except as specifically set forth in this Agreement. Neither shall the Joint Issue Managers, the Joint Lead Underwriters, nor any of their officers, directors, agents, or employees be liable for any action taken or omitted to be taken by them in accordance with the terms of this Agreement, except for their own gross negligence or willful default.

b. Neither the Issuer nor the Joint Issue Managers and Joint Lead Underwriters shall be liable for indirect, consequential, or special damages under this Section 10.

c. The obligations and undertakings of the Parties in this Section 10 shall survive or remain in full force and effect as long as the First Tranche Bonds or any portion thereof remain outstanding.

10.3 Tax on the First Tranche Bonds

The Issuer acknowledges that it has sought its own tax advice regarding the First Tranche Bonds and has not relied and does not rely in any way on the Joint Issue Managers or the Joint Lead Underwriters. Consequently, the Issuer agrees to solely take full legal and financial responsibility for any of its actions in accordance with such tax advice, and further agrees to hold the Joint Issue Managers and the Joint Lead Underwriters free and harmless from any liability that may arise from the foregoing.

Section 11 TERMINATION

11.1 Option of the Joint Lead Underwriters to Terminate

a. The Joint Lead Underwriters, deciding unanimously may, by prior written notice to the Issuer, cancel, suspend, or terminate this Agreement upon the occurrence of any of the following events prior to the Issue Date:

(i) The Issuer fails to perform any of its undertakings, covenants, or obligations under this Agreement or the Trust Agreement, or any representations and warranties made by the Issuer in the Agreement or the Trust Agreement, or any information given in the Prospectus is untrue or misleading, or has become untrue or misleading to a material extent.

Nothing in this Agreement shall be construed as (i) excusing the Joint Lead Underwriters and Bookrunner from its obligation under Section 5(A) of the Omnibus Rules and Regulations for Investment Houses and Universal Banks Registered as Joint Lead Underwriterss of Securities ("Omnibus Rules") and potential liability under Section 56.1(g) of the SRC, (ii) preventing the public from claiming against the Joint Lead Underwriters in respect of their obligation under Section 5(A) of the Omnibus Rules, and (iii) reducing or limiting the obligation of the Joint Lead Underwriters to conduct due diligence under Section 5(A) of the Omnibus Rules.

(ii) An order cancelling, suspending, or terminating the offer, sale, distribution, or issuance of the First Tranche Bonds is issued by any Governmental Authority with competent jurisdiction.

(iii) Any change or impending change occurs in any Applicable Law which (x) could materially and adversely affect any of the features, yield, or marketability of the First Tranche Bonds, or the financial position, operations, profitability, or business prospects of the Issuer, or the ability of the Joint Lead Underwriters to perform any of their obligations under this Agreement or any substantive aspect of this Agreement, or (y) increases or may increase the taxes on the fees or increase the costs of the Joint Lead Underwriters in performing their obligations under this Agreement, and in both (x) and (y), render it inadvisable or impracticable to proceed with the Offer in the manner contemplated by this Agreement or the Registration Statement or the Prospectus.

(iv) Declaration of a war by a sovereign state against the Philippine government or vice versa; occurrence of an invasion, sedition, revolution, military uprising, widespread civil disorder, national calamity or other adverse political or social developments which, in the reasonable determination of the Joint Lead Underwriters, would have a material adverse effect on the value or marketability of the First Tranche Bonds.

(v) The Issuer is compelled to stop or is about to stop its operations pursuant to an order of a competent Governmental Authority.

(vi) A general banking moratorium is declared in the Philippines.

(vii) Any event occurs which makes it legally impossible for the Joint Lead Underwriters whose aggregate Underwriting Commitments constitute more than fifty percent (50%) to perform their obligations hereunder due to conditions beyond their control, so long as the Joint Lead Underwriters is not, independent of such event, in breach of any of its obligations.

(viii) In the sole opinion of the Joint Lead Underwriters, after discussions and consultations, in good faith, with the Issuer, a (x) material and adverse change or development in the financial condition, assets, corporate structure or relationships, investments, revenues, operations, or business and profitability prospects of the Issuer or (y) material change in the general commercial bank, loan syndication, financial or capital market conditions, the national or international financial, social, political or economic conditions or currency exchange rates or exchange controls, which in each case is reasonably expected to have a material and adverse effect on, and is likely to prejudice materially the successful distribution of, the First Tranche Bonds in the primary market and/or dealings in the First Tranche Bonds in the secondary market.

(ix) In the sole opinion of the Joint Lead Underwriters, after discussions and consultations, in good faith, with the Issuer, a change, or any development involving a prospective change, occurs or is revealed in the social, political, economic, or fiscal conditions, policies, or relationships of the Philippines, notably any material and adverse development or change in the general commercial bank, bond, loan syndication, financial or capital market conditions, the national financial, political or economic conditions which in each case may materially and adversely affect the Offer and render it inadvisable or impracticable to proceed with the Offer in the manner contemplated by this Agreement or the Registration Statement or the Prospectus.

(x) Any other event, whether or not similar to any of the above, should occur or be revealed which, in the reasonable determination of the Joint Lead Underwriters, will materially and adversely affect the circumstances existing when this Agreement was entered into rendering it inadvisable or impracticable to proceed with the Offer in the manner contemplated by this Agreement or the Registration Statement or the Prospectus; provided, that such event is beyond the control of and/or not attributable to the fault of the Joint Lead Underwriters.

(xi) Any Government Authority issues an order canceling, suspending, or terminating the Offer.

(xii) The Issuer shall be adjudicated by final order of a competent court as bankrupt or insolvent, or shall be proven to be unable to pay its debts as they mature, or shall make or threaten to make an assignment for the benefit of, or a composition or arrangement with, its creditors or any class of creditors, or shall declare or threaten to declare a moratorium on its indebtedness or any class of indebtedness; or the Issuer shall apply for or consent to the appointment of any receiver, trustee, or similar officer for it or for all or any substantial part of its property; or such receiver, trustee, or similar officer shall be appointed and such appointment shall continue undischarged for a period of ninety (90) days; or the Issuer shall institute (by petition, application, or otherwise) or consent to the institution of any bankruptcy, insolvency, reorganization, arrangement, readjustment of debt, suspension of payment, dissolution, liquidation, or similar proceeding relating to it under the laws of any jurisdiction; or any such proceeding shall be instituted against it and shall remain undismissed for a period of ninety (90) days; or any judgment, writ, warrant of attachment or execution, or similar process shall be issued or levied against any material asset of the Issuer and such judgment, writ, or similar process shall not be released, vacated, or fully bonded within ninety (90) days after its issue or levy; or any event occurs which, under Applicable Law, has an effect equivalent to any of the foregoing.

(xiii) Any other event, whether or not similar to any of the above, should occur or be revealed which, in the reasonable determination of the Joint Lead Underwriters, after discussions and consultations, in good faith, with the Issuer, will materially affect the circumstances existing when this Agreement was entered into; provided, that such event is beyond the control of and/or not attributable to the fault of the Joint Lead Underwriters.

b. The Joint Lead Underwriters may suspend, cancel or terminate its Underwriting Commitment by giving written notice to the Issuer if, on or prior to the Issue Date, performance of or compliance with any of the undertakings of the Joint Lead Underwriters , or its covenants and obligations herein becomes impossible due to conditions beyond its control, such as force majeure, natural calamities and disasters, flood, storm, earthquake, wars, riots, insurrections, terrorist acts and/or any other cause beyond the reasonable control of and which cannot be reasonably foreseen by the Joint Lead Underwriters.

c. The Joint Lead Underwriters shall not exercise the right to suspend, cancel or revoke its Underwriting Commitment (under Section 11.1b) or this Agreement (under Section 11.1a) until and unless consultation shall have first been held with the Issuer, and the Parties in discussions shall have failed to resolve the situation. In the event that after consultation, the Joint Lead Underwriters and/or the Issuer decide(s) to terminate this Agreement, the terminating Party (*i.e.*, the Issuer or the Joint Lead Underwriters) or both Parties (should they mutually agree to terminate) shall send written notice to all concerned Parties and the SEC regarding such termination within (1) one Banking Day from the date of termination.

d. No waiver of the applicability of any provision in this Section 11 shall be deemed implied from the execution by the Joint Lead Underwriters and the Issuer of this Agreement.

11.2 Option of the Issuer to Terminate

The Issuer may, by prior written notice to the Joint Lead Underwriters, cancel, suspend, or terminate this Agreement fully or with respect to the Joint Lead Underwriters upon the occurrence of any of the following events prior to the Issue Date:

a. The Joint Lead Underwriters fail to perform any of its undertakings, covenants, or obligations under this Agreement.

b. Any of the representations and warranties of the Joint Lead Underwriters under this Agreement is or becomes untrue or misleading in any material respect.

Provided, that such event is beyond the control of the Joint Lead Underwriters and/or is not attributable to the fault of the Issuer.

11.3 Discussions in Good Faith

In case of events, which are not due to the fault of any of the Parties, the Parties shall discuss in good faith any remedial actions or steps.

11.4 Effect of Termination

Upon the giving of written notice of termination, all the obligations of the Joint Lead Underwriters hereunder shall cease and terminate, and no Party to this Agreement shall have any claim against the other in respect of any matter or thing arising out of or in connection with this Agreement, except that all costs and expenses referred to in Section 12.2 incurred by the Joint Lead Underwriters in connection with the Offer up to the time notice of termination is served shall be for the account of the Issuer provided the termination is not due to any of the grounds for termination by the Issuer under Section 11.2. Reasonable expenses incurred up to the time of service of notice of termination shall, after verification by the Issuer, be reimbursed to the Joint Lead Underwriters within fifteen (15) Banking Days from receipt by the Issuer of a statement of account and properly documented receipts.

If this Agreement is terminated for any of the causes stated in Section 11.1 hereof, the Joint Lead Underwriters shall within seven (7) Banking Days cause the Issuer to return to the Applicant the full subscription price of all applications procured from them, without interest, provided that full payment has already been remitted and received. It is understood that upon such return, the Joint Lead Underwriters shall be free from any and all liability to such Applicant.

Section 12 FEES AND EXPENSES

12.1 Fees and Commissions

a. In consideration of the services rendered by the Joint Issue Managers and the Joint Lead Underwriters pursuant to this Agreement, the Issuer shall pay each of the Joint Issue Managers and the Joint Lead Underwriters such fees as has been agreed upon by them, or among themselves in writing.

   For the avoidance of doubt, gross receipts tax on the Joint Issue Managers' and Joint Lead Underwriters' Fees shall be for the account of the relevant Joint Issue Manager or Joint Lead Underwriter. Further, any gross receipts tax on any passed-on gross receipts tax (as may be defined or otherwise described under BIR Revenue Memorandum Circular 62-2016 as may be amended or made effective from time to time) shall be for the account of the Joint Issue Managers or the Joint Lead Underwriters, as may be applicable.

b. The fees due to the Joint Issue Managers and Joint Lead Underwriters under this Section 12.1 together with any applicable gross receipts tax or its equivalent and net of creditable withholding tax arising in respect of such fee, shall be due and payable by the Issuer to the Joint Issue Managers and Joint Lead Underwriters within one (1)

Banking Day from the Issue Date, provided that the Issuer has received confirmation from the bank of the Issuer that cleared funds representing payments for all accepted Applications to Purchase have been credited to the Receiving Account, and statement of account thereof. The Issuer shall then remit the Joint Issue Managers' and Joint Lead Underwriters's Fees and all costs and expenses payable to the Joint Issue Managers, Joint Lead Underwriters to an account(s) designated by the Joint Issue Managers and Joint Lead Underwriters.

12.2 Payment of Costs and Expenses

a. The Issuer shall bear and will pay for or reimburse the Joint Issue Managers and the Joint Lead Underwriters within five (5) Banking Days upon request for all reasonable and properly documented costs and expenses, agreed upon in advance with the Issuer, which the Joint Issue Managers and the Joint Lead Underwriters may incur in connection with the Offer, including all travelling, printing, communication, postage, publishing, advertising and other promotional expenses, documentary stamp tax, in all cases whether or not definitive documentation for the Offer is signed or the Offer is closed. Such expenses shall be in addition to any direct expenses incurred by the Issuer and for which it is liable in connection with the proposed Offer, including without limitation:

(i) fees payable to the Registrar, the Paying Agent, the Trustee

(ii) fees and disbursements of the legal counsel of the Issuer and the Joint Issue Managers r and Joint Lead Underwriters

(iii) fees payable to auditors, accountants and any other advisors

(iv) fees payable in conjunction with the rating of the Issuer

(v) expenses relating to the preparation, printing and filing with the SEC of the Registration Statement and Prospectus (including any and all amendments and supplements thereto)

(vi) expenses relating to the marketing and roadshow activities for the Offer

(vii) fees and expenses in conjunction with the listing of the First Tranche Bonds in a fixed income exchange, and registration of the First Tranche Bonds with the SEC

(viii) filings with Insurance Commission

(ix) any and all printing, mailing, communication, publicity, signing, tombstone and representation expenses and other out-of-pocket expenses which may be reasonably incurred by the Issuer and the Joint Lead Underwriters in connection with the Offer and the issuance of the First Tranche Bonds, in connection with this Agreement and other relating agreements in implementation thereof

(x) any other expenses incurred directly by the Issuer in connection with the issuance of the First Tranche Bonds and relating to this Agreement and other related agreements or the implementation and enforcement therefor.

b. The Issuer shall pay all aforementioned costs and expenses in connection with the Offer that may be advanced by the Joint Issue Managers, the Joint Lead Underwriters as provided in this Section. Except in the case of termination of this Agreement (in which case, the provisions of Section 11.4 shall apply), the Joint Issue Managers, Joint Lead Underwriters shall deliver to the Issuer a statement of account and properly documented receipts detailing the expenses not withheld by virtue of this Section to be reimbursed not later than five (5) Banking Days from receipt of the statement of account.

12.3 Mode of Payment

a. All sums payable to the Joint Issue Managers and Joint Lead Underwriters hereunder shall be paid in Philippine currency and in full without withholding or deduction (other than the creditable withholding tax) and free and clear of any taxes (including gross receipts, value added, excise or other similar taxes), duties, assessments or government charges of any nature unless such withholding or deduction is required by Applicable Law, in which event the Issuer will pay to the Joint Issue Managers and Joint Lead Underwriters such additional amounts as to ensure that the Joint Issue Managers and the Joint Lead Underwriters receive and retain the amount it would have received (free from any liability in respect of any such withholding or deduction) if no such withholding or deduction have been made or required to be made.

b. The Issuer shall pay any value added, excise, or other similar tax at the same time as any amount due is paid to the Joint Issue Managers and Joint Lead Underwriters.

c. Unless otherwise agreed among the Parties, no payments made to third parties by the Issuer shall reduce the fees and expenses payable to the Joint Issue Managers and Joint Lead Underwriters.

Section 13 NOTICES

13.1 Form of Notice

All documents required to be submitted to the Issuer, the Joint Issue Managers or the Joint Lead Underwriters pursuant to this Agreement and all other notices, requests and other communications hereunder must be in writing and will be deemed to have been duly given only if delivered personally, by facsimile transmission, or mailed (first class postage prepaid) or emailed to the parties at the following addresses, facsimile numbers or email addresses, and addressed to the individuals named below:

If to the Issuer:

ABOITIZ EQUITY VENTURES INC.
32nd Street, Bonifacio Global City

1634 Taguig City, Metro Manila

Attention:	Maria Veronica C. So First Vice President – Deputy Group Treasurer
Telephone No:	[•]
Fax:	[•]
Email:	veronica.so@aboitiz.com

If to the Joint Issue Managers or Joint Lead Underwriters:

BDO CAPITAL CORPORATION
20th Floor, South Tower, BDO Corporate Center
7899 Makati Avenue, Makati City

Attention:	Jose Eduardo A. Quimpo II First Vice President
Telephone No:	+632 840 7563
Fax:	+632 878 4156
Email:	quimpo.jose@bdo.com.ph

FIRST METRO INVESTMENT CORPORATION
45th Floor, GT Tower International
6813 Ayala Ave. cor. H.V. Dela Costa St., Makati City

Attention:	[•]
Telephone No:	[•]
Fax:	[•]
Email:	[•]

All such notices, requests and other communications will: (i) if delivered personally to the address as provided in this Section 13.1, be deemed given upon delivery; (ii) if delivered by facsimile transmission to the facsimile number as provided in this Section, be deemed given upon receipt; and (iii) if delivered by mail or email in the manner described above to the address as provided in this Section 13.1, be deemed given upon receipt and in case of email if received in readable form (in each case regardless of whether such notice, request or other communication is received by any other person on behalf of the individual to whom a copy of such notice, request or other communication is to be delivered pursuant to this Section 13.1). Each of the Issuer, the Joint Issue Managers and the Joint Lead Underwriters may from time to time change its address, facsimile number or other information for the purpose of notices hereunder by giving notice specifying such change to the other parties pursuant to the notice procedure under this Section 13.1.

Section 14 GENERAL PROVISIONS

14.1 Entire Agreement

This Agreement contains the sole and entire agreement among the Parties with respect to the subject matter of this Agreement and supersedes all prior discussions, memoranda of understanding, term sheets, correspondence agreements and arrangements (whether written or oral, including all correspondence) if any, among the Parties with respect to the subject matter of this Agreement (together with any amendments or modifications thereof).

14.2 Assignment and Delegation

a. This Agreement shall inure to the benefit of and be binding upon the Parties and their respective successors and permitted assigns. Nothing in this Agreement, expressed or implied, is intended to confer on any person other than the Parties and their successors and permitted assigns, any rights, benefits, privileges, liabilities or obligations under or by reason of this Agreement.

b. The Issuer may not, without the prior written consent of the Joint Lead Underwriters, (i) assign its rights and interests or any part thereof under this Agreement, or (ii) delegate to any other person the whole or any part of its obligations or duties under this Agreement.

14.3 Amendment

No modification, variation, amendment, waiver or change of this Agreement shall be of any force and effect unless such modification, variation, or amendment is in writing and has been signed by all the Parties.

14.4 Waiver

No failure or delay on the part of any Party in exercising any right, power or remedy accruing to it upon any breach or default of any Party under this Agreement shall impair any such right, power or remedy nor shall it be construed as a waiver of any such breach or default thereafter occurring, nor shall a waiver of any single breach or default be deemed a waiver of any other breach or default theretofore or thereafter occurring, nor shall any single or partial exercise of any such right or power preclude any other or further exercise thereof or the exercise of any other right or power hereunder. All remedies, either under this Agreement or by Applicable Law or otherwise afforded the Parties shall be cumulative and not alternative. No notice to or demand on any Party in any case shall entitle it to any other or further notice or demand in similar or other circumstances.

14.5 Governing Law

a. This Agreement shall in all respects be governed by, construed and enforced in accordance with the laws of the Republic of the Philippines.

b. Any legal action or proceeding arising out of, or connected with, this Agreement shall be brought exclusively in the proper courts of Makati City, each of the Parties expressly waiving any other venue.

14.6 Severability of Provisions

Should any provision of this Agreement be declared void or unenforceable by any competent authority or court, the other provisions of this Agreement which are capable of severance from the defective provision shall continue to be effective and the Parties shall cooperate in such manner as would fully implement their intentions hereby.

14.7 Counterparts

This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. Any single counterpart or set of counterparts signed in either case by any of the Parties hereto shall constitute a full and original agreement for all purposes.

14.8 Waiver of Preference

In the event that a primary obligation for payment shall arise out of this Agreement, such as to constitute this Agreement as a contract for the payment of an indebtedness or a loan, then it is understood and expressly agreed by the parties hereto that the obligation created under this Agreement shall not enjoy any priority, preference or special privileges whatsoever over any indebtedness or obligations of the Issuer. Accordingly, whatever priorities or preferences that this Agreement may have or any person deriving a right hereunder may have under Article 2244, paragraph 14 of the Civil Code of the Philippines are hereby absolutely and unconditionally waived and renounced.

[*Signature pages follow*.]

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed on the date and place first above written.

The Issuer:

By:

Aboitiz Equity Ventures Inc.

Name: Gabriel T. Mañalac
Title: Senior Vice President – Group Treasurer

Signed in the Presence of:

____

The Joint Issue Manager and
the Joint Lead Underwriter

By:

BDO Capital Corporation

Name: [•]
Title: [•]

Name: [•]
Title: [•]

Signed in the Presence of:

____

The Joint Issue Manager and
the Joint Lead Underwriter

By:

First Metro Investment Corporation

Name: [•]
Title: [•]

Name: [•]
Title: [•]

Signed in the Presence of:

____

ACKNOWLEDGMENT

REPUBLIC OF THE PHILIPPINES)
) SS.

I certify that on this ___ day of ___________ 2019, before me, a notary public duly authorized in the city named above to take acknowledgments, personally appeared the following:

Name	Competent Evidence of Identity	Date of Issue/ Place of Issue

who were identified by me through competent evidence of identity to be the same persons described in the foregoing instrument, who acknowledged before me that their respective signatures on the instrument were voluntarily affixed by them for the purposes stated therein, and who declared to me that they have executed the instrument as their free and voluntary act and deed, and that they have the authority to sign on behalf of their principals.

WITNESS MY HAND AND SEAL, on the date and at the place first above written.

Doc. No. : ________;
Page No. : ________;
Book No. : ________;
Series of 2019.

ANNEX A
Application to Purchase

[to be inserted]

ANNEX B
TERMS AND CONDITIONS

[to be inserted]

TRUST AGREEMENT

This TRUST AGREEMENT is made and executed this November 8, 2013 at Taguig City, by and between:

> **ABOITIZ EQUITY VENTURES, INC.,** a corporation duly organized and existing under and by virtue of the laws of the Republic of the Philippines, with principal offices at the 18F, NAC Building, 32nd Street, Bonifacio Global City, 1634 Taguig City, Metro Manila (hereinafter referred to as the **"Issuer"**);

– and –

> **METROPOLITAN BANK AND TRUST COMPANY – TRUST BANKING GROUP,** a corporation duly organized and validly existing under the laws of the Republic of the Philippines, duly authorized to perform trust functions and other fiduciary business, with principal offices at the 18/F GT Tower International, 6813 Ayala Avenue cor. H.V. Dela Costa Street, Makati City (hereinafter referred to as the "**Trustee"**).

W I T N E S S E T H: That -

WHEREAS, the Issuer is authorized to issue Fixed Rate Peso-Denominated Bonds for offering, distribution and sale to the general public of up to the aggregate principal amount of PHILIPPINE PESOS: EIGHT BILLION (PhP 8,000,000,000.00), with an additional over-subscription option exercisable by the Lead Underwriter (the "Over-Subscription Option") of up to PHILIPPINE PESOS: TWO BILLION (PhP2,000,000,000.00) (the "Offer");

WHEREAS, the Offer and the terms thereof are more fully described in **Annex "A"** hereof and in the Prospectus to be issued and circulated for the Offer, which is made an integral part hereof by reference;

WHEREAS, the Issuer expects to obtain a Permit to Sell from the SEC in respect of a public distribution and sale of the Bonds prior to the start of the Offer Period;

WHEREAS, to achieve the foregoing objectives, the Issuer has appointed, and hereby confirms the appointment of, the Metropolitan Bank and Trust Company – Trust Banking Group as the Trusteeon the basis of the representations and warranties of the Issuer and under the terms and conditions hereinafter set forth, has consented to the appointment;

NOW, THEREFORE, for and in consideration of the foregoing premises, the parties hereto agree as follows:

SECTION 1

DEFINITIONS AND INTERPRETATION

1.01 *Definitions*

The following terms shall have the respective meanings set forth below except as otherwise expressly provided or unless the context otherwise requires:

"Aboitiz Group" means Aboitiz & Co., Inc. and Aboitiz Equity Ventures, Inc., each a corporation organized under Philippine law, together with their respective Subsidiaries and Affiliates, related persons and related interests, whether or not stockholders of record of the Issuer as of the Issue Date;

"Affiliate" means with respect to any Person, any other Person directly or indirectly Controlling, Controlled by or under common Control with, such Person;

"Agreement" shall mean this Trust Agreement and all amendments or supplements hereto;

"Applicant" shall mean the Person who shall duly accomplish the Application as defined herein and who shall deliver the same to the Lead Underwriter in accordance with the Underwriting Agreement;

"Application" or ***"Application to Purchase"*** shall mean the form actually accomplished and submitted by the Applicant for the purchase of the Bonds, together with all other requirements set forth substantially in the form attached hereto as **Annex "B"**;

"Authorization" means any authorization, consent, approval, license, exemption, filing, registration or other similar action;

"Banking Day" means a day other than Saturday, Sunday and public holidays on which commercial banks and the Philippine Clearing House Corporation are generally open for the transaction of business in Makati City, Taguig City and the City of Manila; *provided,* that all other days unless otherwise specified herein shall mean calendar days which shall be construed as successive periods of twenty-four (24) hours each;

"***BIR***" shall mean the Bureau of Internal Revenue of the Republic of the Philippines;

"Bona Fide Bondholder" shall have the meaning ascribed to it in Section 3.09(a) hereof;

"Bondholders" shall mean the registered owners of the Bonds;

"Bonds" shall mean the Bonds with an aggregate principal amount of up to PHILIPPINE PESOS: EIGHT BILLION (PhP8,000,000,000.00), with an additional Over-Subscription Option, which the Issuer shall simultaneously issue for distribution and sale on Issue Date in Seven Year Bonds and Ten Year Bonds series;

"Competitor" shall have the meaning ascribed to it in Section 3.8(c)(v) hereof;

"Control" means the possession, directly or indirectly, by a Person of the power to direct or cause the direction of the management and policies of another Person whether through the ownership of voting securities or otherwise; provided, however, that the direct or indirect ownership of over fifty percent (50%) of the voting capital stock, registered capital or other equity interest of a Person is deemed to constitute control of that Person, and "Controlling" and "Controlled" have corresponding meanings;

"Event of Default" shall have the meaning set forth in Section 9 hereof;

"Governmental Authority" means the Government of the Republic of the Philippines, or any political subdivision or agency thereof, and any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to the said government, and any national agency or body vested with jurisdiction or authority over any Person;

"GRT" means the gross receipts tax under Sections 121 and 122 of the National Internal Revenue Code of 1997, as amended;

"Indebtedness" means, with respect to the Issuer: (i) all indebtedness or other obligations of the Issuer for borrowed money or for the deferred purchase price of property or services and similar arrangements; (ii) all indebtedness or other obligations of any other Person, the payment or collection of which is guaranteed by the Issuer (except by reason of endorsement for collection in the ordinary course of business) or in respect of which the Issuer is liable, contingently or otherwise, including without limitation, any agreement to purchase, to provide funds for payment, to supply funds to or otherwise invest in such Person; and (iii) capitalized lease obligations of the Issuer;

"Interest Payment Date" shall mean the dates indicated in the interest coupon of the Bonds as provided in **Annex "A"**;

"Issue Date" shall be on November 21, 2013, or such later date as may be mutually determined by the Issuer and the Lead Underwriter for the issuance of the Bonds, in no case less than four (4) Banking Days after the Closing Date;

"Issue Price" shall mean one hundred percent (100%) of the face value of the Bonds;

"Law" means: (i) any statute, decree, constitution, regulation, rule, order or any directive of any Governmental Authority; (ii) any treaty, pact, compact or other agreement to which any Governmental Authority is a signatory or party; (iii) any judicial or administrative interpretation or application of any

Law described in clause (i) or (ii) above; and (iv) any amendment or revision of any Law described in clause (i), (ii) or (iii) above;

"Lead Underwriter" shall refer to First Metro Investment Corporation.

"Lien" means, with respect to any Person, any lien, pledge, mortgage, charge, hypothecation, encumbrance, or other security or preferential arrangement on or with respect to any asset or revenue of such Person;

"Majority Bondholders" shall mean, at any time, the Bondholders who hold, represent or account for at least fifty percent (50%) plus one Philippine Peso of the aggregate outstanding principal amount of the Bonds;

"Master Certificates of Indebtedness" means for each of the Seven Year Bonds and Ten Year Bonds, the certificates to be issued by the Issuer in the name of the Trustee for the benefit of the Bondholders evidencing and covering the aggregate principal amount of each of such series of Bonds purchased during the Offer Period for such Bonds, substantially in the form set forth in **Annex "D"** hereof.

"Material Adverse Effect" means, in relation to the Issuer, a material adverse effect on the ability of the Issuer to perform or comply with any of its obligations, or to exercise any of its rights, under this Agreement, the Underwriting Agreement or the Bonds;

"Maturity Date" shall mean, with respect to the Seven Year Bonds, the date seven (7) years from Issue Date or on November 21, 2020, and, with respect to the Ten Year Bonds, the date ten (10) years from Issue Date or on November 21, 2023;

"Net Debt to Consolidated Equity Ratio" shall mean with respect to the Bonds, the ratio of Net Debt, which is computed as the total of interest-bearing debt less cash, cash equivalents, and short-term investments, to Consolidated Equity, which is computed as the total stockholders' equity of the Issuer as recognized and measured in its fiscal year-end audited consolidated financial statements in conformity with PFRS.

"Offer" or ***"Issue"*** as the context may require, shall mean the Bonds or the offering, issuance, distribution and sale of the Bonds;

"Offer Period" shall mean the period commencing at 9:00 a.m. on November 11 and ending at 5:00 p.m. on November 15 or such other date as may be mutually agreed between the Issuer and the Lead Underwriter;

"Optional Redemption Date" shall have the meaning ascribed to it under Section 6.04;

"Optional Redemption Price" shall have the meaning ascribed to it under Section 6.04;

"Over-Subscription Option" shall mean the over-subscription option exercisable by the Lead Underwriter of up to PHILIPPINE PESOS: TWO BILLION (PhP2,000,000,000.00).

"Paying Agent" shall mean the Philippine Depository & Trust Corporation acting as paying agent in accordance with the Registry and Paying Agency Agreement;

"Payment Date" shall mean the Interest Payment Date and/or the Principal Payment Date, as the case may be;

"Penalty Interest" shall mean the penalty interest at the rate of six percent (6%) per annum payable by the Issuer pursuant to Section 6.06 hereof.

"Person" means an individual, corporation, partnership, joint venture, unincorporated association, trust, or other juridical entity, or any Governmental Authority;

"PFRS" means Philippine Financial Reporting Standards;

"***Philippine Peso***" or "***PhP***" means the legal currency of the Republic of the Philippines;

"Philippines" means the Republic of the Philippines;

"Principal Payment Date" shall mean the Maturity Date or the Optional Redemption Date;

"Prospectus" means the selling material including any amendment or supplement thereto duly filed by the Issuer with, and duly approved by, the SEC for the purpose of the offering, distribution and sale of the Bonds;

"Record Date" as used with respect to any Payment Date shall mean the day which is two (2) days Banking Days prior to the relevant Interest Payment Date; provided that if such day falls on a non-Banking Day, the Record Date shall be the next Banking Day immediately preceding said date;

"Registrar" shall mean the Philippine Depository & Trust Corporation acting as the registrar in accordance with the Registry and Paying Agreement;

"Registration Statement" shall mean the registration statement filed by the Issuer with the SEC in accordance with the Securities Regulation Code relating to the registration and issuance of the Bonds;

"***Registry and Paying Agency Agreement***" " shall mean the agreement dated November 8, 2013 by and between the Issuer and Philippine Depository & Trust Corporation, as the Paying Agent and Registrar for the Issue;

"SEC" shall mean the Securities and Exchange Commission of the Philippines;

"Securities Regulation Code" shall refer to Republic Act No. 8799 and its implementing rules and regulations, as the same may be amended and supplemented from time to time;

"***Subsidiary***" means in respect of any Person, any entity: (i) over fifty percent (50%) of whose capital is owned directly by that Person; or (ii) for which that Person may nominate or appoint a majority of the members of the board of directors or such other body performing similar functions;

"Taxes" or ***"Tax"*** means any present or future taxes, levies, imposts, duties, filing, registration and other fees or charges imposed by the Republic of the Philippines or any political subdivision or taxing authority thereof, including but not limited to GRT, VAT, final withholding taxes and documentary stamp tax, should it be imposed on banks and other financial institutions, but excluding: (i) taxes on the overall income of any Bondholder, whether or not subject to withholding; (ii) income taxes on any amount payable to any Bondholder; and (iii) any withholding tax on any amount due on the Bonds and payable to any Person who is a non-resident alien or a non-resident foreign corporation as defined under Section 22 of the National Internal Revenue Code;

"Total Liabilities" shall mean the total economic obligations of the Issuer that are recognized and measured in its audited parent financial statements in accordance with PFRS;

"***Treasury Transaction***" means any currency, commodity, or interest rate purchase, cap or collar agreement, forward rate agreement, future or option contract, swap or other similar agreement, in relation to the Issuer's treasury management; and

"Trustee" shall mean Metropolitan Bank And Trust Company – Trust Banking Group or any other successor trustee acting as trustee pursuant to this Agreement.

1.02 ***Other Terms.*** Any reference in this Agreement to:

a ***"company"*** shall be construed so as to include any company, corporation or any association or partnership (whether or not having separate legal personality) of any two or more Persons;

"Lead Underwriter," "Registrar," "Paying Agent," "Trustee" and ***"Bondholders"*** shall be construed so as to include their respective successors, transferees and assigns in accordance with their respective interests to the extent permitted under the terms hereof and, in the case of the ***"Issuer,"***, its respective successors, transferees and assigns, to the extent permitted under the terms hereof;

a ***"month"*** is the period commencing on a specified day in a calendar month and ending on the numerically corresponding day in the relevant subsequent calendar month (or if there is no day so corresponding in the calendar month in which such period ends, such period shall end on the last day of such calendar month);

an ***"Annex"*** shall, subject to any contrary indication, be construed as a reference to a schedule hereto;

a ***"Section"*** shall, subject to any contrary indication, be construed as a reference to a section hereof; and

the ***"winding-up,"*** ***"dissolution"*** or ***"administration"*** of a company shall be construed so as to include any equivalent or analogous proceedings under the law of the jurisdiction in which such company is incorporated or any jurisdiction in which such company carries on business.

1.03 ***Accounting Terms.*** All accounting terms not specifically defined in this Agreement shall be construed in accordance with PFRS.

1.04 ***Rules of Construction.*** Save where the contrary is indicated, any reference in this Agreement to:

(a) this Agreement, the Bonds or any other agreement or document shall be construed as a reference to this Agreement or, as the case may be, the Bonds, other agreement or document as the same may have been, or may from time to time be (subject to any restrictions herein), amended, varied, novated, supplemented, replaced or substituted;

(b) a statute shall be construed as a reference to such statute as the same may have been, or may from time to time be, amended or re-enacted; and

(c) a day shall be construed as a reference to a calendar day.

1.05 ***Headings.*** Section, Annex, Exhibit and Schedule headings are for ease of reference only and shall not affect the interpretation of this Agreement and the Bonds.

SECTION 2
ISSUANCE OF BONDS AND DELIVERY OF MASTER CERTIFICATES OF INDEBTEDNESS

2.01 ***Issuance of the Bonds***

The Bonds shall be issued by the Issuer in accordance with the terms of this Agreement.

2.02 ***Delivery of Executed Master Certificates of Indebtedness***

The Issuer shall, not later than 9:00 a.m. on Issue Date, deliver the duly executed Master Certificates of Indebtedness for each of the Seven Year Bonds and Ten Year Bonds, covering the entire principal amount of each such series of Bonds, to the Trustee, with a copy to the Registrar. The Trustee shall, upon its receipt of the duly executed Master Certificates of Indebtedness, immediately notify the Lead Underwriter of such fact in writing (including, without limitation, by facsimile transmission, telex or telecopier, or electronic mail).

SECTION 3
THE TRUSTEE

3.01 ***Duties and Responsibilities of the Trustee***

(a) The Trustee is hereby appointed as trustee for and in behalf of the Bondholders and shall perform such responsibilities as provided in this Agreement.

(b) The Trustee shall act as trustee for and in behalf of the Bondholders and as such shall, in accordance with the terms and conditions of this Agreement, monitor the compliance or non-compliance by the Issuer with all its representations and warranties, and the Issuer's observance of all its covenants and performance of all its obligations, under and pursuant to this Agreement. The Trustee shall observe due diligence in the performance of its duties and obligations under this Agreement. For the avoidance of doubt, notwithstanding any actions that the Trustee may take, the Trustee shall remain to be the party responsible to the Bondholders, and to whom the Bondholders shall communicate with in respect to any matters to be taken up with the Issuer.

(c) The Trustee shall have custody of and hold in its name, for and in behalf of the Bondholders, the Master Certificates of Indebtedness for the total issuance of the Bonds.

(d) The Trustee shall promptly and faithfully carry out the instructions or decisions of the Majority Bondholders issued or reached in accordance with Section 11.

(e) The Trustee shall, from time to time, request the Issuer to submit such certification of its officers, reports of its external auditors, and other documents relating to the Issuer's ability to comply with its obligations under the Bonds and this Agreement, as well as to examine such records of the Issuer as may be related to the Issuer's obligations under the Bonds and this Agreement.

The request shall be reasonable, made not less than seventy-two (72) hours prior to the intended date of examination and shall be in writing to the Issuer which shall include, in reasonable detail, the purpose for such request and the intended use of the requested documents or information. The Issuer may require the

Trustee, its directors, officers, employees, representatives, agents, partners, consultants and advisors to hold in confidence such documents and information furnished to the Trustee pursuant to said request or to limit the use thereof for the purpose intended as stated in the request provided such limitation shall not apply if it is in conflict with the duties and responsibilities of the Trustee under any provision of this Agreement.

(f) The Trustee shall, prior to the occurrence of an Event of Default or after the curing of all such defaults which may have occurred, perform only such duties as are specifically set forth in this Agreement. In case of default, the Trustee shall exercise such rights and powers vested in it by this Agreement, and use the same degree of care and skill in their exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs under similar circumstances.

(g) The Trustee shall inform the Bondholders of any event which has a Material Adverse Effect on the ability of the Issuer to comply with its obligations to the Bondholders, breach of representations and warranties, and Events of Default within a reasonable period from the time that the Trustee learns of such events.

(h) The Trustee shall perform such other powers and functions as provided for elsewhere under this Agreement.

3.02 ***Corporate Form***

The Trustee shall at all times be a financial institution organized and doing business under the laws of the Republic of the Philippines duly authorized to exercise corporate trust powers, having its principal office and place of business in Metro Manila, Philippines.

3.03 ***Custody, Segregation and Deposit of Funds***

All moneys and funds received by the Trustee in connection with this Agreement shall be held in trust for the purpose for which they were received, and any and all such sums and assets shall be segregated from all other funds and assets of the Trustee.

3.04 ***Compensation, Reimbursement and Indemnification***

(a) In consideration for the faithful compliance and performance by the Trustee of its duties and obligations under this Agreement, the Issuer shall pay to the Trustee the amount of fees to be stipulated in **Annex "C"** which is made an integral part hereof. The Issuer will pay or reimburse the Trustee for all expenses, disbursements and advances incurred or made by the Trustee in accordance with any of the provisions of this Agreement (including reasonable compensation and expenses and disbursements of its counsel and of all Persons not regularly in its employ). If any property other than cash shall at any time be subject to any Lien created for the benefit of the Trustee, on account of the Issuer's obligations to the Trustee under the Agreement, or the

Bondholders by operation of Law or as a result of any execution, receivership, bankruptcy, dissolution or similar proceedings, if and to the extent authorized by any agency or court of competent jurisdiction subjecting such property to such Lien, the Trustee may, but without legal obligation to do so, make advances for the purpose of preserving such property or of discharging tax Liens or other prior Liens or encumbrances thereon previously disclosed to the Lead Underwriter.

(b) The Issuer also covenants to indemnify the Trustee for, and to hold it free and harmless against, any loss, liability or expense incurred without negligence or bad faith on the part of the Trustee, arising out of or in connection with the administration of this trust, including the cost and expenses of defending itself against any claim of liability in the premises.

(c) The obligations of the Issuer to the Trustee under this Section shall constitute additional indebtedness of the former hereunder.

3.05 ***Liability of the Trustee***

(a) No provision of this Agreement shall be construed to relieve the Trustee from liability for its own negligent action, its own negligent failure to act or its willful misconduct, or that of its directors, officers or employees, provided that:

(i) Prior to the occurrence of an Event of Default or after the curing or the waiver of all Events of Default which may have occurred, in the absence of bad faith on the part of the Trustee, the Trustee may conclusively rely upon, as to the truth of the statements and the correctness of the opinion expressed in, any certificate or opinion furnished to the Trustee conforming to the requirements of this Agreement.

(ii) The Trustee shall not be liable for any error of judgment made in good faith by its responsible officer or officers, unless it shall be proved that the Trustee was grossly negligent in ascertaining the pertinent fact.

(iii) The Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Majority Bondholders, relating to the time, method, and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred upon the Trustee under this Agreement.

(b) None of the provisions contained in this Agreement shall require the Trustee to expend or risk its own funds or otherwise incur personal financial liability in the performance of any of its duties or in the exercise of any of its rights or powers.

(c) The Trustee or successor Trustee shall be exempt from giving any surety or bond in the performance of its duties under this Agreement.

3.06 ***Ability to Consult with Counsel***

(a) The Trustee may consult with counsel upon due notice to Issuer, and any reasonable opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or omitted to be taken by the Trustee hereunder in good faith and in accordance with such opinion; provided that, prior to taking or not taking such action for which the opinion of counsel is sought, the Trustee shall inform the Issuer of the relevant opinion of counsel.

(b) Notwithstanding any provision of this Agreement authorizing the Trustee conclusively to rely upon any certificate or opinion, the Trustee may, before taking or refraining from taking any action in reliance thereon, require any further evidence or make any further investigation as to the facts or matters stated therein which it may in good faith deem reasonable in the circumstances; and the Trustee shall require such further evidence or make such further investigation as may reasonably be requested in writing by the Majority Bondholders.

3.07 ***Trustee as Owner or Pledgee of Bonds***

The Trustee, in its individual or any other capacity, may become the owner or pledgee of Bonds with the same rights it would have if it were not Trustee, and subject to the provisions of Section 3.09(b), the Trustee may otherwise deal with the Issuer in the same manner and to the same extent as though it were not the Trustee hereunder.

3.08 ***Conflict of Interest***

(a) If the Trustee has or acquires any conflicting interest, as defined in Section 3.08(c), the Trustee shall, within sixty (60) days after ascertaining that it has such conflicting interest, either eliminate such conflicting interest or resign as Trustee in the manner and with the effect specified in Section 3.09.

(b) In the event that the Trustee shall fail to comply with the provisions of Section 3.08(a), the Trustee shall within ten (10) days after the expiration of the aforesaid sixty (60)-day period transmit notice of such failure to the Bondholders and the Issuer.

(c) For the purpose of this Section, the Trustee shall be deemed to have a conflicting interest if:

(i) The Trustee directly or indirectly Controls or is directly or indirectly Controlled by or is under direct or indirect common Control of the Issuer; or

(ii) Twenty percent (20%) or more of the voting securities of the Trustee is beneficially owned either by the Issuer or by any director, partner or executive officer thereof, or thirty percent (30%) or more of such voting securities is beneficially owned, collectively, by any two (2) or more of such Persons; or

(iii) The Trustee is the beneficial owner of, or holds as collateral security for an obligation which is in default, five percent (5%) or more of the voting securities, or ten percent (10%) or more of any other class of security, of the Issuer, not including the bonds of the Issuer issued under any other agreement under which the Trustee is also a trustee; or

(iv) The Trustee is the beneficial owner of, or holds as collateral security for an obligation which is in default, five percent (5%) or more of the voting securities of any Person who, to the knowledge of the Trustee, owns ten percent (10%) or more of the voting securities of, or controls directly or indirectly or is under direct or indirect common control of, the Issuer; or

(v) The Trustee is or becomes a Competitor.

For this purpose, a "Competitor" is:

i. any Person which is: (a) engaged in, (b) has a direct or indirect beneficial interest of at least thirty percent (30%) of the outstanding capital stock of, (c) has the power to nominate, appoint or elect a director or executive officer of, or (d) has the power to propose, direct or Control (whether by contract, the ownership of shares or otherwise) the management policy or affairs of, any business which is in competition with the business of the Issuer or, in any event, any Person which has the ability or power to disclose, use or otherwise exploit information relating to the Issuer in furtherance of or in connection with such competitive business; or

ii. any Person, twenty percent (20%) or more of the voting securities of which is legally and beneficially, directly or indirectly, owned by a Person referred to in Section 3.08(c)(v)(i) above; or

iii. any Person which is the legal and beneficial, direct or indirect, owner of at least twenty percent (20%) of the voting securities of a Person referred to in Section 3.08(c)(v)(i) above; or

iv. any Person any whose directors, partners or executive officers is a director, partner or executive officer of any of the Persons referred to in Section 3.08(c)(v)(i), (ii), and (iii) above; or

v. any Person, thirty percent (30%) or more of the voting securities of which is legally and beneficially, directly or indirectly, owned by a director, partner, or executive officer, or any two (2) or more of such directors, partners or executive officers, of a Person referred to in Section 3.08(c)(v)(i).

3.09 ***Change of Trustee***

(a) The Trustee may at any time resign by giving thirty (30) days prior written notice to the Issuer and to the Bondholders of such resignation. Upon receiving such notice of resignation of the Trustee, the Issuer shall immediately appoint a successor Trustee by written instrument in duplicate, executed by its authorized officers, one (1) copy of which instrument shall be delivered to the resigning Trustee and one (1) copy to the successor Trustee. If no successor Trustee shall have been so appointed and have accepted appointment within thirty (30) days after the giving of such notice of resignation, the resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor Trustee, or any Bondholder who has been a bona fide holder of the Bonds for at least six (6) months (the "Bona Fide Bondholder") may, for and on behalf of the Bondholders, petition any such court for the appointment of a successor Trustee. Such court may thereupon after notice, if any, as it may deem proper, appoint a successor Trustee.

(b) In case at any time any of the following shall occur -

(i) The Trustee shall fail to comply with the provisions of Section 3.08(a) after written request therefor by the Issuer or by the Majority Bondholders; or

(ii) The Trustee shall cease to be eligible in accordance with the provisions of Section 3.02 and shall fail to resign after written request therefor by the Issuer or by any Bona Fide Bondholder; or

(iii) The Trustee shall become incapable of acting, or shall be adjudged bankrupt or insolvent, or a receiver of the Trustee or of its property shall be appointed, or any public officer shall take charge or control of the Trustee or of its properties or affairs for the purpose of rehabilitation, conservation or liquidation -

then the Issuer may, within thirty (30) days therefrom remove the Trustee and appoint a successor Trustee, by written instrument in duplicate, executed by the Issuer's duly authorized officers, one (1) copy of which instrument shall be delivered to the Trustee so removed and one (1) copy to the successor Trustee. If the Issuer fails to remove the Trustee and appoint a successor Trustee, any

Bona Fide Bondholder may, on behalf of himself and all other Bondholders, petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor Trustee. Such court may thereupon after such notice, if any, as it may deem proper and prescribe, remove the Trustee and appoint a successor Trustee.

(c) The Majority Bondholders may at any time remove for cause the Trustee and appoint a successor Trustee by the delivery to the Trustee so removed, to the successor Trustee and to the Issuer of the evidence provided for in Section 11.09 of the action in that regard taken by the Majority Bondholders. This is without prejudice to whatever remedies may be available to the Majority Bondholders under the Law or in equity.

(d) Any resignation or removal of the Trustee and appointment of a successor Trustee pursuant to any of the provisions of this Section shall become effective upon the earlier of: (i) acceptance of appointment by the successor Trustee as provided in this Agreement; or (ii) the effectivity of the resignation notice sent by the Trustee under this Agreement provided, however, that after such effectivity of the resignation notice and, as relevant, until such successor Trustee is qualified and appointed, the resigning Trustee shall discharge duties and responsibilities solely as a custodian of records for turnover to the successor Trustee promptly upon the appointment thereof by the Issuer.

(e) Within ten (10) days from the Resignation Effective Date, the Trustee shall transfer and turn over to the successor Trustee, and shall make an accounting of, all the assets, documents or instruments which are in the custody of the Trustee pursuant to this Agreement, if any.

3.10 ***Successor Trustee***

(a) Any successor Trustee appointed as provided in Section 3.09 shall execute, acknowledge and deliver to the Issuer and to its predecessor Trustee an instrument accepting such appointment hereunder, and thereupon the resignation or removal of the predecessor Trustee shall become effective and such successor Trustee, without any further act, deed or conveyance, shall become vested with all the rights, powers, trusts, duties and obligations of its predecessor in the trust hereunder with like effect as if originally named as Trustee herein. The foregoing notwithstanding, on the written request of the Issuer or of the successor Trustee, the Trustee ceasing to act shall execute and deliver an instrument transferring to such successor Trustee, upon the trust herein expressed, all the rights, powers and duties of the Trustee so ceasing to act as such. Upon request of any such successor Trustee, the Issuer shall execute any and all instruments in writing as may be necessary to fully vest in and confer to such successor Trustee all such rights, powers and duties.

(b) No successor Trustee shall accept appointment as provided in this Section unless at the time of acceptance such successor Trustee shall be qualified and eligible under the provisions of Section 3.02 and has none of the conflict of interest under Section 3.08.

(c) Upon acceptance of appointment by a successor Trustee as provided in this Section, the Issuer shall notify the Bondholders in writing of the succession of such Trustee to the trust herein. If the Issuer fails to notify the Bondholders within ten (10) days after acceptance of appointment by the successor Trustee, the latter shall cause the Bondholders to be so notified at the expense of the Issuer.

3.11 ***Merger or Consolidation***

Any corporation into which the Trustee may be merged or with which it may be consolidated or any corporation resulting from any merger or consolidation to which the Trustee shall be a party or any corporation succeeding to the business of the Trustee shall be the successor of the Trustee hereunder without the execution or filing of any paper or any further act on the part of any of the parties hereto, anything herein to the contrary notwithstanding, provided that such successor Trustee shall be eligible under Section 3.02 and has none of the conflict of interest under Section 3.08, and that, if such successor Trustee shall not be qualified under Section 3.08, such successor Trustee shall, within ninety (90) days after becoming such successor Trustee, either become qualified under Section 3.08 or resign in the manner and with the effect specified in Section 3.09. The Trustee shall immediately inform the Issuer of the occurrence of such merger, consolidation or such succession to the business of the Trustee.

3.12 ***Representations and Warranties of the Trustee***

The Trustee represents to the Issuer and to the Bondholders as follows:

(a) It is a corporation duly incorporated, validly existing and in good standing under the laws of the Republic of the Philippines, and has its business address at the place indicated in this Agreement, and is registered or qualified to do business as now being conducted in every jurisdiction where registration or qualification is necessary;

(b) It has full power and authority to enter into this Agreement and to perform its obligations hereunder and execute the trust hereby created, and hereby accepts the trust in this Agreement and provided upon the terms and conditions herein set forth;

(c) The obligations of the Trustee under this Agreement constitute its legal, valid and binding obligations, enforceable in accordance with its terms;

(d) All consents, approvals and authorizations necessary on its part for the due execution, delivery and performance of this Agreement have been obtained or effected by it and remain in full force and effect as of the date hereof; and

(e) The execution and delivery of this Agreement, and the performance of its obligations hereunder, do not and will not violate any applicable Laws or regulations of the Philippines or judgments, orders or issuances of Philippine courts and will not conflict with or result in a breach of its constitutive documents, any contract, agreement or other obligation to which it is a party or for which it may be bound.

The aforesaid representations and warranties are true and correct as of the date of this Agreement and shall remain to be true and correct as long as the Bonds or any portion thereof remain outstanding.

The representations and warranties of the Trustee shall survive the issuance of the Bonds and may be enforced at any time while the Bonds or any portion thereof remains outstanding.

Any breach of the foregoing representations of the Trustee entitles the Majority Bondholders to remove the Trustee pursuant to and in accordance with Section 3.09(c).

3.13 ***Declarations by the Trustee and the Issuer***

The recitals contained herein and in the Bonds, except the Trustee's representations provided in Section 3.12, shall be taken as the statements of the Issuer, and the Trustee assumes no responsibility for the correctness of the same. The Trustee makes no representation as to the validity of the Bonds. The Trustee shall not be accountable for the use or application by the Issuer of any of the Bonds or of the proceeds of such Bonds. Similarly, the Issuer takes no responsibility for the correctness of the representations made by the Trustee under Section 3.12.

3.14 ***Reports to the Bondholders***

(a) Upon the written request of any Bona Fide Bondholder, the Trustee shall submit to the Bondholders on or before March 31 of each year from the relevant Issue Date until full payment of the Bonds a brief report dated as of December 31 of the immediately preceding year with respect to:

(i) The property and funds, if any, physically in the possession of the Paying Agent held in trust for the Bondholders on the date of such report (as reported by the Paying Agent to the Trustee); and

(ii) Any action taken by the Trustee in the performance of its duties under the Trust Agreement which it has not previously reported and which in its opinion materially affects the Bonds, except action in respect of a default, notice of which has been or is to be withheld by it in accordance with the provisions of Section 10.02.

(b) Upon the written request of any Bona Fide Bondholder, the Trustee shall likewise transmit to the requesting Bondholder, a brief report with respect to the character, amount and the circumstances surrounding the making of any advance by the Trustee for the reimbursement of which the Trustee claims or may claim a Lien or charge which is prior to that of the Bondholders on the trust estate or property or funds held or collected by the Paying Agent and which it has not previously reported pursuant to this paragraph, if such advance remaining unpaid at any time aggregates more than ten percent (10%) of the aggregate principal amount of Bonds outstanding at such time, such report to be transmitted within ninety (90) days from the making of such advance.

(c) The following pertinent documents may be inspected during regular business hours on any Banking Day at the principal office of the Trustee:

(i) This Agreement;

(ii) The Registry and Paying Agency Agreement;

(iii) The latest Articles of Incorporation and By-Laws of the Issuer; and

(iv) The Registration Statement of the Issuer with respect to the Bonds.

SECTION 4

REPRESENTATIONS AND WARRANTIES OF THE ISSUER

4.01 ***Representations and Warranties***

The Issuer hereby represents and warrants to the Trustee and the Bondholders as follows:

(a) ***Organization and Existence.*** It is a corporation duly incorporated, validly existing and in good standing under the Laws of the Republic of the Philippines, and has its business address at the place indicated in this Agreement, and is registered or qualified to do business as now being conducted in every jurisdiction where registration or qualification is necessary;

(b) ***Authorization.*** It has full legal right, power and authority to carry on its present business, to own its properties and assets, to incur the Indebtedness and other obligations provided for in the Bonds and this Agreement, and has taken all appropriate and necessary corporate and legal actions to authorize the offer, issuance, distribution and sale of the Bonds, for the circulation of the Prospectus and the execution and delivery of this Agreement, and to comply, perform and observe the terms and conditions hereof and thereof;

(c) ***Binding Obligation.*** The obligations of the Issuer under the Bonds, this Agreement and all accepted Applications to Purchase will constitute its legal, valid and binding obligations, enforceable in accordance with their terms and conditions;

(d) ***No Breach.*** The execution and delivery by the Issuer of this Agreement, the issuance of the Bonds, the performance by it of any provision, condition, covenant or other terms herein or therein and its payment of all amounts due on the dates and in the currency provided for therein will not violate in any respect any provision of its Articles of Incorporation, By-Laws, or other constitutive documents, or violate, conflict with or result in the breach of or constitute a default (or which, with the giving of notice or passing of time or both, would constitute a default) under: (i) any Law presently in effect; or (ii) any indenture, agreement, mortgage, contract or other undertaking or instrument to which it is a party or which is binding upon it or any of its properties or assets, and do not and will not result in the creation or imposition of any Lien in or any security interest on any of its properties or assets pursuant to the provisions of such indenture, agreement, contract or other undertaking or instrument;

(e) ***No Event of Default.*** No event has occurred and is continuing or would result from the making of this Agreement or the issuance of the Bonds which constitutes an Event of Default under Section 9 hereof or which, upon a lapse of time or notice or both, would become such an Event of Default;

(f) ***No Declared Event of Default in Other Agreements.*** No declared event of default which would have a Material Adverse Effect has occurred which constitutes a default by the Issuer under or in respect of any agreement, undertaking or instrument to which it is a party or by which it or its ownership in any of its assets or properties may be bound. Neither has an event which would have a Material Adverse Effect occurred which with giving of notice, lapse of time or other conditions would constitute a declared event of default by it under or in respect of any such agreement, undertaking or instrument;

(g) ***Consents, Approvals and Registrations.*** All consents, licenses, approvals and authorizations of, and all filings and registrations with any Government Authority, bureau or agency or other entity or Person legally necessary for the issuance as well as the offering, distribution and sale of the Bonds, for the circulation of the Prospectus, and for the Issuer to enter into and comply with its obligations under this Agreement, the Bonds and all accepted Applications to Purchase, will have been obtained or effected on or before the commencement of the Offer Period;

(h) ***Compliance with Conditions.*** All conditions imposed under the Securities Regulation Code and the pertinent rules and regulations of the SEC with respect to the offer, issuance, distribution and sale of the Bonds, have been or will have been complied with by the Issuer as of the date or time that they are required to be complied with;

(i) ***Litigation.*** Except as otherwise disclosed by the Issuer to the Bondholders, through the Trustee, in writing on or prior to the date of this Agreement, there is no litigation, arbitration or other proceeding pending, or to its knowledge threatened against or affecting it or its assets and properties, before any court or governmental department, commission, board, bureau, agency or instrumentality of the Republic of the Philippines or any other jurisdiction which, if determined adversely could have a material adverse effect on the business, properties, assets or financial conditions of the Issuer, or have a Material Adverse Effect or which might enjoin the execution and delivery of or might affect in any manner the validity and enforceability of this Agreement or the Bonds;

(j) ***Immunity.*** Neither it nor any of its properties or assets enjoy any right of immunity from suit, jurisdiction of any competent court, attachment prior to judgment, attachment in aid of execution, execution of judgment or set-off in respect of its obligations under this Agreement or the Bonds;

(k) ***Equal Rank.*** Its obligations under this Agreement and the Bonds shall constitute direct, unconditional, unsecured and unsubordinated Peso denominated obligations of the Issuer and shall rank *pari passu* and ratably without any preference or priority amongst themselves and at least *pari passu* in priority of payment with all other present and future unsecured and unsubordinated obligations of the Issuer, other than (i) obligations preferred by the law, (ii) any obligation incurred by the Issuer pursuant to Section 5.02 (a) or as may be allowed by this Agreement, and (iii) other Indebtedness or obligations disclosed by the Issuer to the Trustee as of the Issue Date.

(l) ***Material Adverse Event.*** No event has occurred which might materially and adversely affect its condition (financial or otherwise), results of operation, business or prospects or which makes it improbable that it will be able to fulfill any of its obligations under this Agreement or the Bonds;

(m) ***Financial Statements.*** Its unaudited financial statements as of June 30, 2013 and audited financial statements as of December 31, 2011 and December 31, 2012 fairly represent in all material respects the financial conditions of the Issuer as of such date and results of its operations for such period based on PFRS, and since such date, there has been no material adverse change in such condition or operations. There are no substantial liabilities of the Issuer, direct, contingent or otherwise as of the Issue Date, which are not reflected in such balance sheet except for those which have been previously disclosed in writing;

(n) ***Compliance with Laws/Taxes.*** The Issuer is conducting its business and operations in compliance with the applicable Laws and directives of any Governmental Authority having the force of Law. The Issuer has filed timely tax returns with the appropriate Governmental Authority, which are required to be filed by it, and has paid all Taxes shown to be due on such tax returns and on all assessments received by it, to the extent that such Taxes and assessments have become due, except to the extent that the payment of such Taxes and assessments is being contested in good faith and by appropriate proceedings diligently conducted, and adequate reserves have been provided for payment thereof;

(o) ***Material Disclosure.*** All information heretofore or hereinafter given by the Issuer to the Bondholders, through the Trustee, for and in connection with this Agreement and the Bonds are true and correct in all material respects and do not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements contained therein not misleading in light of the circumstances under which such statements were or are made; reasonable inquiries have been made to verify the facts contained therein; and, there are no other facts the omission of which would make any fact or statement therein misleading;

(p) ***Registration Statement and Prospectus.*** The Registration Statement and the Prospectus are not violative of any statute or any rule or regulation of any governmental agency or office, do not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements contained therein not misleading in light of the circumstances under which such statements were or are made; reasonable inquiries have been made to verify the facts contained therein; and there are no other facts the omission of which would make any fact of statement therein misleading. The Registration Statement and the Prospectus contain a reasonably complete description of the business, properties, operations, financial condition, affairs and assets of the Issuer, its capitalization, the Bonds, and the terms of the Offer;

(q) ***Title to Properties.*** It has valid, good, indefeasible and marketable title to all its properties appearing in its financial statements, free and clear of Liens, restrictions, or charges, except as provided under Section 5.02(a) hereof;

(r) ***Concession, Trade Names and Patents.*** It has the right to all concessions, trade names, patents and license agreements necessary for the conduct of its business as now conducted, without any known conflict with the rights of others, except to the extent that such rights may be subject to conflicts with third parties which would not have a Material Adverse Effect; and

(s) ***Solvency.*** The Issuer is solvent to operate and engage in business, and specifically that: (i) it is able to meet its obligations as they mature; (ii) the fair value of its assets exceeds its liabilities; and (iii) it has sufficient capital to carry on its business.

4.02 ***Survival of Representations and Warranties***

Each of the representations and warranties set forth in Section 4.01 hereof are made as of the date of this Agreement and, except for Section 4.01(p), will be true and accurate throughout the continuance of this Agreement and for as long as the Bonds or any portion thereof remains outstanding, with reference to the facts and circumstances existing from time to time.

SECTION 5

COVENANTS

5.01 ***Affirmative Covenants***

The Issuer covenants that during the term of the Bonds and until payment in full and performance of all its obligations thereunder and under this Agreement, the Issuer shall act as follows and shall perform the following obligations:

(a) ***Maintenance and Continuity of Business/Insurance.*** The Issuer shall maintain and preserve its corporate existence, rights, privileges and franchises necessary or desirable in the normal conduct of its business (including, without limitation, any governmental approval, license or certification necessary or advisable for the legality, validity and enforceability of this Agreement and the Bonds); carry out and conduct its business in an orderly, diligent, efficient, and customary manner and in accordance with sound financial and business practices; keep all its properties in good working order and condition, and from time to time make all needful and proper repairs, renewals, replacements and improvements thereto and thereof so that business carried on in connection therewith may be properly and advantageously conducted at all times; and maintain insurance with reputable insurers on all of its properties and assets to such extent and against such risk as is customary with companies in the same or similar business and maintain such other insurance as may be required by Law;

(b) ***Compliance with Law/ Taxes.*** The Issuer shall comply in all respects with all applicable Laws. It shall at all times comply with all orders, directives, judgments, indentures, mortgages, deeds of trust, agreements and other instruments, arrangements, obligations and duties to which it is subject or by which it is legally bound where non-compliance would materially and adversely affect the Issuer's ability to duly perform and observe its obligations and duties under this Agreement and the Bonds. The Issuer shall duly pay and discharge all Taxes assessments and governmental charges of whatsoever nature and by whomsoever levied upon it or against its properties prior to the date on which penalties attach thereto, unless and to the extent only that the same shall be contested in good faith and by appropriate proceedings diligently conducted by the Issuer and adequate reserves have been provided for the payment thereof or where penalties and consequences for a delay in the payment thereof will not result in a Material Adverse Effect;

(c) ***Indebtedness and Contractual and Other Obligations.*** The Issuer shall duly pay and discharge all Indebtedness and perform all contractual obligations promptly and in accordance with their terms; duly pay and discharge all lawful claims of labor, materials, supplies, services or otherwise which might or could, if unpaid become a Lien or charge upon the properties or assets of the Issuer, unless and to the extent only that the same shall be contested in good faith and by appropriate proceedings diligently conducted by the Issuer, and take such steps as may be necessary in order to prevent its properties or any part thereof from being subjected to the possibilities of loss, forfeiture or sale;

(d) ***Notice of Legal Proceeding and Adverse Action.*** The Issuer shall give the Bondholders through the Trustee prompt written notice of:

(i) any litigation or proceeding before any court, tribunal, arbitrator or Governmental Authority affecting it or any of its assets, including provisional relief such as attachments and garnishments, that could materially impair the ability of the Issuer to carry on its business substantially as now conducted, or materially and adversely affect its operations or financial condition, or would have a Material Adverse Effect;

(ii) any dispute which may exist between it and any Governmental Authority or any proposal by any

Governmental Authority to acquire its business or any of its assets which could materially and adversely affect its operations and financial condition, or would have a Material Adverse Effect;

(iii) any litigation or proceeding relating to environmental matters concerning the Issuer that may materially and adversely affect its operations and financial condition, or would have a Material Adverse Effect;

(iv) any notice of strike filed with the Department of Labor and Employment against the Issuer which may materially and adversely disrupt the Issuer's business operations or have a Material Adverse Effect;

(v) any Event of Default or any event which, upon a lapse of time or giving of a notice or both, would become an Event of Default;

(vi) any damage, destruction or loss which might materially and adversely affect the assets, business operations, prospects or financial condition of the Issuer or have a Material Adverse Effect; or

(vii) any other event or matter of any nature whatsoever which has Material Adverse Effect;

(e) ***Additional Agreements.*** The Issuer shall promptly execute and deliver to the Bondholders, through the Trustee, such additional reports, documents, and other information respecting the business, properties, condition or operations, financial or otherwise of the Issuer, as the Bondholders may reasonably require from time to time to perfect and confirm to the Bondholders all their rights, powers and remedies hereunder;

(f) ***Continuing Consents and Approvals.*** The Issuer shall at its own cost and expense, continue and maintain in full force and effect any and all Authorizations, approvals, licenses or consents obtained in connection with or necessary for the carrying out of its business and its obligations under this Agreement and the Bonds; perform and observe all the conditions and restrictions contained in, or imposed on the Issuer by, any and all such Authorizations; and, obtain any new or additional Authorizations, approvals, licenses or consents, effect any and all registrations or filings and take such additional actions as are, or which may become, necessary for its business and the performance by the Issuer of its obligations under this Agreement and the Bonds or the enforceability of this Agreement and the Bonds;

(g) ***Books of Account and Records.*** The Issuer shall maintain true, materially complete and adequate books of accounts and records and prepare all financial statements required hereunder to reflect fairly its financial condition and results of operation in accordance with PFRS and in compliance with the regulations of any Governmental Authority having jurisdiction thereof; appoint and maintain as auditors a firm of independent public accountants of recognized standing acceptable to the Trustee;

(h) ***Reports.*** The Issuer will furnish the Trustee:

(i) within ninety (90) days after the close of each semestral period of the fiscal year of the Issuer, unaudited consolidated financial statements of the Issuer, as of the end of such semester, certified by an authorized officer of the Issuer, each prepared in accordance with PFRS; and

(ii) within one hundred twenty (120) days after the close of the fiscal year of the Issuer, copies of the annual consolidated audited reports of the Issuer, certified by independent accountants of recognized standing accredited by the SEC including consolidated balance sheets as of the end of such fiscal year and consolidated earnings and surplus statements of the Issuer for such fiscal year, prepared in accordance with PFRS;

(i) ***Certificate of No Default, Compliance and Notice of Default.*** The Issuer shall furnish the Trustee, substantially in the form of **Exhibit 1**:

(i) simultaneous with the audited consolidated financial statements, a certificate signed by the Chief Finance Officer or a duly designated officer, dated not more than ten (10) days prior to the delivery thereof, stating that no event has occurred and is continuing which constitutes or which, with the giving of notice or lapse of time or both, would constitute an Event of Default; and

(ii) within five (5) Banking Days after the occurrence of any event which constitutes or which, with the giving of notice or lapse of time or both, would constitute an Event of Default, notice of such occurrence, together with a detailed statement by the Chief Finance Officer or a duly designated officer of the Issuer as to the nature thereof and the steps taken and/or being taken by the Issuer to cure such event;

(j) ***Notice of Change of Address.*** The Issuer shall give the Bondholders, through the Trustee, written notice of any change of address at least five (5) Banking Days prior to such change;

(k) ***Title.*** The Issuer shall maintain, warrant and defend the rights, title and interests of the Bondholders hereunder and under the Bonds;

(l) ***Use of Proceeds.*** The Issuer shall ensure that the proceeds of the Bonds shall be used for the purpose stated in the Prospectus. Notwithstanding this Section, the Issuer may reallocate the proceeds of the Bonds to other purposes subject to compliance with the applicable Law.

(m) ***Subsidiaries.*** The Issuer shall cause its Subsidiaries, so far as is permitted by Law, or by loan covenants, or by the financial conditions of, or other relevant agreements of the Issuer or Subsidiary, to pay such dividends to the Issuer as are necessary to meet the Issuer's obligations under the Finance Documents;

(n) ***Ranking of the Bonds.*** If the Issuer incurs Indebtedness embodied in public instruments providing priority or preference under Article 2244(14) of the Civil Code of the Philippines, the Issuer shall at the Issuer's option, either procure a waiver of the preference created by such notarization or equally and ratably extend such preference to the Bonds;

(o) ***Submission of Reports/Information Documents to Trustee.*** The Issuer shall submit to the SEC copies of the reports, information and documents which the Issuer may be required to file with the SEC in connection with the offering of the Bonds pursuant to the Securities Regulation Code, and submit the same to the Trustee (other than those documents which are already required to be submitted to the Trustee under this Agreement), within ten (10) Banking Days after the Issuer has filed the same with the SEC;

(p) ***Further Assurances.*** The Issuer shall: (i) comply with all the terms and conditions of this Agreement and the Bonds; (ii) maintain satisfactory accounting, cost control and management information systems; and (iii) ensure that all transactions with Subsidiaries and Material Affiliates in the ordinary course of business shall be executed on arm's length basis; and

(q) ***Services of a Credit Rating Agency.*** The Issuer shall maintain the services of an independent credit rating agency accredited by the SEC to monitor the Bonds rating.

5.02 ***Negative Covenants***

During the term of this Agreement and until payment in full of all the outstanding Bonds and performance of all other obligations of the Issuer hereunder, the Issuer hereby covenants that the Issuer shall not permit any of the following occurrences without the prior consent of the Majority Bondholders:

(a) ***Encumbrances.***

The Issuer shall not permit any Indebtedness to be secured by or to benefit from any Lien, in favor of any creditor or class of creditors on, or in respect of, any present or future assets or revenues of the Issuer or the right of the Issuer to receive income; *Provided*, however that this shall not prohibit the following:

(i) any mortgage, charge, pledge, Lien, or other encumbrance or security interests over any asset to secure: (i) payment of the purchase price or cost of leasehold rights of such asset; or (ii) the payment of the cost and expenses for the development of such asset pursuant to any development made or being made by the Issuer in the ordinary course of business; or (iii) the payment of any indebtedness in respect of borrowed money (including extensions and renewals thereof and replacements therefor) incurred for the purpose of financing the purchase, lease or development of such asset;

(ii) Liens or charges for current taxes, assessments, or other governmental charges which are not delinquent or remain payable, without any penalty, or the validity of which is contested in good faith by appropriate proceedings, and adequate reserves have been provided for payment thereof;

(iii) deposits or pledges to secure statutory obligations, surety, or appeal bonds, bonds for release of attachments, stays of execution of injunction, or performance bonds for bids, tenders, contracts (other than for the repayment of borrowed money) or leases in the normal course of business;

(iv) Liens, pledges, charges, and other encumbrances on the properties and assets of the Issuer: (i) imposed by Law, such as carriers' Liens, warehousemen's Liens, mechanics' Liens, unpaid vendors' Liens, and other similar Liens arising in the ordinary course of business; (ii) arising out of pledges or deposits under workmen's compensation Laws, unemployment insurance, old age pensions, or other social security or retirement benefits or similar legislation, or retirement benefit plans of the Issuer; or (iii) arising out of the set-off provision on other agreements of the Issuer relating to Indebtedness;

(v) a mortgage, pledge, or other security interests in favor of banks, insurance companies, other financial institutions, and Philippine government agencies, departments, authorities, corporations of other juridical entities which secure a preferential financing obtained by the Issuer under a governmental program and the aggregate principal amount of such preferential financing does not exceed Thirty Five percent (35%) of the Issuer's total assets;

(vi) any mortgage, charge, pledge, Lien, or other encumbrance or security interests over its cash deposits, short-term cash investments, and marketable investment securities in favor of banks and other financial institutions, which secure (i) any borrowed money in connection with a Treasury Transaction in the ordinary course of business of Issuer, provided that the aggregate amount of security does not at any time exceed United States Dollars: Ten Million (US$10,000,000.00) or its equivalent; and/or (ii) standby letters of credit to be used to guarantee additional equity infusions by the Issuer in its Subsidiaries or Affiliates and/or used in the ordinary course of business of Issuer, its Subsidiaries and/or Affiliates;

(vii) other Liens: (i) created solely by operation of law; and (ii) on such other assets as may be disclosed in writing by the Issuer to the Trustee on or before the Issue Date; and

(viii) any mortgage, charge, pledge, Lien, or other encumbrance or security interests constituted over the investment of the Issuer in any of its affiliate or any Person, whether or not majority owned or Controlled, and whether such investment is in the form of shares, deposits or advances, to guarantee or secure the obligations of the said affiliates;

(b) ***Nature of Business.*** Except as required by Law or any Governmental Authority, the Issuer shall not: (i) make or permit any material change in the nature of its business from that being carried on as of the date hereof; or (ii) engage in any business operation or activity other than that for which it is presently authorized, expressly or impliedly, by its Articles of Incorporation or by Law;

(c) ***Merger or Consolidation.*** The Issuer shall not enter into any merger or consolidation except where (i) the Issuer is, or the Aboitiz Group retains Control of, the surviving corporation; (ii) such merger or consolidation is required by law, regulation or decree; or (iii) such merger or consolidation does not result in a Material Adverse Effect;

(d) ***Amendment of Articles of Incorporation and By-laws: Quasi-reorganization.*** Except as required by Law, the Issuer shall not amend its Articles of Incorporation and/or By-laws or reorganize or reduce its capital where such amendment, reorganization, or reduction of capital results in a Material Adverse Effect;

(e) ***Declaration and Payment of Cash Dividends/Issuance of Share.*** The Issuer shall not declare or pay any dividends to its stockholders (other than dividends payable solely in shares of its capital stock and cash dividends due on its then-outstanding preferred shares) or retain, retire, purchase or otherwise acquire any class of its capital stock, or make any other capital or other asset distribution to its stockholders, unless all payments due under the Bonds are current and updated;

(f) ***Sale or Lease of Assets.*** The Issuer shall not sell, assign, lease, transfer, dispose, or subject all and/or substantially all of its properties and assets (whether in a single transaction or in a series of transactions, related or otherwise), divest any of its existing investments, or acquire all or substantially all of the properties or assets of any other Person except when such sale, assignment, lease, transfer, disposition, divestment, or acquisition: (i) is made in the ordinary course of business; (ii) is required by Law or any Governmental Authority; or (iii) does not result in a Material Adverse Effect;

(g) ***Assignment of Revenues/Income.*** The Issuer shall not assign, transfer or otherwise convey any right to receive any of its income or revenues except when such assignment, transfer, or conveyance: (i) is allowed under Section 5.02(a) above; (ii) is made in the ordinary course of day-to-day operations; (iii) is required by Law or any Governmental Authority; or (iv) does not result in a Material Adverse Effect;

(h) ***Guarantee.*** The Issuer shall not purchase or repurchase (or agree contingently or otherwise to do so) the Indebtedness, or assume, guarantee, endorse, or otherwise become directly or contingently liable (including without limitation, to become liable by way of agreement, contingent or otherwise, to purchase, use facilities, provide funds for payment, supply funds or otherwise invest in the debtor or otherwise to assure the creditor against loss) for or in connection with any obligation or Indebtedness of any other Person, other than obligations of its Subsidiaries or Affiliates or any Person which the Issuer has investments in, whether such investment is in the form of shares, deposits or advances ;

(i) ***Suspension of Business.*** The Issuer shall not voluntarily suspend its business operations in a manner that will result in a Material Adverse Effect, or dissolve its affairs;

(j) ***Loans and Advances to any Person.*** The Issuer shall not extend any loan, advance or subsidy to any person (other than to its Subsidiaries or Affiliates or any Person which the Issuer has investments in, whether such investment is in the form of shares, deposits or advances, or transactions in the ordinary course of business) which will have a Material Adverse Effect. Neither shall the Issuer make any deposit, credit to, or investment in, any Person which will have a Material Adverse Effect, except for bank deposits, money market placements, and other transactions in the ordinary course of business;

(k) ***Maintenance of Financial Ratios.*** The Issuer shall not permit its Net Debt to Consolidated Equity Ratio to exceed 3:1 calculated based on the Issuer's year-end audited financial statements;

(l) ***Incurrence of Additional Loans.*** The Issuer shall not contract any loan obligation with a maturity of more than one (1) year if such obligation will result in a violation of the Net Debt to Consolidated Equity Ratio set forth in Section 5.02(k) hereof;

(m) ***Acceleration of Outstanding Credit Obligations.*** The Issuer shall not, after the occurrence of an Event of Default, voluntarily prepay any Indebtedness unless it shall contemporaneously make a proportionate prepayment of the Bonds; and

(n) ***Material Adverse Effect.*** The Issuer shall not, in any case, execute, perform or do any other act which shall have a Material Adverse Effect.

5.03 ***Survival***

The covenants of the Issuer mentioned in Sections 5.01 and 5.02 shall survive the issuance of the Bonds and shall be performed fully and faithfully by the Issuer at all times while the Bonds or any portion thereof remain outstanding.

SECTION 6

PAYMENT OF THE BONDS

6.01 ***Remittance of Payment by the Issuer***

(a) No later than three (3) Banking Days prior to a Payment Date, the Paying Agent shall notify Issuer in writing of the amount required to be remitted on such relevant Payment Date in accordance with the Registry and Paying Agency Agreement. On Payment Date, the Issuer shall remit to the Paying Agent in good and cleared funds the amount required for all interest and principal payments of the Bonds, net of any withholding tax, which tax shall be remitted to the BIR by the Issuer in accordance with BIR rules and regulations. Principal, interest and any other payment shall be considered paid and the Issuer's obligation to pay discharged at the time it is due if: (i) at such time the Paying Agent holds money sufficient to pay all principal, interest or other payments then due, and (ii) the Paying Agent pays out such monies to the Bondholders or the Issuer causes payment to be made directly to the Bondholders to discharge the interest or principal payments due on the Bonds in accordance with the Registry and Paying Agency Agreement.

(b) In the event that the Issuer will be unable to remit the full amount sufficient to cover the principal and the interest on the Bonds on the Payment Date, the Issuer shall remit the amount available for payment to the Paying Agent; provided, that such remitted amount shall be proportionately applied towards the satisfaction of the amounts due on the Bonds, and without prejudice to the right of action of the Trustee and the Bondholders because of such failure to remit in full such amount.

6.02 ***Interest Payment***

(a) The interest on the outstanding principal sum of the Bonds shall be paid at a rate and in the manner provided in **Annex "A"** hereof, accrued and payable on the dates indicated in the interest coupon of the Bonds (the "Interest Payment Dates"). The Interest Payment Dates shall be automatically adjusted to fall on the immediately succeeding Banking Day if the Interest Payment Dates fall on a non-Banking Day, but there shall be no adjustment in the amount of interest as originally computed. Interest on the first Interest Payment Date will cover the period from Issue Date up to such Interest Payment Date. Subsequent interest payments shall be reckoned from the last Interest Payment Date up to the next Interest Payment Date. The last Interest Payment Date on the Seven Year Bonds shall fall on the Maturity Date thereof. The last Interest Payment Date on the Ten Year Bonds shall fall on the Maturity Date thereof.

(b) The Person in whose name the Bonds is registered at the close of business on the Record Date preceding any Interest Payment Date shall be entitled to receive payment of the interest accruing up to such Interest Payment Date. In case of default in the payment of interest, such defaulted interest payment shall pertain to and be paid to the Person in whose name the Bonds are registered as of Record Date immediately preceding the relevant Interest Payment Date. In all cases, interest payments shall be remitted to the Bondholders only upon proper presentation to, and authentication by, the Paying Agent of proper authorization and identification papers.

6.03 ***Principal Repayment***

(a) Unless previously redeemed, purchased and cancelled, the principal amount of the Seven Year Bonds and Ten Year Bonds shall be payable on the respective Maturity Dates of the Seven Year Bonds and Ten Year Bonds at its face value.

(b) The Maturity Date shall be automatically adjusted to fall on the immediately succeeding Banking Day if the Maturity Date is on or otherwise falls on a non-Banking Day; provided, that no adjustment on the principal or interest accruing on such Maturity Date shall be made.

6.04 ***Optional Redemption***

Prior to Maturity Date, the Issuer shall have the option, but not the obligation, to redeem in whole (and not in part), any series of the outstanding Bonds on the following dates or the immediately succeeding Banking Day if such date is not a Banking Day: (i) For the Seven-Year Bonds – on the fifth (5th) year and one quarter and on the sixth (6th) year from the Issue Date; and (ii) For the Ten-Year Bonds – on the seventh (7th) year, on the eighth (8th) year and on the ninth (9th) year from Issue Date (collectively, the relevant "Optional Redemption Dates").

The Issuer shall give not less than thirty (30) nor more than sixty (60) days prior written notice of its intention to redeem the Bonds, which notice shall be irrevocable and binding upon the Issuer to effect such early redemption of the Bonds on the Optional Redemption Date stated in such notice.

The amount payable to the Bondholders in respect of the Optional Redemption exercise (the "Optional Redemption Price") shall be calculated based on the principal amount of the Bonds being redeemed as the aggregate of the: (i) accrued interest computed up to the relevant Optional Redemption Date; and (ii) the product of the principal amount and the applicable Optional Redemption Price in accordance with the following schedule:

	Optional Redemption Dates	**Optional Redemption Price**
Seven-Year Bonds	Fifth (5^{th}) Year and One (1) quarter from the Issue Date	101.0%
	Sixth (6^{th}) Year from the Issue Date	100.5%
Ten-Year Bonds	Seventh (7^{th}) Year from the Issue Date	102.0%
	Eighth (8^{th}) Year from the Issue Date	101.0%
	Ninth (9^{th}) Year from the Issue Date	100.5%

6.05 ***Redemption for Taxation Reasons***

If payments under the Bonds become subject to additional or increased taxes other than the taxes and rates of such taxes prevailing on Issue Date as a result of certain changes in Law, rule or regulation, or in the interpretation thereof, and such additional or increased rate of such tax cannot be avoided by use of reasonable measures available to the Issuer, the Issuer may redeem the Bonds in whole, but not in part, on any Interest Payment Date (having given not more than sixty (60) nor less than thirty (30) days' notice to the Trustee) at par plus accrued interest, subject to the requirements of applicable Law. For avoidance of doubt, the Issuer shall not be liable for the payment of the additional or increased taxes, which shall be for the account of the Bondholders.

The following events shall be considered as changes in Law or circumstances as it refers to the obligations of the Issuer and to the rights and interests of the Bondholders under the Trust Agreement and the Bonds:

(i) Any law, government and/or non-government consent, license, authorization, registration or approval now or hereafter necessary to enable the Issuer to comply with its obligations under the Trust Agreement or the Bonds which shall be modified in a manner which, in the reasonable opinion of the Trustee, while not constituting an Event of Default, will materially and adversely affect the ability of the Issuer to comply with such obligations, or shall be withdrawn or withheld;

(ii) Any provision of the Trust Agreement or any of the related documents is or becomes, for any reason, invalid, illegal or unenforceable to the extent that it becomes for any reason unlawful for the Issuer to give effect to its rights or obligations hereunder, or to enforce any provisions of the Trust Agreement or any of the related documents in whole or in part; or any law is introduced to prevent or restrain the performance by the parties hereto of their obligations under the Trust Agreement or any other related documents; and

(iii) Any concessions, permits, rights, franchise or privileges required for the conduct of the business and operations of the Issuer shall be revoked, canceled or otherwise terminated, or the free and continued use and exercise thereof shall be curtailed or prevented, in such manner as to materially and adversely affect the financial condition or operations of the Issuer.

6.06 ***Penalty Interest***

In case any amount payable by the Issuer under the Bonds, whether for principal, interest, fees due to the Trustee, Registrar or Paying Agent or otherwise, is not paid on due date, the Issuer shall, without prejudice to its obligations to pay the said principal, interest and other amounts, pay penalty fee on the defaulted amount(s) at the rate of six percent (6%) per annum (the "Penalty Interest") from the time the amount fell due until it is fully paid.

SECTION 7

DISCHARGE OF OBLIGATION

The obligations of the Issuer under the Bonds and this Agreement shall cease to be of further effect if the Issuer shall have paid or remitted or caused to be paid the principal of, and all accrued interest on, all the Bonds issued and outstanding, including Penalty Interest, if any, at the time and in the manner therein provided.

In the event that the obligations of the Issuer under the Bonds and this Agreement shall cease to be of further effect as provided in this Section, the Trustee shall, on demand of the Issuer and at the latter's cost and expense, execute proper instruments acknowledging the satisfaction and discharge of the obligations of the Issuer under the Bonds and this Agreement. The Issuer agrees to reimburse the Trustee for any cost or expense thereafter reasonably and properly incurred by the Trustee in connection with the Bonds or this Agreement.

SECTION 8

UNCLAIMED PAYMENTS

The Paying Agent shall be responsible for any money remitted to it for the payment of principal and interest on any Bonds including Penalty Interest, if any, but not actually applied to such payment because the same have not been collected or claimed by the Bondholders. The Bondholders concerned shall make the necessary request for payment to the Paying Agent for any such sums unclaimed in accordance with the Registry and Paying Agency Agreement. Any unclaimed payments shall not bear any interest.

Six (6) months after the Maturity Date or Optional Redemption Date or date of early redemption other than the Optional Redemption Date, the Paying Agent shall return any balance remaining in such payment account. Such amount of unclaimed interests and principal payments shall be held for the benefit of the Bondholders. Upon payment of all amounts due to the Bondholders or return of the balance to the Issuer as provided in this Section, the responsibility of the Paying Agent to effect payments to the Bondholders as provided for in this Agreement shall cease.

SECTION 9

EVENTS OF DEFAULT

9.01 ***Events of Default.*** A Bondholder upon receipt of information of an occurrence of any of the events enumerated in Section 9.01(a) to (i) below, or the Issuer pursuant to Section 5.01(d), shall promptly notify the Trustee in writing of the occurrence of such event.

Each of the following events constitutes an Event of Default ("Event of Default") under this Agreement:

(a) ***Payment Default***. The Issuer fails to pay when due and payable any amount which the Issuer is obligated to pay the Bondholders under this Agreement and the Bonds, provided that such non-payment shall not constitute an Event of Default if it is solely due to an administrative or technical error not attributable to Issuer's fault or negligence affecting the transfer of funds despite timely payment instruction having been given by the Issuer and such payment is made two (2) Banking Days after its due date;

(b) ***Representation Default***. Except for clerical or typographical error, any representation or warranty made by the Issuer in this Agreement or in any certification, financial statement or document issued pursuant thereto or otherwise in connection therewith shall prove to have been untrue, incorrect or misleading in any material respect as of the time it was made or deemed to have been made or is violated or not complied with, and such breach or violation, is not remediable or if remediable, continues unremedied for a period of fifteen (15) days from date after receipt of written notice from the Bondholders to that effect, unless such longer period is approved by the Majority Bondholders;

(c) ***Other Provisions Default.*** The Issuer fails to perform or comply with any term, obligation or covenant contained in this Agreement or in any other document or instruments related or otherwise in connection therewith and any such failure, violation, non-compliance is not remediable or if remediable, continues unremedied for a period of ninety (90) days for financial covenants and sixty (60) days for all other covenants from the date after written notice thereof shall have been given by any of the Bondholders; *Provided*, however, that for the avoidance of doubt, no grace period shall apply to the Events of Default specified in Section 9.01 (d) (Cross-Default), (e) (Insolvency Default), (f) (Closure Default) and (j) (Judgment Default);

(d) ***Cross-Default.*** The Issuer violates any other material obligation by the Issuer with any bank, financial institution or other person, corporation or entity for the payment of borrowed money which constitutes an event of default under said contract, or in general, violation of any, law or regulation which violation, if remediable, is not remedied by the Issuer within thirty (30) Banking Days from receipt of notice by the Trustee to the Issuer, or which violation is otherwise not contested by the Issuer, and the effect of such violation results in the acceleration or declaration of the whole financial obligation to be due and payable prior to the stated normal date of maturity; and which violation will, further, in the reasonable opinion of the Trustee, adversely and materially affect the performance by the Issuer of its obligations under this Agreement and the Bonds. Provided, however, that no event of default will occur under this paragraph unless the aggregate amount of indebtedness in respect of which one or more of the events above mentioned has/have occurred equals or exceeds One Billion Five Hundred Million Pesos (PhP1,500,000,000.00) or its foreign currency equivalent;

(e) ***Insolvency Default.*** The Issuer becomes insolvent or is unable to pay its debts when due or commits or permits any act of bankruptcy, which act shall include: (i) the filing of a petition in any bankruptcy, reorganization, winding up or liquidation of the Issuer, or any other proceeding analogous in purpose and effect: Provided, however, that in case the foregoing petition is filed by any other party, other than the Issuer, such event shall be considered a declared Event of Default only upon the issuance of a final order by the court of competent authority; (ii) the making of an assignment by the Issuer for the benefit of its creditors; (iii) the admission in writing by the Issuer of its inability to pay its debts; (iv) the entry of any final order or judgment of any court, tribunal or administrative agency or body confirming the bankruptcy or insolvency of the Issuer or approving any reorganization, winding up or liquidation of the Issuer; or (v) the appointment of a receiver, liquidator, assignee, trustee, or sequestrator of the Issuer, or a substantial part of its property or assets or a substantial part of its capital stock or to assume custody or control of the Issuer, or the ordering of its dissolution, winding-up or liquidation of its affairs;

(f) ***Closure Default.*** The Issuer voluntarily suspends or ceases operations of a substantial portion of its business for a continuous period of thirty (30) calendar days except in the case of strikes or lockouts or when necessary to prevent business losses or when due to fortuitous events or force majeure;

(g) ***Expropriation Default.*** Any Government Authority or any competent authority condemns, seizes, or expropriates all or substantially all of the assets or properties of the Issuer, unless such act is contested in good faith by the Issuer or unless such act is suspended or restrained by an order of a court of competent jurisdiction;

(h) ***Judgment Default.*** Any final judgment, decree or arbitral award for the sum of money, damages or for a fine or penalty in excess of Five Hundred Million Pesos (PhP500,000,000.00) or its equivalent in any other currency is entered against the Issuer and the enforcement of which is not stayed, and is not paid, discharged or duly bonded within sixty (60) calendar days after the date when payment of such final judgment, decree or arbitral award is due under the applicable law or agreement; and

(i) ***Writ and Similar Process Default.*** Any writ, warrant of attachment or execution, or similar process shall be issued or levied against all or substantially all of the Issuer's assets, and such writ, warrant, or similar process shall not be released, vacated, or fully bonded within sixty (60) days after its issue or levy.

SECTION 10

CONSEQUENCES OF DEFAULT

10.01 ***Declaration by the Trustee or the Majority Bondholders***

(a) If any one or more of the Events of Default shall occur and be continuing, either the Trustee, upon the written direction of the Majority Bondholders, by notice in writing delivered to the Issuer, or the Majority Bondholders, by notice in writing delivered to the Issuer and the Trustee, may declare the principal of the Bonds then outstanding, including all interest accrued and unpaid thereon and all amounts due thereunder, to be due and payable immediately, anything contained in this Agreement or in the Bonds to the contrary notwithstanding.

(b) The provision in Section 10.01(a), however, is subject to the condition that except in the case of a Writ and Similar Process Default under Section 9.01(i), the Majority Bondholders, by written notice to the Issuer and to the Trustee, may rescind and annul such declaration made by the Trustee pursuant to a consequence of default and its consequences, upon such terms, conditions and agreements, if any, as they may determine; provided, that, no such rescission and annulment shall extend to or shall affect any subsequent default or shall impair any right consequent thereto. Any such waiver shall be conclusive and binding upon all the Bondholders and upon all future holders and owners of such Bonds, or of any Bond issued in lieu thereof or in exchange therefor, irrespective of whether or not notation of such waiver is made upon the Bonds.

(c) At any time after an Event of Default shall have occurred, the Trustee may:

(i) by notice in writing to the Issuer, the Paying Agent and the Registrar, require the Paying Agent and Registrar to:

(x) act thereafter as agents of the Bondholders represented by the Trustee on the terms provided in the Registry and Paying Agency Agreement (with consequential amendments as necessary and save that the Trustee's liability under the provisions thereof for the indemnification, remuneration and payment of out-of-pocket expenses of the Paying Agent and the Registrar shall be limited to amounts for the time being held by the Trustee on the trusts of this Agreement in relation to the Bonds and available to the Trustee for such purpose) and thereafter to hold all sums, documents and records held by them in respect of the Bonds on behalf of the Trustee; and/or

(y) deliver all evidence of the Bonds and all sums, documents and records held by them in respect of the Bonds to the Trustee or as the Trustee shall direct in such notice; provided, that, such notice shall be deemed not to apply to any document or record which the Paying Agent or Registrar is not obliged to release by any Law or regulation; and

(ii) by notice in writing to the Issuer, require the Issuer to make all subsequent payments in respect of the Bonds to the order of the Trustee and with effect from the issue of any such notice until such notice is withdrawn.

(d) If any one or more of the events enumerated as a change in Law in Section 6.05, shall occur and be continuing for a period of fifteen (15) Banking Days with respect to the events contemplated in (i) or (ii) of Section 6.05, the Majority Bondholders, by notice in writing delivered to AEV through the Trustee, after the lapse of the said fifteen (15) Banking Day period, may declare the principal of the Bonds, including all accrued interest and other charges thereon, if any, to be immediately due and payable, and upon such declaration the same shall be immediately due and payable without any pre-payment penalty under an optional redemption, anything in this Agreement or in the Bonds contained to the contrary notwithstanding, subject to the notice requirements under Section 10.02 (Notice of Default), provided that, such notice shall not be deemed either caused by a default under Section 9.01 (Events of Default), or a notice of default under Section 10.02 (Notice of Default).

10.02 ***Notice of Default***

The Trustee shall, within ten (10) days after the occurrence of an Event of Default give to the Bondholders written notice of any such Event of Default known to it unless the same shall have been cured before the giving of such notice; provided, that, in the case of a Payment Default under Section 9.01(a), the Trustee shall immediately notify the Bondholders upon the occurrence of such Payment Default. The existence of a written notice required to be given to the Bondholders under this Section shall be published in two (2) newspapers of general circulation in Metro Manila, Philippines for two (2) consecutive days, indicating in the published notice that the Bondholders or their duly authorized representatives may obtain an important notice regarding the Bonds at the principal office of the Trustee as indicated in this Agreement upon presentation of sufficient and acceptable identification to the Trustee.

10.03 ***Payments in the Event of Default***

The Issuer covenants that upon the occurrence of any Event of Default, the Issuer will pay to the Bondholders, through the Paying Agent, the whole amount which shall then have become due and payable on all such outstanding Bonds with interest at the rate borne by the Bonds on the overdue principal and with Penalty Interest, where applicable, and in addition thereto the Issuer will pay to the Trustee such further amounts as shall be determined by the Trustee to be sufficient to cover the cost and expenses of collection, including reasonable compensation to the Trustee, its agents, attorneys and counsel, and any reasonable expenses or liabilities incurred without negligence or bad faith by the Trustee hereunder.

Upon the occurrence of an Event of Default and in accordance with the requirements of this Agreement, the Bondholders shall have the right, but not the obligation, to require the Issuer to redeem the Bonds in full, by payment of the amounts stated above, plus the principal amount, by delivery of the relevant evidence of the Bonds to the Trustee.

10.04 ***Application of Payments***

Any money collected by the Trustee under this Section and any other funds held by it, subject to any other provision of this Agreement relating to the disposition of such money and funds, shall be applied by the Trustee in the order of preference as follows:

First: To the payment of the costs, expenses, fees and other charges of collection, including reasonable compensation to the Trustee, Paying Agent, Registrar, and each such Person's agents, attorneys and counsel, and all reasonable expenses and liabilities incurred or disbursement made by them without negligence or bad faith.

Second: To the payment of Penalty Interest.

Third: To the payment of the interest, in the order of the maturity of such interest.

Fourth: To the payment of the principal amount of the outstanding Bonds due and payable.

Fifth: The remainder, if any, shall be paid to the Issuer, its successors or assigns, or to whosoever may be lawfully entitled to receive the same, or as a court of competent jurisdiction may direct.

Except for any interest and principal payments, all disbursements of the Paying Agent in relation to the Bonds shall require the conformity of the Trustee. The Paying Agent shall render a monthly account of such funds under its control.

10.05 ***Remedies***

(a) All remedies conferred by this Agreement to the Trustee and the Bondholders shall be cumulative and not exclusive and shall not be so construed as to deprive the Trustee or the Bondholders of any legal remedy by judicial or extrajudicial proceedings appropriate to enforce the conditions and covenants of this Agreement, subject to Section10.06

(b) No delay or omission by the Trustee or by any Bondholder to exercise any right or power arising from or on account of any default hereunder shall impair any such right or power, or shall be construed to be a waiver of any such default or an acquiescence thereto, and every power and remedy given by this Agreement to the Trustee or to the Bondholder may be exercised from time to time and as often as may be necessary or expedient.

10.06 ***Ability to File Suit***

No Bondholder shall have any right by virtue of or by availing of any provision of this Agreement to institute any suit, action or proceeding for the collection of any sum due from the Issuer hereunder on account of principal, interest and other charges, or for the appointment of a receiver or trustee, or for any other remedy hereunder, unless all of the following conditions have been fulfilled: (1) such Bondholder previously shall have given to the Trustee written notice of an Event of Default and of the continuance thereof and the related request for the Trustee to convene a meeting of the Bondholders to take up matters related to their rights and interests under the Bonds, and (2) the Majority Bondholders shall have decided and made a written request upon the Trustee to institute such suit, action or proceeding in its own name, and (3) the Trustee for sixty (60) days after receipt of such notice and request shall have neglected or refused to institute any such suit, action or proceeding, and (4) no directions inconsistent with such written request or waiver of default by the Bondholders pursuant to Section 10.07 shall have been made, it being understood and intended, and being expressly covenanted by every Bondholder with every other Bondholder and the Trustee, that no one or more Bondholder shall have any right in any manner whatsoever by virtue of or by availing of any provision of this Agreement to affect, disturb or prejudice the rights of the holders of any other such Bonds or to obtain or seek to obtain priority over or preference to any other such holder or to enforce any right under this Agreement, except in the manner herein provided and for the equal, ratable and common benefit of all Bondholders. For the protection and enforcement of the provisions of this Section, each and every Bondholder and the Trustee shall be entitled to such relief as can be given under the Law.

10.07 ***Waiver of Default by Bondholders***

The Majority Bondholders may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred upon the Trustee, or the Majority Bondholders may decide for and in behalf of the Bondholders waive any past default except the Events of Default specified in Section 9 (a) (Payment Default), (d) (Cross Default), (e) (Insolvency Default), (f) (Closure Default), and (g) Expropriation Default) and its consequences. In case of any such waiver, written notice of which shall be given to the Issuer by the Trustee, the Issuer, the Trustee and the Bondholders shall be restored to their former positions and rights hereunder, but no such waiver shall extend to any subsequent or other default or impair any right consequent thereto. Any such waiver by the Majority Bondholders shall be conclusive and binding upon all Bondholders and upon all future holders and owners thereof, irrespective of whether or not any notation of such waiver is made upon the certificate representing the Bonds.

10.08 ***Prescription***

Claims in respect of principal and interest or other sums payable hereunder will be prescribed unless made within ten (10) years (in the case of principal or other sums) or five (5) years (in the case of interest) from the date on which payment becomes due.

SECTION 11

MEETINGS OF BONDHOLDERS

11.01 *Meetings*

A meeting of Bondholders may be called at any time and from time to time pursuant to the provisions of this Section for the purpose of taking any action authorized to be taken by or on behalf of the holders of any specified aggregate principal amount of Bonds under any other provisions of this Agreement or under applicable Law and such other matters related to the rights and interests of the Bondholders under the Bonds.

11.02 *Notice of Meetings*

The Trustee may at any time call a meeting of the Bondholders, or the holders of at least twenty-five percent (25%) of the aggregate outstanding principal amount of Bonds may direct in writing the Trustee to call a meeting of the Bondholders, to take any action specified in Section 11.01, to be held at such time and at such place as the Trustee shall determine. Notice of every meeting of Bondholders, setting forth the time and the place of such meeting and the purpose of such meeting in reasonable detail, shall be sent by the Trustee to the Issuer and to each of the registered Bondholders and published in a newspaper of general circulation in Metro Manila, Philippines not earlier than forty-five (45) days nor later than fifteen (15) days prior to the date fixed for the meeting. All reasonable costs and expenses incurred by the Trustee for the proper dissemination of the notices for the requested meeting shall be reimbursed by the Issuer within ten (10) days from receipt of the duly supported statement of account.

11.03 *Failure of Trustee to Call a Meeting*

In case at any time the Issuer, pursuant to a resolution of its board of directors, or the holders of at least twenty-five percent (25%) of the aggregate outstanding principal amount of the Bonds shall have requested the Trustee to call a meeting of the Bondholders by written request setting forth in reasonable detail the purpose of the meeting, and the Trustee shall not have mailed and published, in accordance with Section 11.02, the notice of such meeting within twenty (20) days after receipt of such request, then the Issuer or the holders of Bonds in the amount above specified may determine the time and place for such meeting and may call such meeting by mailing and publishing notice thereof as provided in Section 11.02, and the costs thereof shall be chargeable to the Trustee.

11.04 *Quorum*

The presence of the Majority Bondholders personally or by proxy shall be necessary to constitute a quorum to do business at any meeting of the Bondholders. The Trustee shall determine and record the presence of the Majority Bondholders, personally or by proxy.

11.05 *Procedure for Meetings*

The Trustee shall preside at all the meetings of the Bondholders unless the meeting shall have been called by the Issuer or by the Bondholders as provided in Section 11.03, in which case the Issuer or the Bondholders calling the meeting, as the case may be, shall move for the election of the chairman and secretary of the meeting from among the Bondholders then present or represented during the meeting.

Any meeting of the Bondholders duly called pursuant to the provisions of this Section may be adjourned from time to time for a period or periods not to exceed in the aggregate one (1) year from the date for which the meeting shall originally have been called, and the meeting so adjourned may be held on another date without further notice. Any such adjournment may be ordered by Persons representing a majority of the aggregate principal amount of the Bonds represented at the meeting and entitled to vote, whether or not a quorum shall be present at the meeting.

11.06 ***Voting Rights***

To be entitled to vote at any meeting of the Bondholders, a Person shall be a registered holder of the Bonds or a Person appointed by an instrument in writing as proxy by any such holder as of the date of such meeting. Bondholders shall be entitled to one vote for every Ten Thousand Pesos (PhP10,000.00) interest. The only Persons who shall be entitled to be present or to speak at any meeting of the Bondholders shall be the Persons entitled to vote at such meeting and any representative of the Issuer and its legal counsel.

11.07 ***Voting Requirement***

All matters presented for resolution by the Bondholders in a meeting duly called for the purpose shall be decided or approved by the affirmative vote of the majority of the Bondholders present or represented in a meeting at which there is a quorum, except as otherwise provided in this Agreement.

Any resolution of the Bondholders which has been duly approved with the required number of votes of the Bondholders as herein provided shall be binding upon all the Bondholders and the Trustee as if the votes were unanimous.

11.08 ***Role of the Trustee in Meetings of Bondholders***

Notwithstanding any other provisions of this Agreement, the Trustee may make such reasonable regulations as it may deem advisable for any meeting of the Bondholders, in regard to proof of ownership of Bonds, the appointment of proxies by registered holders of Bonds, the election of the chairman and the secretary, the appointment and duties of inspectors of votes, the submission and examination of proxies, certificates and other evidences of the right to vote, and such other matters concerning the conduct of the meeting as it shall deem fit. The minutes of each meeting and any resolution made thereat shall be taken by the Trustee.

11.09 ***Evidence Supporting Bondholders' Action***

Wherever in this Agreement it is provided that the holders of a specified percentage of the aggregate outstanding principal amount of Bonds may take any action (including the making of any demand or request, the giving of any notice or consent, or the taking of any other action), the fact that at the time of taking any such action the holders of such specified percentage have joined therein may be evidenced by: (i) any instrument executed by the Bondholders in person or by the agent or proxy appointed in writing; (ii) the duly authenticated record of voting in favor thereof at the meeting of the Bondholders duly called and held in accordance herewith; or (iii) a combination of such instruments and any such record of meeting of the Bondholders.

SECTION 12

AMENDMENT OR SUPPLEMENTAL AGREEMENTS

With the consent of the Majority Bondholders, the Issuer, when authorized by a resolution of its board of directors, and the Trustee may, from time to time and at any time, enter into an agreement or agreements supplemental hereto for the purpose of adding any provision to or changing in any manner or eliminating any of the provisions of this Agreement; provided, however, that no such supplemental agreement shall -

(a) Without the consent of each Bondholder affected thereby:

  (i) extend the fixed maturity of the Bonds, or

  (ii) reduce the principal amount of the Bonds, or

  (iii) reduce the rate or extend the time of payment of interest and principal thereon;

(b) Affect the rights of some of the Bondholders without similarly affecting the rights of all the Bondholders; or

(c) Reduce the percentage required to be obtained of the Bondholders to consent to or approve any supplemental agreement or any waiver provided for in this Agreement without the consent of all the Bondholders.

It shall not be necessary to obtain the consent of the Bondholders under this Section for the purpose of approving the particular form of any proposed supplemental agreement but such consent shall be necessary for the purpose of approving the substance thereof.

Any consent given pursuant to this Section shall be conclusive and binding upon all Bondholders and upon all future holders and owners thereof or of any Bonds issued in lieu thereof or in exchange therefor, irrespective of whether or not any notation of such consent is made upon the Bonds.

Promptly after the execution by the Issuer and the Trustee of any supplemental agreement pursuant to the provisions of this Section, the Issuer shall send a notice to the Bondholders setting forth in general terms the substance of such supplemental agreement. Any failure of the Issuer to send such notice or any defect therein shall not, however, in any way impair or affect the validity of any supplemental agreement.

SECTION 13

MISCELLANEOUS PROVISIONS

13.01 ***Waiver of Preference***

In the event that a primary obligation for payment shall arise out of this Agreement, such as to constitute this Agreement as a contract for the payment of an indebtedness or a loan, then it is understood and expressly agreed by the parties hereto that the obligation created under this Agreement shall not enjoy any priority, preference or special privileges whatsoever over any indebtedness or obligations of the Issuer. Accordingly, whatever priorities or preferences that this Agreement may have or any person deriving a right hereunder may have under Article 2244, paragraph 14 of the Civil Code of the Philippines are hereby absolutely and unconditionally waived and renounced.

13.02 ***Notice***

Any notice or demand authorized by this Agreement to be given to the Issuer and the Trustee shall be sufficiently given for all purposes hereof, if delivered or mailed at their respective addresses mentioned herein or at such address designated by them subsequently in writing.

For the purpose of this Agreement, any notice or request to the Trustee shall be through the following details:

To the Trustee:	Metropolitan Bank and Trust Company – Trust Banking Group
Attention:	Ms. Dalisay Molas
Subject:	AEV, Inc. PhP 8.0 Billion Bonds
Address:	18/F GT Tower International, 6813 Ayala Avenue cor. H.V. Dela Costa Street, Makati City
Facsimile:	(632) 858-8010

The Trustee shall send all notices to Bondholders to their mailing address as set forth in the Register of Bondholders. Except where a specific mode of notification is provided for herein, notices to Bondholders shall be sufficient when made in writing and transmitted in any one of the following modes: (i) registered mail; (ii) surface mail; (iii) by one-time publication in a newspaper of general circulation in the Philippines; or (iv) personal delivery to the address of record in the Register of Bondholders. The

Trustee shall rely on the Register of Bondholders in determining the Bondholders entitled to notice.

All notices shall be deemed to have been received (i) ten (10) days from posting if transmitted by registered mail; (ii) fifteen (15) days from mailing, if transmitted by surface mail; (iii) on date of publication or (iv) on date of delivery, for personal delivery.

13.03 ***Binding and Conclusive Nature***

Except as provided in this Agreement, all notifications, opinion, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained by the Trustee for the purposes of the provisions of this Agreement, shall (in the absence of willful default, bad faith or manifest error) be binding on the Issuer, and all Bondholders and (in the absence of willful default, bad faith or manifest error) no liability to the Issuer, the Registrar, the Paying Agent or the Bondholders shall attach to the Trustee in connection with the exercise or non-exercise by it of its powers, duties and discretions under this Agreement, resulting from the Trustee's reliance on the foregoing.

13.04 ***Successors and Assigns***

This Agreement shall be binding upon and shall be enforceable against the Issuer, the Trustee and the Bondholders and their respective successors and assigns; provided, however, that the Issuer shall not have the right to transfer or assign any and all of its rights or obligations herein without the prior written consent of the Bondholders representing at least sixty-seven percent (67%) of the aggregate outstanding principal amount of the Bonds.

13.05 ***Exclusive Nature of Agreement***

Nothing in this Agreement, expressed or implied, is intended or shall be construed to confer upon or give to any Person or corporation, other than the parties hereto and the Bondholders, any right, remedy or claim under or by reason of this Agreement or any covenant, condition or stipulation hereof, and except as aforesaid all the covenants, stipulations, promises and agreements herein contained are and shall be for the sole and exclusive benefit of the parties hereto, their successors and assigns, and the Bondholders.

13.06 ***Validity of Provisions***

If any provision, term or condition of this Agreement or the application hereof to any Person or circumstance is declared invalid, the other provisions, terms or conditions hereof or the application hereof to any Person or circumstance shall not be affected and shall continue to be in full force and effect.

13.07 ***Venue***

Any legal action or proceeding arising out of, or in connection with, this Agreement and the Bonds and any and all related documents and papers, shall be brought in the proper courts of Makati City, Metro Manila, Philippines, to the exclusion of any other court.

13.08 ***Dispute Settlement***

In case any dispute shall arise between the Issuer, the Trustee or any of the Bondholders in respect of this Agreement, or other related agreements or arrangements, the Issuer, the Trustee or any of the Bondholders shall attempt to resolve the same amicably by agreement which shall be in writing. However, if no such agreement is concluded within thirty (30) Banking Days from the time the dispute arose, or such period as may be reasonable under the circumstances, the parties may have recourse to the usual judicial action obtaining under the circumstances.

13.09 ***No Right to Set-Off***

The Trustee shall have no right to apply funds or money of the Issuer on deposit with or in the custody of the Trustee or any of its branches, subsidiaries, or affiliates on reduction of amounts past due under this Agreement.

13.10 ***Governing Law***

This Agreement and the Bonds issued hereunder shall be governed by, and construed and interpreted in accordance with, the laws of the Republic of the Philippines.

[The remainder of this page is left intentionally blank.]

IN WITNESS WHEREOF, the parties hereto have signed this Agreement on the date and at the place first abovementioned.

ABOITIZ EQUITY VENTURES, INC.

By: [redacted]

Stephen G. Paradies
Senior Vice President and Chief Financial Officer

METROPOLITAN BANK AND TRUST COMPANY – TRUST BANKING GROUP

By:

[redacted]

Josefina T. Tuplano
Senior Vice President and Group Head – Trust Banking Group

[redacted]

Jasmin S. Bilasano
Senior Manager and Department Head – Other Fiduciary Services

SIGNED IN THE PRESENCE OF:

[redacted] [redacted]

ACKNOWLEDGMENT

REPUBLIC OF THE PHILIPPINES)
TAGUIG CITY) S.S.

BEFORE ME, a Notary Public for and in the above jurisdiction on 8 November 2013, personally appeared:

Name	Valid Government Issued ID	Date/Place of Issue	Community Tax Certificate
Stephen G. Paradies	[redacted]		

known to me and by me known to be the same persons who executed the foregoing Trust Agreement and they acknowledged to me that the same is their free and voluntary act and deed as well as that of the corporations represented therein.

WITNESS MY HAND AND SEAL at the place and on the date above written.

Doc. No. 171;
Page No. 37;
Book No. III;
Series of 2013.

NOTARY PUBLIC

[redacted]

ANTHONY RAYMOND A. GOQUINGCO
Notary Public for Taguig City
Notarial Commission No. 210
Until December 31, 2014
MAC Tower, 32nd Street, Bonifacio Global City, Taguig City
PTR No. 3673801, January 3, 2013, Makati City
Lifetime IBP No. 04551, March 5, 2003
Roll No. 48052, IBP-Makati Chapter
MCLE Compliance No. IV-0012700

ACKNOWLEDGMENT

REPUBLIC OF THE PHILIPPINES)
MAKATI CITY) S.S.

BEFORE ME, a Notary Public for and in the above jurisdiction on this 8th day of November 2013, personally appeared the following persons:

Name	Valid Government Issued ID	Date/Place of Issue
Josefina T. Tuplano	[redacted]	
Jasmin S. Bilasano		

known to me and by me known to be the same persons who executed the foregoing Trust Agreement and they acknowledged to me that the same is their free and voluntary act and deed as well as that of the corporations represented therein.

WITNESS MY HAND AND SEAL at the place and on the date above written.

Doc. No. 258;
Page No. 52;
Book No. II;
Series of 2013.

[redacted]

ATTY. CHRISTOPHER G. DEL ROSARIO
NOTARY PUBLIC
PTR. 3676939
IBP No. 915880
Until December 31, 2014

ANNEX A

TERMS AND CONDITIONS OF THE BOND

Issuer	:	Aboitiz Equity Ventures, Inc.
Issue	:	SEC–registered Unsecured Fixed-Rate Peso Retail Bonds (the "Bonds") constituting the direct, unconditional and unsubordinated obligations of the Issuer in the aggregate amount of Ten Billion Pesos (PhP10,000,000,000.00) to be issued in one or more tranches. Eight Billion Pesos (PhP8,000,000,000), with an Over-subscription option of up to Two Billion Pesos (PhP2,000,000,000) shall be issued for the first tranche. The remaining balance of the aggregate amount shall be lodged under a shelf registration and will be raised in future tranches.
Issue Size	:	Eight Billion Pesos (PhP8,000,000,000)
Over-subscription	:	In the event of over-subscription, the Lead Underwriter, in consultation with the Issuer, reserves the right to increase the aggregate size of the Issue by up to PhP2,000,000,000.00
Use of Proceeds	:	The net proceeds of the Offer will be used by the Issuer to replenish working capital, for payment of the Issuer's short-term obligations and for planned investments and other general corporate requirements.
Issue Price	:	At par (or 100% of the face value)
Manner of Distribution	:	The Bonds will be distributed to retail and/or qualified institutional investors via public offering
Form and Denomination	:	The Bonds shall be issued in scripless form in minimum denominations of PhP50,000.00 each and in multiples of PhP10,000.00 thereafter.
Term of the Instrument	:	Seven-Year Bonds: Seven (7) years from Issue Date Ten-Year Bonds: Ten (10) years from Issue Date
Offer Period	:	The Offer shall commence at 9:00 a.m. on November 11 and end at 5:00 p.m. on November 15.
Issue Date	:	November 21, 2013 for the first tranche

Interest Rate	:	Fixed rate payable quarterly in arrears Seven-Year Bonds: Fixed interest rate of 4.4125% per annum Ten-Year Bonds: Fixed interest rate of 4.6188% per annum
Interest Payment and Interest Period	:	For the Bonds, interest shall be calculated on a 30/360-day count basis and shall be paid quarterly in arrears starting on February 21, 2014 for the first interest payment date, and May 21, August 21, November 21, and February 21 of each year for each subsequent Interest Payment Date at which the Bonds are outstanding, or the subsequent Banking Day, without adjustment, if such Interest Payment Date is not a Banking Day. The last Interest Payment Date on the Bonds shall fall on the Maturity Date, which is seven (7) years from Issue Date or on November 21, 2020 and ten (10) years from Issue date or on November 21, 2023.
Interest Accrual		Each Bond shall cease to bear interest from and including the Maturity Date unless, upon due presentation, payment of the principal in respect of the Bond then outstanding is not made, is improperly withheld or refused, in which case the Penalty Interest shall apply.
Determination of Interest Amount		The interest shall be calculated on the basis of a 360-day a year consisting of twelve (12) months of thirty (30) days each and, in the case of an incomplete month, the number of days elapsed on the basis of a month of thirty (30) days.
Penalty Interest		In case any amount payable by the Issuer under the Bonds, whether for principal, interest, fees due to the Trustee, Registrar or Paying Agent or otherwise, is not paid on due date, the Issuer shall, without prejudice to its obligations to pay the said principal, interest and other amounts, pay penalty fee on the defaulted amount(s) at the rate of six percent (6%) per annum from the time the amount fell due until it is fully paid.
Optional Redemption	:	Prior to the relevant Maturity Dates, the Issuer shall have the option, but not the obligation, to redeem in whole (and not in part), any series of the outstanding Bonds on the following dates or the immediately succeeding Banking Day if such date is not a Banking Day: (i) For the Seven-Year Bonds – on the fifth (5th) year and one quarter and on the sixth (6th) year from the Issue Date; and (ii) For the Ten-Year Bonds – on the

	seventh (7th) year, on the eight (8th) year and on the ninth (9th) year from Issue Date (collectively, the relevant Optional Redemption Dates). The Issuer shall give not less than thirty (30) nor more than sixty (60) days prior written notice of its intention to redeem the Bonds, which notice shall be irrevocable and binding upon the Issuer to effect such early redemption of the Bonds on the Optional Redemption Date stated in such notice. The amount payable to the Bondholders in respect of the Optional Redemption exercise shall be calculated based on the principal amount of the Bonds being redeemed as the aggregate of the: (i) accrued interest computed up to the relevant Optional Redemption Date; and (ii) the product of the principal amount and the applicable Optional Redemption Price in accordance with the following schedule:

	Optional Redemption Dates	Optional Redemption Price
Seven-Year Bonds	Fifth (5^{th}) Year and One (1) quarter from the Issue Date	101.0%
	Sixth (6^{th}) Year from the Issue Date	100.5%
Ten-Year Bonds	Seventh (7^{th}) Year from the Issue Date	102.0%
	Eighth (8^{th}) Year from the Issue Date	101.0%
	Ninth (9^{th}) Year from the Issue Date	100.5%

Final Redemption	: Except when the Optional Redemption is exercised, the Bonds will be redeemed at par or 100% of face value on Maturity Date.
Manner of Payment of Interest and Principal	The principal of, interest on and all other amounts payable on the Bonds shall be paid to the Bondholders by crediting of the settlement accounts designated by each of the Bondholders. The principal of and interest on the Bonds shall be payable in Philippine Pesos. The Issuer will ensure that so long as any of the Bonds remains outstanding, there shall at all times be a Paying Agent for the purposes of the Bonds and the Issuer or the

		Paying Agent may only terminate the appointment of the Paying Agent, as provided in the Registry and Paying Agency Agreement.
Transfer of the Bonds	:	Transfers of the Bonds will be coursed through the Philippine Depository & Trust Corporation ("PDTC") as Registrar. Transfer and/or settlement of the Bonds shall be performed in accordance with the PDTC rules and procedures to be set by the Issuer and Registrar.
Purchase		The Issuer may at any time purchase any of the Bonds at any price in the open market or by tender or by contract at any price, without any obligation to purchase Bonds pro-rata from all Bondholders.
Title		Legal title to the Bonds shall be shown in the Register of Holders to be maintained by the designated Registrar for the Bonds. Initial placement of the Bonds and subsequent transfers of interests in the Bonds shall be subject to applicable Philippine selling restrictions prevailing from time to time. Issuer will cause the Register of Bondholders to be kept at the specified office of the Registrar. The names and addresses of the Bondholders and the particulars of the Bonds held by them and of all transfers of Bonds shall be entered into the Register of Bondholders.
Taxation		Bondholders are liable for all taxes imposed, or that may be imposed in the future, or otherwise due on the interest of the Bonds. Interest income on the Bonds is subject to a final withholding tax at rates of between twenty percent (20%) and thirty percent (30%) depending on the tax status of the relevant Bondholder under relevant law, regulation or tax treaty. For avoidance of doubt, the Issuer shall not be liable for: a. The applicable final withholding tax applicable on interest earned on the Bonds prescribed under the Tax Code. An investor who is exempt or entitled to preferential withholding tax rate from the aforesaid withholding tax, or is subject to a preferential withholding tax rate shall be required to submit the following requirements to the Registrar, subject to acceptance by the Issuer as being sufficient in form and substance: (i); A copy of the tax exemption certificate, ruling or opinion issued by the BIR addressed to the Applicant confirming the exemption or

entitlement to preferential rate, certified true and correct by an authorized officer of the Applicant; (ii) with respect to tax treaty relief, a copy of the tax treaty relief application (TTRA) accompanied by the mandatory attachments required under prevailing revenue regulations, certified true and correct by an authorized officer of the Applicant, including, but not limited to proof to support the applicability of reduced treaty taxes, proof of tax domicile issued by the relevant tax authority of the Bondholder and authenticated by the Philippine consul, and confirmation from the Philippine Securities and Exchange Commission that the relevant entity is not doing business in the Philippines (iii) a duly notarized undertaking, in the substantially the same form as Schedule 4 of the Registry and Paying Agency Agreement, declaring and warranting its tax exempt status or preferential rate entitlement, undertaking to immediately notify the Issuer of any suspension or revocation of the tax exemption certificates or preferential rate entitlement, and agreeing to indemnify and hold the Issuer and the Registrar free and harmless against any claims, actions, suits, and liabilities resulting from the non-withholding of the required tax; and (iv) such other documentary requirements as may be required under the applicable regulations of the relevant taxing or other authorities or by the Issuer in accordance with its internal policies, provided further, that all sums payable by the Issuer to tax exempt entities shall be paid in full without deductions for taxes, duties, assessments or government charges subject to the submission by the Bondholder claiming the benefit of any exemption of reasonable evidence of such exemption to the Registrar; provided finally that in the event that the Issuer determines that such Bondholder is not entitled to the tax benefit it is claiming, any amount that should have been rightfully withheld by the Issuer on previous payments to the Bondholder but were not withheld shall be automatically set off against future payments due to the Bondholder, without liability either to the Bondholder, or any person other than the Bondholder, claiming title to the Bonds;

b. Gross Receipts Tax under Section 121 of the Tax Code;

c. Taxes on the overall income of any securities dealer or Bondholder, whether or not subject to withholding; and

		d. VAT under Sections 106 to 108 of the Tax Code.
Documentary Stamp Tax		Documentary stamp tax for the primary issue of the Bonds and the execution of the Bond Agreements, if any, shall be for Issuer's account.
Bond Listing	:	The Bonds are intended to be listed on the Philippine Dealing & Exchange Corp.("PDEx") on Issue Date.
Bond Rating	:	PRS Aaa by Philippine Rating Services Corporation
Status of the Bond	:	The obligations of the Issuer under the Bonds when issued shall constitute direct, unconditional, unsecured and unsubordinated Peso denominated obligations of the Issuer and shall rank pari passu and ratably without any preference or priority amongst themselves and at least pari passu in priority of payment with all other present and future unsecured and unsubordinated obligations of the Issuer, other than (i) obligations preferred by the law, (ii) any obligation incurred by the Issuer pursuant to Section 5.02 (a) or as may be allowed by the Trust Agreement, and (iii) other Indebtedness or obligations disclosed by the Issuer to the Trustee as of Issue Date..
Risks of the Bonds		An investment in the Bonds involves a number of risks. The price of the securities can and does fluctuate, and any individual security may experience upward or downward movements, and may even become valueless. There is inherent risk that losses may be incurred rather than profit made as a result of buying and selling securities. There is an extra risk of losing money when securities are bought from smaller companies. Past performance is not a guide to future performance and there may be a large difference between the buying price and the selling price of these securities. Investors deal with a range of investments, each of which may carry a different level of risk. Investors should carefully consider all the information contained in this Prospectus, including the risk factors described herein before deciding to invest in the Bonds.
Documentatio n	:	The Bonds shall be constituted by a Trust Agreement. The documentation shall likewise include, inter alia, a Prospectus, an Underwriting Agreement, a Registry and Paying Agency Agreement, and the Master Certificate of Indebtedness.

	Opinions of the respective counsels of the Issuer and the Issue Manager to the said agreements shall likewise be required.
Issue Manager and Lead Underwriter	: First Metro Investment Corporation
Participating Underwriter	: China Banking Corporation
Registrar	: Philippine Depository & Trust Corporation shall act as the registrar of Bondholders for the purpose of maintaining the Registry of Bondholders and for recording transfers of the Bonds as set forth in the Registry and Paying Agency Agreement dated November 8, 2013.
Paying Agent	: Philippine Depository & Trust Corporation shall act as the paying agent for the purpose of disbursing payments due on the Bonds, as set forth in the Registry and Paying Agency Agreement dated November 8, 2013.
Trustee	: Metropolitan Bank & Trust Company – Trust Banking Group
Trust Agreement, Registry and Paying Agency Agreement	: The Bondholders agree to all the terms and conditions of the Offer of the Bonds and shall be bound by the Trust Agreement dated November 8, 2013 and the Registry and Paying Agency Agreement dated November 8, 2013 which documents may be inspected during business hours on any Banking Day at the principal office of the Trustee, the Registrar, or the Paying Agent.

ANNEX B
FORM OF THE APPLICATION TO PURCHASE

Underwriter's Control #______

1st Copy	Registrar
2nd Copy	Underwriter
3rd Copy	Applicant

APPLICATION TO PURCHASE

4.4125% Aboitiz Equity Ventures, Inc. Fixed Rate Bonds Due 2020

This is an application to purchase AEV Fixed Rate Bonds Due 2020 (the "Application"). Any Application submitted by a prospective purchaser must be for a minimum principal amount (face value) of ₱50,000 and in multiples of ₱10,000 thereafter. The AEVFixed Rate Bonds Due 2020 will be recorded in electronic book-entry (scripless) form in the system of the Philippine Depository & Trust Corporation (the "Registrar") and shall be subject to the rules and regulations of the Registrar. Duly completed Applications and all supporting documents must be received by the Underwriter not later than 5:00 pm of November 15, 2013, which is the end of the Offer Period, unless otherwise extended or earlier terminated. Applications and payments received after the Offer Period will be rejected. Any application improperly or incompletely accomplished may likewise be rejected. This Application is irrevocable and, once submitted, may not be withdrawn by the Applicant. Payment in full, through one of the three options set forth below, must accompany this Application. Aboitiz Equity Ventures, Inc. and the Underwriter reserves the right to accept or reject, in whole or in part, this Application, and in case of oversubscription, allocate the AEV Fixed Rate Bonds Due 2020 available to the applicants in a manner they deem appropriate.

Name of Applicant: (Last, First, M.I. / Business Name)*	Type of Investor: ❑ Individual ❑ Corporate
I/We (the "Applicant") hereby apply to purchase the following principal amount of the AEVFixed Rate Bonds Due 2020 (the "Total Purchase Amount"), subject to the Terms and Conditions and the Prospectus distributed or made available by Aboitiz Equity Ventures, Inc. and the Underwriters in relation to the offer and sale of the AEV Fixed Rate Bonds Due 2020.	

Tenor	Amount in Words (PhP)	Amount in Figures (PhP)
Seven (7) Years		
	Total Purchase Amount	PhP

Mode of Payment for the Bonds:

I/We hereby pay for my/our purchase of the Aboitiz Fixed Rate Bonds as indicated below:

❑ Real Time Gross Settlement

We have caused the crediting of the Total Purchase Amount (as stated above) in cleared funds, covering full payment for the AEV Fixed Rate Bonds Due 2020 covered by this Application to the Underwriter named below, for the account of Aboitiz Equity Ventures, Inc.

❑ Regular Bank Check

Attached herewith is a check for Total Purchase Amount (as stated above) in cleared funds, covering full payment for the AEV Fixed Rate Bonds Due 2020 covered by this Application in favor of the Underwriter for the account of Aboitiz Equity Ventures, Inc.

Drawee Bank: ____________________

Check #: ____________________

❑ Direct Debit

I/we hereby authorize the debiting of my/our account with the Drawee Bank named below, with the corresponding account number, of the Total Purchase Amount (as stated above) in cleared funds, in favor of the Underwriter named below, covering full payment for the AEVFixed Rate Bonds Due 2020 covered by this Application.

Debit Peso Current/Savings Account Number:

____

with ____________________ bank,

____________________ branch.

Permanent Address:*	Present Mailing Address (if different from Permanent Address):*
Telephone Number/s: Fax Number/s:	e-Mail Address (Please fill in only if you specifically consent to e-mail communications. Provisions on Communications under the application and in the Terms & Conditions will apply):
Primary Contact Person (if other than Applicant):	Relationship to Applicant:
Date of Birth / Incorporation (mm/dd/yyyy):*	Place of Birth / Incorporation:*
Nationality:*	Tax Identification Number:*
Nature of Work or Business:*	Name of Employer/ Business:*
Sources of Income:*	

Mode of Collection of Interest and Principal Payments:

I/we hereby unconditionally instruct and authorize the Paying Agent to cause the payments of interest and principal on the AEV Fixed Rate Bonds Due 2020 net of applicable taxes, fees and cost to be purchased via:

❑ Credit **PESO** current/savings account number

____

with ______________________________

branch ______________________________

❑ Credit **Demand Deposit Account**

____

N.B. All payments under the Bonds shall be credited to Bondholders' designated account.

Tax Status:

❑ Individual (Taxable)
❑ Domestic Corporate
❑ Tax Exempt** Corporate
❑ If a foreign investor, tax rate below will apply (subject to application of preferential rates) **
  ❑ Non-resident individual not engaged in business: 25%
  ❑ Resident foreign corporate: 20%
  ❑ Non-resident foreign corporate: 30%

** Subject to submission of documentary proof of exemption

Statement, Notices & Correspondence Delivery Mode:

❑ Send to email address indicated above
❑ Delivery via courier (Metro Manila area only) or registered mail to mailing address indicated above

If a Corporation, please fill up Additional Required Information (Please use additional sheets if necessary):

Name of Parent Company, if Any:

Names of Directors:*

Name of Stockholders Owning at Least 2% of the Authorized Capital Stock:*

Name of Beneficial Owners of Applicant, if any:*

Address of Beneficial Owner:

* Required to be filled up under Republic Act No. 9160, Republic Act No. 9194 and BSP Circular Nos. 251, 253 and 279, and all other amendatory and implementing law, regulation, jurisprudence, notice or order of any Philippine governmental body relating thereto.

* Communications (E-mail Indemnity) By indicating the e-mail address, I/we consent to receive all notices and communications via e-mail, and such consent shall operate as a waiver of my/our right and privilege to the secrecy of bank deposits in respect of such statements or notices. I/We acknowledge that security of any statement, notice or communication sent through electronic means is not guaranteed and I/we assume all risks in relations to its transmission. I/We are responsible for keeping such email access active and existing during the term of the AEV Fixed Rate Bonds Due 2020, otherwise, I/we shall be liable for any fees or charges that may be imposed or incurred in transmitting or re-transmitting such communication via electronic means.

REQUIRED ATTACHMENTS TO THIS APPLICATION

The Applicant understands that the Registrar will not issue a Registry Confirmation nor will any Bondholder be allowed to sell or transfer the **AEVFixed Rate Bonds Due 2020** until such Bondholder shall have submitted to the Registrar all the documents required for the issuance of such **AEV Fixed Rate Bonds Due 2020**.

IF THE APPLICANT IS A CORPORATION:

(a) An original notarized Certificate of the Corporate Secretary of the Applicant setting forth resolutions of the Applicant's Board of Directors authorizing the purchase of the AEVFixed Rate Bonds Due 2020 and designating the signatories, with their specimen signatures, for the said purposes;

(b) Copies of its Articles of Incorporation and By-laws and latest amendments thereof, together with the Certificate of Incorporation issued by the Securities and Exchange Commission (SEC) or equivalent government institution, stamped and signed as certified as true copies by the SEC or by the Applicant's Corporate Secretary, or by an equivalent officer/s who is/are authorized signatory/ies; and

(c) Two (2) duly accomplished signature cards containing the specimen signatures of the Applicant's authorized signatories, validated by its Corporate Secretary or by an equivalent officer/s who is/are authorized signatory/ies, and further validated/signed by the Underwriter's authorized signatory/ies whose authority/ies and specimen signatures have been submitted to the Registrar.

IF THE APPLICANT IS A NATURAL PERSON:

(a) Copies of valid identification documents of the Applicant;

(b) Two (2) duly accomplished signature cards containing the specimen signature of the Applicant, validated / signed by the Underwriter's authorized signatory/ies, whose authority/ies and specimen signatures have been submitted to the Registrar; and

(c) Such other documents as may be reasonably required by the Underwriter(s) in implementation of its internal policies regarding "knowing your customer" and anti-money laundering.

IDENTIFICATION DOCUMENTS SHALL CONSIST OF:

Any one (1) of the following valid identification documents bearing a signature and recent photo, and which is not expired: Passport, Driver's License, Tax Identification (TIN) ID, Professional Regulation Commission (PRC) ID, National Bureau of Investigation (NBI) Clearance, Police Clearance, Postal ID, Voter's ID, Barangay Certification, Government Service Insurance System (GSIS) e-Card, Social Security System (SSS) Card, Senior Citizen Card, Overseas Workers Welfare Administration (OWWA) ID, OFW ID, Seaman's Book, Alien Certification of Registration/Immigrant Certificate of Registration, Government Office and GOCC ID, e.g. Armed forces of the Philippines (AFP ID), Home Development Mutual Fund (HDMF ID), National Council for the Welfare of Disabled Persons (NCWDP) Certification, Department of Social Welfare and Development (DSWD) Certification, Integrated Bar of the Philippines ID, Company IDs issued by private entities or institutions registered with or supervised or regulated either by the BSP, SEC or IC, or school ID duly signed by the principal or head of the school (for Students who are beneficiaries of remittances/fund transferees who are under 18 years of age)

Applicants claiming exemption or preferential rate from any applicable tax shall also be required to submit two sets of the following documentary proof of its tax-exempt or preferential status together with this Application to Purchase:

(a) A copy of the original tax exemption certificate, ruling or opinion issued by the BIR addressed to the Applicant confirming the exemption, and certified by an authorized officer of the Applicant as being a true copy of the original on file with the Applicant;

(b) A duly notarized undertaking, in prescribed form, executed by (b.1) the Corporate Secretary or any authorized representative, who has personal knowledge of the exemption based on his official functions, if the Bondholder purchases the Bonds for its account, or (b.2) the Trust Officer, if the Bondholder is a universal bank authorized under Philippine law to perform trust and fiduciary functions and purchase the Bonds pursuant to its management of tax-exempt individual directional investment management accounts (i.e. Long-Term Investment Management Account, Investment Accounts or Living Trust Fund, among others), declaring and warranting its tax-exempt status or preferential rate entitlement, undertaking to immediately notify the Issuer and the Registrar and Paying Agent of any suspension or revocation of the tax exemption certificates or preferential rate entitlement, and agreeing to indemnify and hold the Issuer and Registrar and Paying Agent free and harmless against any claims, actions, suits, and liabilities arising from the non-withholding of the required tax; and

(c) Such other documentary requirements as may be reasonably required under the applicable regulations of the relevant taxing or other authorities for purposes of claiming tax treaty relief, which shall include a copy of the duly filed tax treaty relief application with the International Tax Affairs Division of the BIR as required under BIR Revenue Memorandum Order No. 72-2010; provided further that, all sums payable by the Issuer to tax-exempt entities shall be paid in full without deductions for Taxes, duties, assessments, or government charges, subject to the submission by the Bondholder claiming the benefit of any exemption of reasonable evidence of such exemption to the Registrar and Paying Agent.

Unless properly provided with satisfactory proof of the tax-exempt status of a Bondholder, the Registrar and Paying Agent may assume that said Bondholder is taxable and proceed to apply the tax due on the Bonds. Notwithstanding the submission by the Bondholder, or the receipt by Aboitiz Equity Ventures, Inc. or any of its agents, of documentary proof of the tax-exempt status of a Bondholder, Aboitiz Equity Ventures, Inc. may, in its sole and reasonable discretion, determine that such Bondholder is taxable and require the Registrar and Paying Agent to proceed to apply the tax due on the Bonds. Any question on such determination shall be referred to Aboitiz Equity Ventures, Inc.

REPRESENTATIONS, WARRANTIES AND AUTHORIZATION

In executing this Application, the Applicant represents and warrants that all information contained herein (including its tax status) and the required attachments are true and correct and that the signatures thereon are genuine, properly authorized, and obtained without use of fraud, coercion or any other vice of consent. The Applicant agrees to immediately notify Aboitiz Equity Ventures, Inc. and the Registrar, either directly or through the Underwriter, if anything occurs which renders or may render untrue or incorrect in any respect any of the information given herein (including information given with respect to the Applicant's tax status) or any of its representations or warranties. The Applicant understands that the Underwriter, the Registrar, the Paying Agent and Aboitiz Equity Ventures, Inc. will rely on the Applicant's representations and warranties set forth herein including, without limit, its declaration of its tax status, including, if applicable, its tax-exempt status in processing payments due to it under the Bonds. The Applicant agrees to indemnify and hold the Underwriter, the Registrar, the Paying Agent and Aboitiz Equity Ventures, Inc. free and harmless against any and all claims, actions, suits, damages, and liabilities resulting from the non-withholding of the required tax due to the representations as indicated in this Application to Purchase, any misrepresentation contained herein or any reliance on the confirmations contained herein. The Applicant likewise authorizes the Registrar and the Paying Agent to verify the information stated in this Application from any and all sources and in any and all manner, including but not limited to, requesting information contained herein from the Underwriter regarding the Applicant's account/s with the said Underwriter. By giving authority to the Registrar and the Paying Agent and by signing this application, the Applicant hereby waives its right to privacy of information or confidentiality that may exist by law or by contract to enable the Registrar and the Paying Agent to update its records with respect to the information contained herein, and likewise to allow Aboitiz Equity Ventures, Inc. and/or the Registrar and Paying Agent to disclose information about its holdings in compliance with any court orders, administrative orders, or such orders issued by applicable regulatory authorities. The Applicant warrants that the Applicant (or its authorized signatory) has read and understood the Terms and Conditions and the terms and conditions stated in this Application to Purchase as well as the Rules and Procedures of the Registrar and unconditionally accepts the same. The Applicant further agrees that completion of this Application to Purchase constitutes an instruction and authority from the Applicant to Aboitiz Equity Ventures, Inc. and/or Underwriter to execute any application form or other documents and generally to do all such other things and acts as Aboitiz Equity Ventures, Inc., and/or Underwriter may consider necessary or desirable to effect registration of the **AEVFixed Rate Bonds Due 2020** in the name of the Applicant.

APPLICANT'S FULL NAME (IN PRINT):	APPLICANT'S AUTHORIZED SIGNATURE/S :

ACKNOWLEDGEMENT AND ACCEPTANCE

Underwriter's Acceptance:	
☐ Acceptance	☐ Rejection due to ____________

HIGHLY RESTRICTED

Underwriter's Certification/Endorsement:
We received this Application, with all the required attachments below, at _____ a.m. / p.m. on _________.
We hereby warrant that:

(a) The necessary know-your-client process was conducted on the Applicant pursuant to the Anti-Money Laundering Act and the amendments thereto ("AMLA") as well as its implementing rules and regulations ("IRR") and our own internal policies;
(b) The identity of the Applicant was duly established pursuant to the AMLA and its IRR;
(c) To the best of the undersigned's knowledge, all information provided to Aboitiz Equity Ventures, Inc. and the Registrar regarding the Applicant are true, complete, current and correct;
(d) Any and all authorizations and waivers from the Applicant necessary for the undersigned Underwriter to disclose all information required by Aboitiz Equity Ventures, Inc. and the Registrar to determine the eligibility of the Applicant have been duly obtained; and
(e) The Applicant's signature appearing herein is genuine and authentic and was herein affixed freely and voluntarily.

Underwriter	Underwriter's Authorized Signatory Signature over printed name	Underwriter's Authorized Signatory Signature over printed name

READ IMPORTANT INFORMATION ON ALL PAGES OF THIS FORM

ANNEX B
FORM OF THE APPLICATION TO PURCHASE

aboitiz
Equity Ventures

Underwriter's Control #______

1st Copy	Registrar
2nd Copy	Underwriter
3rd Copy	Applicant

APPLICATION TO PURCHASE

4.6188% Aboitiz Equity Ventures, Inc.
Fixed Rate Bonds Due 2023

This is an application to purchase AEV Fixed Rate Bonds Due 2023 (the "Application"). Any application submitted by a prospective purchaser must be for a minimum principal amount (face value) of ₱50,000 and in multiples of ₱10,000 thereafter. The AEV Fixed Rate Bonds Due 2023 will be recorded in electronic book-entry (scripless) form in the system of the Philippine Depository & Trust Corporation (the "Registrar") and shall be subject to the rules and regulations of the Registrar. Duly completed applications and all supporting documents must be received by the Underwriter not later than 5:00 pm of November 15, 2013, which is the end of the Offer Period, unless otherwise extended or earlier terminated. Applications and payments received after the Offer Period will be rejected. Any Application improperly or incompletely accomplished may likewise be rejected. This application is irrevocable and, once submitted, may not be withdrawn by the Applicant. Payment in full, through one of the three methods set forth below, must accompany this Application. Aboitiz Equity Ventures, Inc. and the Underwriters reserve the right to accept or reject, in whole or in part, this Application, and in case of oversubscription, allocate the AEV Fixed Rate Bonds Due 2023 available to the applicants in a manner they deem appropriate.

Name of Applicant: (Last, First, M.I. / Business Name)*	Type of Investor: ❑ Individual ❑ Corporate
I/We (the "Applicant") hereby apply to purchase the following principal amount of the AEV Fixed Rate Bonds Due 2023 (the "Total Purchase Amount"), subject to the Terms and Conditions and the Prospectus distributed or made available by Aboitiz Equity Ventures, Inc. and the Underwriters in relation to the offer and sale of the AEV Fixed Rate Bonds Due 2023.	

Tenor	Amount in Words (PhP)	Amount in Figures (PhP)
Ten (10) Years		
	Total Purchase Amount	PhP

Mode of Payment for the Bonds:

I/We hereby pay for my/our purchase of the AEV Fixed Rate Bonds Due 2023 as indicated below:

❑ **Real Time Gross Settlement** We have caused the crediting of the Total Purchase Amount (as stated above) in cleared funds, covering full payment for the AEV Fixed Rate Bonds Due 2023 covered by this Application to the Underwriter named below, for the account of Aboitiz Equity Ventures, Inc.	❑ **Regular Bank Check** Attached herewith is a check for Total Purchase Amount (as stated above) in cleared funds, covering full payment for the AEV Fixed Rate Bonds Due 2023 covered by this Application in favor of the Underwriter for the account of Aboitiz Equity Ventures, Inc. Drawee Bank: ____________________ Check #: ____________________	❑ **Direct Debit** I/we hereby authorize the debiting of my/our account with the Drawee Bank named below, with the corresponding account number, of the Total Purchase Amount (as stated above) in cleared funds, in favor of the Underwriter named below, covering full payment for the AEV Fixed Rate Bonds Due 2023 covered by this Application. Debit Peso Current/Savings Account Number: ____________________ with ____________________ bank, ____________________ branch.

Permanent Address:*	Present Mailing Address (if different from Permanent Address):*
Telephone Number/s: Fax Number/s:	e-Mail Address (Please fill-in only if you specifically consent to e-mail communications. Provisions on Communications under the Application and in the Terms & Conditions will apply):
Primary Contact Person (if other than Applicant):	Relationship to Applicant:
Date of Birth / Incorporation (mm/dd/yyyy):*	Place of Birth / Incorporation:*
Nationality:*	Tax Identification Number:*
Nature of Work or Business:*	Name of Employer/ Business:*
Sources of Income:*	

Mode of Collection of Interest and Principal Payments:	Tax Status:
I/we hereby unconditionally instruct and authorize the Paying Agent to cause the payments of interest and principal on the AEV Fixed Rate Bonds Due 2023 net of applicable taxes, fees and cost to be purchased via: ❑ Credit **PESO** current/savings account number ______________________ with ______________________ branch ______________________ ❑ Credit **Demand Deposit Account** ______________________ N.B.: All payments under the Bonds shall be credited to Bondholders' designated account.	❑ Individual (Taxable) ❑ Domestic Corporate ❑ Tax Exempt** Corporate ❑ If a foreign investor, tax rate below will apply (subject to application of preferential rates) ** ❑ Non-resident individual not engaged in business: 25% ❑ Resident foreign corporate: 20% ❑ Non-resident foreign corporate: 30% ** Subject to submission of documentary proof of exemption

Statement, Notices & Correspondence Delivery Mode:

❑ Send to email address indicated above

❑ Delivery via courier (Metro Manila area only) or registered mail to mailing address indicated above

If a Corporation, please fill up Additional Required Information (Please use additional sheets if necessary):

Name of Parent Company, if Any:

Names of Directors:*

Name of Stockholders Owning at Least 2% of the Authorized Capital Stock:*

Name of Beneficial Owners of Applicant, if any:*

Address of Beneficial Owner:

* Required to be filled up under Republic Act No. 9160, Republic Act No. 9194 and BSP Circular Nos. 251, 253 and 279, and all other amendatory and implementing law, regulation, jurisprudence, notice or order of any Philippine governmental body relating thereto.

* Communications (E-mail Indemnity) By indicating the e-mail address, I/we consent to receive all notices and communications via e-mail, and such consent shall operate as a waiver of my/our right and privilege to the secrecy of bank deposits in respect of such statements or notices. I/We acknowledge that security of any statement, notice or communication sent through electronic means is not guaranteed and I/we assume all risks in relations to its transmission. I/We are responsible for keeping such email access active and existing during the term of the AEV Fixed Rate Bonds Due 2023, otherwise, I/we shall be liable for any fees or charges that may be imposed or incurred in transmitting or re-transmitting such communication via electronic means.

REQUIRED ATTACHMENTS TO THIS APPLICATION

The Applicant understands that the Registrar will not issue a Registry Confirmation nor will any Bondholder be allowed to sell or transfer the **AEV Fixed Rate Bonds Due 2023** until such Bondholder shall have submitted to the Registrar all the documents required for the issuance of such **AEV Fixed Rate Bonds Due 2023**.

IF THE APPLICANT IS A CORPORATION:

(a) An original notarized Certificate of the Corporate Secretary of the Applicant setting forth resolutions of the Applicant's Board of Directors authorizing the purchase of the AEV Fixed Rate Bonds Due 2023 and designating the signatories, with their specimen signatures, for the said purposes;

(b) Copies of its Articles of Incorporation and By-laws and latest amendments thereof, together with the Certificate of Incorporation issued by the Securities and Exchange Commission (SEC) or equivalent government institution, stamped and signed as certified as true copies by the SEC or by the Applicant's Corporate Secretary, or by an equivalent officer/s who is/are authorized signatory/ies; and

(c) Two (2) duly accomplished signature cards containing the specimen signatures of the Applicant's authorized signatories, validated by its Corporate Secretary or by an equivalent officer/s who is/are authorized signatory/ies, and further validated/signed by the Underwriter's authorized signatory/ies whose authority/ies and specimen signatures have been submitted to the Registrar.

IF THE APPLICANT IS A NATURAL PERSON:

(a) Copies of valid identification documents of the Applicant;
(b) Two (2) duly accomplished signature cards containing the specimen signature of the Applicant, validated / signed by the Underwriter's authorized signatory/ies, whose authority/ies and specimen signatures have been submitted to the Registrar; and
(c) Such other documents as may be reasonably required by the Underwriter(s) in implementation of its internal policies regarding "knowing your customer" and anti-money laundering.

IDENTIFICATION DOCUMENTS SHALL CONSIST OF:

Any one (1) of the following valid identification documents bearing a signature and recent photo, and which is not expired: Passport, Driver's License, Tax Identification (TIN) ID, Professional Regulation Commission (PRC) ID, National Bureau of Investigation (NBI) Clearance, Police Clearance, Postal ID, Voter's ID, Barangay Certification, Government Service Insurance System (GSIS) e-Card, Social Security System (SSS) Card, Senior Citizen Card, Overseas Workers Welfare Administration (OWWA) ID, OFW ID, Seaman's Book, Alien Certification of Registration/Immigrant Certificate of Registration, Government Office and GOCC ID, e.g. Armed forces of the Philippines (AFP ID), Home Development Mutual Fund (HDMF ID), National Council for the Welfare of Disabled Persons (NCWDP) Certification, Department of Social Welfare and Development (DSWD) Certification, Integrated Bar of the Philippines ID, Company IDs issued by private entities or institutions registered with or supervised or regulated either by the BSP, SEC or IC, or school ID duly signed by the principal or head of the school (for Students who are beneficiaries of remittances/fund transferees who are under 18 years of age).

Applicants claiming exemption or preferential rate from any applicable tax shall also be required to submit two sets of the following documentary proof of its tax-exempt or preferential status together with this Application to Purchase:

(a) A copy of the original tax exemption certificate, ruling or opinion issued by the BIR addressed to the Applicant confirming the exemption, and certified by an authorized officer of the Applicant as being a true copy of the original on file with the Applicant;

(b) A duly notarized undertaking, in prescribed form, executed by (b.1) the Corporate Secretary or any authorized representative, who has personal knowledge of the exemption based on his official functions, if the Bondholder purchases the Bonds for its account, or (b.2) the Trust Officer, if the Bondholder is a universal bank authorized under Philippine law to perform trust and fiduciary functions and purchase the Bonds pursuant to its management of tax-exempt individual directional investment management accounts (i.e. Long-Term Investment Management Account, Investment Accounts or Living Trust Fund, among others), declaring and warranting its tax-exempt status or preferential rate entitlement, undertaking to immediately notify the Issuer and the Registrar and Paying Agent of any suspension or revocation of the tax exemption certificates or preferential rate entitlement, and agreeing to indemnify and hold the Issuer and Registrar and Paying Agent free and harmless against any claims, actions, suits, and liabilities arising from the non-withholding of the required tax; and

(c) Such other documentary requirements as may be reasonably required under the applicable regulations of the relevant taxing or other authorities for purposes of claiming tax treaty relief, which shall include a copy of the duly filed tax treaty relief application with the International Tax Affairs Division of the BIR as required under BIR Revenue Memorandum Order No. 72-2010; provided further that, all sums payable by the Issuer to tax-exempt entities shall be paid in full without deductions for Taxes, duties, assessments, or government charges, subject to the submission by the Bondholder claiming the benefit of any exemption of reasonable evidence of such exemption to the Registrar and Paying Agent.

Unless properly provided with satisfactory proof of the tax-exempt status of a Bondholder, the Registrar and Paying Agent may assume that said Bondholder is taxable and proceed to apply the tax due on the Bonds. Notwithstanding the submission by the Bondholder, or the receipt by Aboitiz Equity Ventures, Inc. or any of its agents, of documentary proof of the tax-exempt status of a Bondholder, Aboitiz Equity Ventures, Inc. may, in its sole and reasonable discretion, determine that such Bondholder is taxable and require the Registrar and Paying Agent to proceed to apply the tax due on the Bonds. Any question on such determination shall be referred to Aboitiz Equity Ventures, Inc.

REPRESENTATIONS, WARRANTIES AND AUTHORIZATION

In executing this Application, the Applicant represents and warrants, that all information contained herein (including its tax status) and the required attachments are true and correct and that the signatures thereon are genuine, properly authorized, and obtained without use of fraud, coercion or any other vice of consent. The Applicant agrees to immediately notify Aboitiz Equity Ventures, Inc. and the Registrar, either directly or through the Underwriter, if anything occurs which renders or may render untrue or incorrect in any respect any of the information given herein (including information given with respect to the Applicant's tax status) or any of its representations or warranties. The Applicant understands that the Underwriter, the Registrar, the Paying Agent and Aboitiz Equity Ventures, Inc. will rely on the Applicant's representations and warranties set forth herein including, without limit, its declaration of its tax status, including, if applicable, its tax-exempt status in processing payments due to it under the Bonds. The Applicant agrees to indemnify and hold the Underwriter, the Registrar, the Paying Agent and Aboitiz Equity Ventures, Inc. free and harmless against any and all claims, actions, suits, damages, and liabilities resulting from the non-withholding of the required tax due to the representations as indicated in this Application to Purchase, any misrepresentation contained herein or any reliance on the confirmations contained herein. The Applicant likewise authorizes the Registrar and the Paying Agent to verify the information stated in this Application from any and all sources and in any and all manner, including but not limited to, requesting information contained herein from the Underwriter regarding the Applicant's account/s with the said Underwriter. By giving authority to the Registrar and the Paying Agent and by signing this application, the Applicant hereby waives its right to privacy of information or confidentiality that may exist by law or by contract to enable the Registrar and the Paying Agent to update its records with respect to the information contained herein, and likewise to allow Aboitiz Equity Ventures, Inc. and/or the Registrar and Paying Agent to disclose information about its holdings in compliance with any court orders, administrative orders, or such orders issued by applicable regulatory authorities. The Applicant warrants that the Applicant (or its authorized signatory) has read and understood the Terms and Conditions and the terms and conditions stated in this Application to Purchase as well as the Rules and Procedures of the Registrar and unconditionally accepts the same. The Applicant further agrees that completion of this Application to Purchase constitutes an instruction and authority from the Applicant to Aboitiz Equity Ventures, Inc. and/or Underwriter to execute any application form or other documents and generally to do all such other things and acts as Aboitiz Equity Ventures, Inc., and/or Underwriter may consider necessary or desirable to effect registration of the **AEV Fixed Rate Bonds Due 2023** in the name of the Applicant.

APPLICANT'S FULL NAME (IN PRINT):	APPLICANT'S AUTHORIZED SIGNATURE/S :

ACKNOWLEDGEMENT AND ACCEPTANCE

Underwriter's Acceptance:	
☐ Acceptance	☐ Rejection due to ______

Underwriter's Certification/Endorsement:
We received this Application, with all the required attachments below, at ______ a.m. / p.m. on ________.
We hereby warrant that:

(a) The necessary know-your-client process was conducted on the Applicant pursuant to the Anti-Money Laundering Act and the amendments thereto ("AMLA") as well as its implementing rules and regulations ("IRR") and our own internal policies;
(b) The identity of the Applicant was duly established pursuant to the AMLA and its IRR;
(c) To the best of the undersigned's knowledge, all information provided to Aboitiz Equity Ventures, Inc. and the Registrar regarding the Applicant are true, complete, current and correct;
(d) Any and all authorizations and waivers from the Applicant necessary for the undersigned Underwriter to disclose all information required by Aboitiz Equity Ventures, Inc. and the Registrar to determine the eligibility of the Applicant have been duly obtained; and
(e) The Applicant's signature appearing herein is genuine and authentic and was herein affixed freely and voluntarily.

______________________ Underwriter	______________________ Underwriter's Authorized Signatory Signature over printed name	______________________ Underwriter's Authorized Signatory Signature over printed name

READ IMPORTANT INFORMATION ON ALL PAGES OF THIS FORM

ANNEX C
FEES OF THE TRUSTEE

Opening Fee	PHILIPPINE PESOS: FIFTY THOUSAND (PhP50,000.00)
Annual Fee	PHILIPPINE PESOS: THREE HUNDRED THOUSAND (PhP300,000.00), net of tax

ANNEX D
MASTER CERTIFICATES OF INDEBTEDNESS

aboitiz
Equity Ventures

ABOITIZ EQUITY VENTURES, INC.

MASTER CERTIFICATE OF INDEBTEDNESS

Seven Year Bonds

[₱ ________]

Bond Certificate No. 0001

Issue Date: November 21, 2013

Maturity Date: November 21, 2020

For and in consideration of the sum of PESOS: [____________] [₱ ________], ABOITIZ EQUITY VENTURES, INC. (the "Company"), promises to pay the sum of PESOS: [____________] [₱ ________], together with interest, to the Bondholders appearing in the Registry Book, pursuant to, and subject to the terms and conditions set forth in: (i) the Trust Agreement dated November 8, 2013, and (ii) Annex A hereto and thereto.

This Master Certificate of Indebtedness is being issued by the Company, acting by the authority of its Board of Directors, to the

aboitiz
Equity Ventures

ABOITIZ EQUITY VENTURES, INC.

MASTER CERTIFICATE OF INDEBTEDNESS

Ten Year Bonds

[₱ ________]

Bond Certificate No. 0001

Issue Date: November 21, 2013

Maturity Date: November 21, 2023

For and in consideration of the sum of PESOS: [______________ [₱ ________], ABOITIZ EQUITY VENTURES, INC. (the "Company"), promises to pay the sum of PESOS: [______________ [₱ ________], together with interest, to the Bondholders appearing in the Registry Book, pursuant to, and subject to the terms and conditions set forth in: (i) the Trust Agreement dated November 8, 2013, and (ii) Annex A hereto and thereto.

TRUST AGREEMENT

This TRUST AGREEMENT is made and executed this 24 July 2015, by and between:

> **ABOITIZ EQUITY VENTURES, INC.**, a corporation duly organized and existing under and by virtue of the laws of the Republic of the Philippines, with principal offices at the 32nd Street, Bonifacio Global City, 1634 Taguig City, Metro Manila (hereinafter referred to as the "**Issuer**");
>
> – and –
>
> **BANK OF THE PHILIPPINE ISLANDS**, a corporation duly organized and validly existing under the laws of the Republic of the Philippines, duly authorized to perform trust functions and other fiduciary business, with principal offices at the 2nd Floor, BPI Building, 6768 Ayala Avenue corner Paseo de Roxas, Makati City, **acting through its Asset Management and Trust Group** (hereinafter referred to as "**BPI-AMTG**" or the "**Trustee**").

W I T N E S S E T H: That -

WHEREAS, the Issuer is authorized to issue Fixed Rate Peso-Denominated Bonds for offering, distribution and sale to the general public of up to the aggregate principal amount of PHILIPPINE PESOS: TWENTY FIVE BILLION (PhP25,000,000,000.00) to be issued in one or several tranches within one (1) year from the date of registration. The first tranche shall comprise of 4.4722 percent fixed rate bonds due 2020, 5.0056 percent fixed rate bonds due 2022, and 6.0169 percent fixed rate bonds due 2027 for a total of PHILIPPINE PESOS: TWENTY FOUR BILLION (PhP24,000,000,000.00) (the "Offer");

WHEREAS, the Offer and the terms thereof are more fully described in **Annex "A"** hereof and in the Prospectus to be issued and circulated for the Offer, which is made an integral part hereof by reference;

WHEREAS, the Issuer expects to obtain a Permit to Sell from the SEC in respect of a public distribution and sale of the Bonds prior to the start of the Offer Period;

WHEREAS, to achieve the foregoing objectives, the Issuer has appointed, and hereby confirms the appointment of, BPI-AMTG as the Trustee on the basis of the representations and warranties of the Issuer and under the terms and conditions hereinafter set forth, has consented to the appointment;

NOW, THEREFORE, for and in consideration of the foregoing premises, the parties hereto agree as follows:

SECTION 1

DEFINITIONS AND INTERPRETATION

1.01 ***Definitions***

The following terms shall have the respective meanings set forth below except as otherwise expressly provided or unless the context otherwise requires:

> ***"Aboitiz Group"*** means Aboitiz & Co., Inc. and Aboitiz Equity Ventures, Inc., each a corporation organized under Philippine law, together with their respective Subsidiaries and Affiliates, related persons and related interests, whether or not stockholders of record of the Issuer as of the Issue Date;
>
> ***"Affiliate"*** means with respect to any Person, any other Person directly or indirectly Controlling, Controlled by or under common Control with, such Person;
>
> ***"Agreement"*** shall mean this Trust Agreement and all amendments or supplements hereto;
>
> ***"Applicant"*** shall mean the Person who shall duly accomplish the Application as defined herein and who shall deliver the same to the Issue Manager and/or the Joint Lead Underwriters in accordance with the Underwriting Agreement;
>
> ***"Application"*** or ***"Application to Purchase"*** shall mean the form actually accomplished and submitted by the Applicant for the purchase of the Bonds, together with all other requirements set forth substantially in the form attached hereto as **Annex "B"**;
>
> ***"Authorization"*** means any authorization, consent, approval, license, exemption, filing, registration or other similar action;
>
> ***"Banking Day"*** means a day other than Saturday, Sunday and public holidays on which commercial banks and the Philippine Clearing House Corporation are generally open for the transaction of business in Makati City, Taguig City and the City of Manila; *provided*, that all other days unless otherwise specified herein shall mean calendar days which shall be construed as successive periods of twenty-four (24) hours each;
>
> ***"BIR"*** shall mean the Bureau of Internal Revenue of the Republic of the Philippines;
>
> ***"Bona Fide Bondholder"*** shall have the meaning ascribed to it in Section 3.09(a) hereof;
>
> ***"Bondholders"*** shall mean the registered owners of the Bonds;
>
> ***"Bonds"*** shall mean the Bonds with an aggregate amount of up to PHILIPPINE PESOS: TWENTY FOUR BILLION (PhP24,000,000,000.00), which the Issuer shall issue for distribution and sale on Issue Date in Series A Bonds, Series B Bonds, and Series C Bonds series;

"Competitor" shall have the meaning ascribed to it in Section 3.8(c)(v) hereof;

"Control" means the possession, directly or indirectly, by a Person of the power to direct or cause the direction of the management and policies of another Person whether through the ownership of voting securities or otherwise; provided, however, that the direct or indirect ownership of over fifty percent (50%) of the voting capital stock, registered capital or other equity interest of a Person is deemed to constitute control of that Person, and "**Controlling**" and "**Controlled**" have corresponding meanings;

"Event of Default" shall have the meaning set forth in Section 9 hereof;

"Fair Market Value of Assets" means at any particular time, the aggregate of the total current assets and the total non-current assets of the Issuer as shown in the balance sheet of its latest audited financial statements on an unconsolidated basis.

"Fee Letter" means the letter of the Trustee to the Issuer dated 24 July 2015 and acknowledged by the Issuer on same date;

"Government Authority" means the Government of the Republic of the Philippines, or any political subdivision or agency thereof, and any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to the said government, and any national agency or body vested with jurisdiction or authority over any Person;

"GRT" means the gross receipts tax under Sections 121 and 122 of the National Internal Revenue Code of 1997, as amended;

"Indebtedness" means, with respect to the Issuer: (i) all indebtedness or other obligations of the Issuer for borrowed money or for the deferred purchase price of property or services and similar arrangements; (ii) all indebtedness or other obligations of any other Person, the payment or collection of which is guaranteed by the Issuer (except by reason of endorsement for collection in the ordinary course of business) or in respect of which the Issuer is liable, contingently or otherwise, including without limitation, any agreement to purchase, to provide funds for payment, to supply funds to or otherwise invest in such Person; and (iii) capitalized lease obligations of the Issuer;

"Interest Payment Date" shall mean the dates indicated in the interest coupon of the Bonds as provided in **Annex "A"**;

"Issue Date" shall be on August 6, 2015, or such later date as may be mutually determined by the Issuer and the Issue Manager for the issuance of the Bonds;

"Issue Manager" means BPI Capital Corporation;

"Issue Price" shall mean one hundred percent (100%) of the face value of the Bonds;

"Joint Lead Underwriters" shall mean BPI Capital Corporation and First Metro Investment Corporation;

"Law" means: (i) any statute, decree, constitution, regulation, rule, order or any directive of any Governmental Authority; (ii) any treaty, pact, compact or other agreement to which any Governmental Authority is a signatory or party; (iii) any judicial or administrative interpretation or application of any Law described in clause (i) or (ii) above; and (iv) any amendment or revision of any Law described in clause (i), (ii) or (iii) above;

"Lien" means, with respect to any Person, any lien, pledge, mortgage, charge, hypothecation, encumbrance, or other security interest or preferential arrangement on or with respect to any asset or revenue of such Person;

"Majority Bondholders" shall mean, at any time, the Bondholders who hold, represent or account for more than fifty percent (50%) of the aggregate outstanding principal amount of the Bonds;

"Master Certificates of Indebtedness" means for each of the Series A Bonds, Series B Bonds, and Series C Bonds, the certificates to be issued by the Issuer in the name of the Trustee for the benefit of the Bondholders evidencing and covering the aggregate principal amount of each of such series of Bonds purchased during the Offer Period for such Bonds, substantially in the form set forth in **Annex "C"** hereof.

"Material Adverse Effect" means, in relation to the Issuer, a material adverse effect on the ability of the Issuer to perform or comply with any of its obligations, or to exercise any of its rights, under this Agreement, the Underwriting Agreement or the Bonds;

"Maturity Date" shall mean, with respect to the Series A Bonds, the date five (5) years and three (3) months from Issue Date or on November 6, 2020; with respect to the Series B Bonds, the date seven (7) years from Issue Date or on August 6, 2022; and with respect to the Series C Bonds, the date twelve (12) years from Issue Date or on August 6, 2027;

"Net Debt to Consolidated Equity Ratio" shall mean with respect to the Bonds, the ratio of Net Debt, which is computed as the total of interest-bearing debt less cash, cash equivalents, and short-term investments, to Consolidated Equity, which is computed as the total stockholders' equity of the Issuer as recognized and measured in its fiscal year-end audited consolidated financial statements in conformity with PFRS.

"Offer" or ***"Issue"*** as the context may require, shall mean the Bonds or the offering, issuance, distribution and sale of the Bonds;

"Offer Period" shall mean the period commencing at 9:00 a.m. on July 28, 2015 and ending at 12:00 p.m. on July 31, 2015 or such other date as may be mutually agreed between the Issuer and the Issue Manager.

"***Optional Redemption Date***" shall have the meaning ascribed to it under Section 6.04;

"***Optional Redemption Price***" shall have the meaning ascribed to it under Section 6.04;

"***Paying Agent***" shall mean the Philippine Depository & Trust Corporation acting as paying agent in accordance with the Registry and Paying Agency Agreement;

"***Payment Date***" shall mean the Interest Payment Date and/or the Principal Payment Date, as the case may be;

"***Penalty Interest***" shall mean the penalty interest at the rate of two percent (2%) per annum payable by the Issuer pursuant to Section 6.06 hereof.

"***Person***" means an individual, corporation, partnership, joint venture, unincorporated association, trust, or other juridical entity, or any Governmental Authority;

"***PFRS***" means Philippine Financial Reporting Standards;

"***Philippine Peso***" or "***PhP***" means the legal currency of the Republic of the Philippines;

"***Philippines***" means the Republic of the Philippines;

"***Principal Payment Date***" shall mean the Maturity Date or the Optional Redemption Date;

"***Prospectus***" means the selling material including any amendment or supplement thereto duly filed by the Issuer with, and duly approved by, the SEC for the purpose of the offering, distribution and sale of the Bonds;

"***Record Date***" as used with respect to any Payment Date shall mean the day which is two (2) days Banking Days prior to the relevant Interest Payment Date; provided that if such day falls on a non-Banking Day, the Record Date shall be the next Banking Day immediately preceding said date;

"***Registrar***" shall mean the Philippine Depository & Trust Corporation acting as the registrar in accordance with the Registry and Paying Agreement.

"***Registration Statement***" shall mean the registration statement filed by the Issuer with the SEC in accordance with the Securities Regulation Code relating to the registration and issuance of the Bonds;

"***Registry and Paying Agency Agreement***" " shall mean the agreement dated 24 July 2015 by and between the Issuer and Philippine Depository & Trust Corporation, as the Paying Agent and Registrar for the Issue;

"***SEC***" shall mean the Securities and Exchange Commission of the Philippines;

"***Securities Regulation Code***" shall refer to Republic Act No. 8799 and its implementing rules and regulations, as the same may be amended and supplemented from time to time;

"***Series A Bonds***" shall mean the fixed rate bonds having a term ending five (5) years and three (3) months from the Issue Date;

"***Series B Bonds***" shall mean the fixed rate bonds having a term ending seven (7) years from the Issue Date;

"***Series C Bonds***" shall mean the fixed rate bonds having a term ending twelve (12) years from the Issue Date;

"***Subsidiary***" means in respect of any Person, any entity: (i) over fifty percent (50%) of whose capital is owned directly by that Person; or (ii) for which that Person may nominate or appoint a majority of the members of the board of directors or such other body performing similar functions;

"***Taxes***" or "***Tax***" means any present or future taxes, levies, imposts, duties, filing, registration and other fees or charges imposed by the Republic of the Philippines or any political subdivision or taxing authority thereof, including but not limited to GRT, VAT, final withholding taxes and documentary stamp tax, should it be imposed on banks and other financial institutions, but excluding: (i) taxes on the overall income of any Bondholder, whether or not subject to withholding; (ii) income taxes on any amount payable to any Bondholder; and (iii) any withholding tax on any amount due on the Bonds and payable to any Person who is a non-resident alien or a non-resident foreign corporation as defined under Section 22 of the National Internal Revenue Code;

"***Total Liabilities***" shall mean the total economic obligations of the Issuer that are recognized and measured in its audited parent financial statements in accordance with PFRS;

"***Treasury Transaction***" means any currency, commodity, or interest rate purchase, cap or collar agreement, forward rate agreement, future or option contract, swap or other similar agreement, in relation to the Issuer's treasury management;

"***Trustee***" shall mean BPI-AMTG or any other successor trustee acting as trustee pursuant to this Agreement; and

"***Underwriting Agreement***" shall mean the underwriting agreement dated 24 July 2015, executed by and between the Issuer, the Issue Manager, the Joint Lead Underwriters and the Trustee.

1.02 ***Other Terms.*** Any reference in this Agreement to:

a "***company***" shall be construed so as to include any company, corporation or any association or partnership (whether or not having separate legal personality) of any two or more Persons;

"Issue Manager", ***"Joint Lead Underwriters,"*** ***"Registrar,"*** ***"Paying Agent,"*** ***"Trustee"*** and ***"Bondholders"*** shall be construed so as to include their respective successors, transferees and assigns in accordance with their respective interests to the extent permitted under the terms hereof and, in the case of the ***"Issuer,"*** its respective successors, transferees and assigns, to the extent permitted under the terms hereof;

a ***"month"*** is the period commencing on a specified day in a calendar month and ending on the numerically corresponding day in the relevant subsequent calendar month (or if there is no day so corresponding in the calendar month in which such period ends, such period shall end on the last day of such calendar month);

an ***"Annex"*** shall, subject to any contrary indication, be construed as a reference to a schedule hereto;

a ***"Section"*** shall, subject to any contrary indication, be construed as a reference to a section hereof; and

the ***"winding-up,"*** ***"dissolution"*** or ***"administration"*** of a company shall be construed so as to include any equivalent or analogous proceedings under the law of the jurisdiction in which such company is incorporated or any jurisdiction in which such company carries on business.

1.03 ***Accounting Terms.*** All accounting terms not specifically defined in this Agreement shall be construed in accordance with PFRS.

1.04 ***Rules of Construction.*** Save where the contrary is indicated, any reference in this Agreement to:

(a) this Agreement, the Bonds or any other agreement or document shall be construed as a reference to this Agreement or, as the case may be, the Bonds, other agreement or document as the same may have been, or may from time to time be (subject to any restrictions herein), amended, varied, novated, supplemented, replaced or substituted;

(b) a statute shall be construed as a reference to such statute as the same may have been, or may from time to time be, amended or re-enacted; and

(c) a day shall be construed as a reference to a calendar day.

1.05 ***Headings.*** Section, Annex, Exhibit and Schedule headings are for ease of reference only and shall not affect the interpretation of this Agreement and the Bonds.

1.06 ***Interpretation.*** The words "herein," "hereof" and "hereunder" and other words of similar import refer to this Agreement as a whole, and not to any particular Section, subsection or clause hereof. Any reference herein to any Person shall include its successors and permitted assigns and, in the case of any Governmental Authority, any Person succeeding to its functions and capacities. All accounting terms used herein and not otherwise defined will have the meanings accorded them under the PFRS and, except as expressly provided herein, all accounting determinations will be made in accordance with such accounting principles in effect from time to time. Any reference to "include" or "including" shall be treated as "including, without limitation". Defined terms in the singular shall include the plural and vice versa, and the masculine, feminine or neuter gender shall include all genders.

SECTION 2
ISSUANCE OF BONDS AND DELIVERY OF MASTER CERTIFICATES OF INDEBTEDNESS

2.01 ***Issuance of the Bonds***

The Bonds shall be issued by the Issuer in accordance with the terms of this Agreement.

2.02 ***Delivery of Executed Master Certificates of Indebtedness***

The Issuer shall, not later than 9:00 a.m. on Issue Date, deliver the duly executed Master Certificates of Indebtedness for each of the Series A Bonds, Series B Bonds, and Series C Bonds, covering the entire principal amount of each such series of Bonds, to the Trustee, with a copy to the Registrar. The Trustee shall, upon its receipt of the duly executed Master Certificates of Indebtedness, immediately notify the Issue Manager and the Joint Lead Underwriters of such fact in writing (including, without limitation, by facsimile transmission, telex or telecopier, or electronic mail).

SECTION 3
THE TRUSTEE

3.01 ***Duties and Responsibilities of the Trustee***

(a) The Trustee is hereby appointed as trustee for and in behalf of the Bondholders and shall perform such responsibilities as provided in this Agreement.

(b) The Trustee shall act as trustee for and in behalf of the Bondholders and as such shall, in accordance with the terms and conditions of this Agreement, monitor the compliance or non-compliance by the Issuer with all its representations and warranties, and the Issuer's observance of all its covenants and performance of all its obligations, under and pursuant to this Agreement. The Trustee shall observe due diligence in the performance of its duties and obligations under this Agreement. For the avoidance of doubt, notwithstanding any actions that the Trustee may take, the Trustee shall remain to be the party responsible to the Bondholders, and to whom the Bondholders shall communicate with in respect to any matters to be taken up with the Issuer.

(c) The Trustee shall have custody of and hold in its name, for and in behalf of the Bondholders, the Master Certificates of Indebtedness for the total issuance of the Bonds.

(d) The Trustee shall promptly and faithfully carry out the instructions or decisions of the Majority Bondholders issued or reached in accordance with Section 11.

(e) The Trustee may, from time to time, request the Issuer to submit such certification of its officers, reports of its external auditors, and other documents relating to the Issuer's ability to comply with its obligations under the Bonds and this Agreement, as well as to examine such records of the Issuer as may be related to the Issuer's obligations under the Bonds and this Agreement.

The request shall be reasonable, made not less than seventy-two (72) hours prior to the intended date of examination and shall be in writing to the Issuer which shall include, in reasonable detail, the purpose for such request and the intended use of the requested documents or information. The Issuer may require the Trustee, its directors, officers, employees, representatives, agents, partners, consultants and advisors to hold in confidence such documents and information furnished to the Trustee pursuant to said request or to limit the use thereof for the purpose intended as stated in the request provided such limitation shall not apply if it is in conflict with the duties and responsibilities of the Trustee under any provision of this Agreement.

(f) The Trustee shall, prior to the occurrence of an Event of Default or after the curing of all such defaults which may have occurred, perform only such duties as are specifically set forth in this Agreement. In case of default, the Trustee shall exercise such rights and powers vested in it by this Agreement, and use the same degree of care and skill in their exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs under similar circumstances.

(g) The Trustee shall inform the Bondholders of any event which has a Material Adverse Effect on the ability of the Issuer to comply with its obligations to the Bondholders, breach of representations and warranties, and Events of Default within a reasonable period from the time that the Trustee learns or is informed of such events.

(h) The Trustee shall perform such other powers and functions as provided for elsewhere under this Agreement.

3.02 ***Corporate Form***

The Trustee shall at all times be a financial institution organized and doing business under the laws of the Republic of the Philippines duly authorized to exercise corporate trust powers, having its principal office and place of business in Metro Manila, Philippines.

3.03 ***Custody, Segregation and Deposit of Funds***

All moneys and funds received by the Trustee in connection with this Agreement shall be held in trust for the purpose for which they were received, and any and all such sums and assets shall be segregated from all other funds and assets of the Trustee.

3.04 ***Compensation, Reimbursement and Indemnification***

(a) In consideration for the faithful compliance and performance by the Trustee of its duties and obligations under this Agreement, the Issuer shall pay to the Trustee the amount of fees to be stipulated in a separate Fee Letter which is made an integral part hereof. The Issuer will pay or reimburse the Trustee for all expenses, disbursements and advances incurred or made by the Trustee in accordance with any of the provisions of this Agreement (including reasonable compensation and expenses and disbursements of its counsel and of all Persons not regularly in its employ). If any property other than cash shall at any time be subject to any Lien created for the benefit of the Trustee, on account of the Issuer's obligations to the Trustee under the Agreement, or the Bondholders by operation of Law or as a result of any execution, receivership, bankruptcy, dissolution or similar proceedings, if and to the extent authorized by any agency or court of competent jurisdiction subjecting such property to such Lien, the Trustee may, but without legal obligation to do so, make advances for the purpose of preserving such property or of discharging tax Liens or other prior Liens or encumbrances thereon previously disclosed to the Issue Manager and the Joint Lead Underwriters.

(b) The Issuer also covenants to indemnify the Trustee for, and to hold it free and harmless against, any loss, liability or expense incurred without negligence or bad faith on the part of the Trustee, arising out of or in connection with the administration of this trust, including the cost and expenses of defending itself against any claim of liability in the premises.

(c) The obligations of the Issuer to the Trustee under this Section shall constitute additional indebtedness of the former hereunder.

3.05 ***Liability of the Trustee***

(a) No provision of this Agreement shall be construed to relieve the Trustee from liability for its own negligent action, its own negligent failure to act or its willful misconduct, or that of its directors, officers or employees, provided that

(i) In the absence of bad faith on the part of the Trustee, the Trustee may conclusively rely upon, as to the truth of the statements and the correctness of the opinion expressed in, any certificate or opinion furnished to the Trustee conforming to the requirements of this Agreement.

(ii) The Trustee shall not be liable for any error of judgment made in good faith by its responsible officer or officers, unless it shall be proved that the Trustee was grossly negligent in ascertaining the pertinent fact.

(iii) The Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the written direction of the Majority Bondholders, relating to the time, method, and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred upon the Trustee under this Agreement.

(b) None of the provisions contained in this Agreement shall require the Trustee to expend or risk its own funds or otherwise incur personal financial liability in the performance of any of its duties or in the exercise of any of its rights or powers.

(c) The Trustee or successor Trustee shall be exempt from giving any surety or bond in the performance of its duties under this Agreement.

3.06 ***Ability to Consult with Counsel***

(a) The Trustee may consult with counsel upon due notice to Issuer, and any reasonable opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or omitted to be taken by the Trustee hereunder in good faith and in accordance with such opinion; provided that, prior to taking or not taking such action for which the opinion of counsel is sought, the Trustee shall inform the Issuer of the relevant opinion of counsel.

(b) Notwithstanding any provision of this Agreement authorizing the Trustee conclusively to rely upon any certificate or opinion, the Trustee may, before taking or refraining from taking any action in reliance thereon, require any further evidence or make any further investigation as to the facts or matters stated therein which it may in good faith deem reasonable in the circumstances; and the Trustee shall require such further evidence or make such further investigation as may reasonably be requested in writing by the Majority Bondholders.

3.07 ***Trustee as Owner or Pledgee of Bonds***

The Trustee, in its individual or any other capacity, may become the owner or pledgee of Bonds with the same rights it would have if it were not Trustee, and subject to the provisions of Section 3.09(b), the Trustee may otherwise deal with the Issuer in the same manner and to the same extent as though it were not the Trustee hereunder.

3.08 ***Conflict of Interest***

(a) If the Trustee has or acquires any conflicting interest, as defined in Section 3.08(c), the Trustee shall, within sixty (60) days after ascertaining that it has such conflicting interest, either eliminate such conflicting interest or resign as Trustee in the manner and with the effect specified in Section 3.09.

(b) In the event that the Trustee shall fail to comply with the provisions of Section 3.08(a), the Trustee shall within ten (10) days after the expiration of the aforesaid sixty (60)-day period transmit notice of such failure to the Bondholders and the Issuer.

(c) For the purpose of this Section, the Trustee shall be deemed to have a conflicting interest if:

(i) The Trustee directly or indirectly Controls or is directly or indirectly Controlled by or is under direct or indirect common Control of the Issuer; or

(ii) Twenty percent (20%) or more of the voting securities of the Trustee is beneficially owned either by the Issuer or by any director, partner or executive officer thereof, or thirty percent (30%) or more of such voting securities is beneficially owned, collectively, by any two (2) or more of such Persons; or

(iii) The Trustee is the beneficial owner of, or holds as collateral security for an obligation which is in default, five percent (5%) or more of the voting securities, or ten percent (10%) or more of any other class of security, of the Issuer, not including the bonds of the Issuer issued under any other agreement under which the Trustee is also a trustee; or

(iv) The Trustee is the beneficial owner of, or holds as collateral security for an obligation which is in default, five percent (5%) or more of the voting securities of any Person who, to the knowledge of the Trustee, owns ten percent (10%) or more of the voting securities of, or controls directly or indirectly or is under direct or indirect common control of, the Issuer, or

(v) The Trustee is or becomes a Competitor.

For this purpose, a "Competitor" is:

i. any Person which is: (a) engaged in, (b) has a direct or indirect beneficial interest of at least thirty percent (30%) of the outstanding capital stock of, (c) has the power to nominate, appoint or elect a director or executive officer of, or (d) has the power to propose, direct or Control (whether by contract, the ownership of shares or otherwise) the management policy or affairs of, any business which is in competition with the business of the Issuer or, in any event, any Person which has the ability or power to disclose, use or otherwise exploit information relating to the Issuer in furtherance of or in connection with such competitive business; or

ii. any Person, twenty percent (20%) or more of the voting securities of which is legally and beneficially, directly or indirectly, owned by a Person referred to in Section 3.08(c)(v)(i) above; or

iii. any Person which is the legal and beneficial, direct or indirect, owner of at least twenty percent (20%) of the voting securities of a Person referred to in Section 3.08(c)(v)(i) above; or

iv. any Person whose directors, partners or executive officers is a director, partner or executive officer of any of the Persons referred to in Section 3.08(c)(v)(i), (ii), and (iii) above; or

v. any Person, thirty percent (30%) or more of the voting securities of which is legally and beneficially, directly or indirectly, owned by a director, partner, or executive officer, or any two (2) or more of such directors, partners or executive officers, of a Person referred to in Section 3.08(c)(v)(i).

3.09 ***Change of Trustee***

(a) The Trustee may at any time resign by giving thirty (30) days prior written notice to the Issuer and to the Bondholders of such resignation. Upon receiving such notice of resignation of the Trustee, the Issuer shall immediately appoint a successor Trustee by written instrument in duplicate, executed by its authorized officers, one (1) copy of which instrument shall be delivered to the resigning Trustee and one (1) copy to the successor Trustee. If no successor Trustee shall have been so appointed and have accepted appointment within thirty (30) days after the giving of such notice of resignation, the resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor Trustee, or any Bondholder who has been a bona fide holder of the Bonds for at least six (6) months (the "Bona Fide Bondholder") may, for and on behalf of the Bondholders, petition any such court for the appointment of a successor Trustee. Such court may thereupon after notice, if any, as it may deem proper, appoint a successor Trustee, subject to Section 3.02 of this Agreement.

(b) In case at any time any of the following shall occur -

(i) The Trustee shall fail to comply with the provisions of Section 3.08(a) after written request therefor by the Issuer or by the Majority Bondholders; or

(ii) The Trustee shall cease to be eligible in accordance with the provisions of Section 3.02 and shall fail to resign after written request therefor by the Issuer or by any Bona Fide Bondholder; or

(iii) The Trustee shall become incapable of acting, or shall be adjudged bankrupt or insolvent, or a receiver of the Trustee or of its property shall be appointed, or any public officer shall take charge or control of the Trustee or of its properties or affairs for the purpose of rehabilitation, conservation or liquidation; or

(iv) Provided there is no Event of Default, the successor Trustee, pursuant to Section 3.11, is not acceptable to the Issuer, for any reason;

then the Issuer may, within thirty (30) days therefrom remove the Trustee and appoint a successor Trustee, by written instrument in duplicate, executed by the Issuer's duly authorized officers, one (1) copy of which instrument shall be delivered to the Trustee so removed and one (1) copy to the successor Trustee. If the Issuer fails to remove the Trustee and appoint a successor Trustee, any Bona Fide Bondholder may, on behalf of himself and all other Bondholders, petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor Trustee. Such court may thereupon after such notice, if any, as it may deem proper and prescribe, remove the Trustee and appoint a successor Trustee, subject to Section 3.02 of this Agreement.

(c) The Majority Bondholders may at any time remove for cause the Trustee and appoint a successor Trustee by the delivery to the Trustee so removed, to the successor Trustee and to the Issuer of the evidence provided for in Section 11.09 of the action in that regard taken by the Majority Bondholders. This is without prejudice to whatever remedies may be available to the Majority Bondholders under the Law or in equity.

(d) Any resignation or removal of the Trustee and appointment of a successor Trustee pursuant to any of the provisions of this Section shall become effective upon the earlier of: (i) acceptance of appointment by the successor Trustee as provided in this Agreement; or (ii) the effectivity of the resignation notice sent by the Trustee under this Agreement provided, however, that after such effectivity of the resignation notice and, as relevant, until such successor Trustee is qualified and appointed, the resigning Trustee shall discharge duties and responsibilities solely as a custodian of records for turnover to the successor Trustee promptly upon the appointment thereof by the Issuer.

(e) Within ten (10) days from the effectivity of the resignation notice,, the Trustee shall transfer and turn over to the successor Trustee, and shall make an accounting of, all the assets, documents or instruments which are in the custody of the Trustee pursuant to this Agreement, if any.

3.10 ***Successor Trustee***

(a) Any successor Trustee appointed as provided in Section 3.09 shall execute, acknowledge and deliver to the Issuer and to its predecessor Trustee an instrument accepting such appointment hereunder, and thereupon the resignation or removal of the predecessor Trustee shall become effective and such successor Trustee, without any further act, deed or conveyance, shall become vested with all the rights, powers, trusts, duties and obligations of its predecessor in the trust hereunder with like effect as if originally named as Trustee herein. The foregoing notwithstanding, on the written request of the Issuer or of the successor Trustee, the Trustee ceasing to act shall execute and deliver an instrument transferring to such successor Trustee, upon the trust herein expressed, all the rights, powers and duties of the Trustee so ceasing to act as such. Upon request of any such successor Trustee, the Issuer shall execute any and all instruments in writing as may be necessary to fully vest in and confer to such successor Trustee all such rights, powers and duties.

(b) No successor Trustee shall accept appointment as provided in this Section unless at the time of acceptance such successor Trustee shall be qualified and eligible under the provisions of Section 3.02 and has none of the conflict of interest under Section 3.08.

(c) Upon acceptance of appointment by a successor Trustee as provided in this Section, the Issuer shall notify the Bondholders in writing of the succession of such Trustee to the trust herein. If the Issuer fails to notify the Bondholders within ten (10) days after acceptance of appointment by the successor Trustee, the latter shall cause the Bondholders to be so notified at the expense of the Issuer.

3.11 ***Merger or Consolidation***

Without prejudice to Section 3.09 (b), any corporation into which the Trustee may be merged or with which it may be consolidated or any corporation resulting from any merger or consolidation to which the Trustee shall be a party or any corporation succeeding to the business of the Trustee shall be the successor of the Trustee hereunder without the execution or filing of any paper or any further act on the part of any of the parties hereto, provided that such successor Trustee shall be eligible under Section 3.02 and has none of the conflict of interest under Section 3.08, and that, if such successor Trustee shall not be qualified under Section 3.08, such successor Trustee shall, within ninety (90) days after becoming such successor Trustee, either become qualified under Section 3.08 or resign in the manner and with the effect specified in Section 3.09. The Trustee shall immediately inform the Issuer of the occurrence of such merger, consolidation or such succession to the business of the Trustee.

3.12 ***Representations and Warranties of the Trustee***

The Trustee represents to the Issuer and to the Bondholders as follows:

(a) It is a corporation duly incorporated, validly existing and in good standing under the laws of the Republic of the Philippines, and has its business address at the place indicated in this Agreement, and is registered or qualified to do business as now being conducted in every jurisdiction where registration or qualification is necessary;

(b) It has full power and authority to enter into this Agreement and to perform its obligations hereunder and execute the trust hereby created, and hereby accepts the trust in this Agreement and provided upon the terms and conditions herein set forth;

(c) The obligations of the Trustee under this Agreement constitute its legal, valid and binding obligations, enforceable in accordance with its terms;

(d) All consents, approvals and authorizations necessary on its part for the due execution, delivery and performance of this Agreement have been obtained or effected by it and remain in full force and effect as of the date hereof; and

(e) The execution and delivery of this Agreement, and the performance of its obligations hereunder, do not and will not violate any applicable Laws or regulations of the Philippines or judgments, orders or issuances of Philippine courts and will not conflict with or result in a breach of its constitutive documents, any contract, agreement or other obligation to which it is a party or for which it may be bound.

The aforesaid representations and warranties are true and correct as of the date of this Agreement and shall remain to be true and correct as long as the Bonds or any portion thereof remain outstanding.

The representations and warranties of the Trustee shall survive the issuance of the Bonds and may be enforced at any time while the Bonds or any portion thereof remains outstanding.

Any breach of the foregoing representations of the Trustee entitles the Majority Bondholders to remove the Trustee pursuant to and in accordance with Section 3.09(c).

3.13 ***Declarations by the Trustee and the Issuer***

The recitals contained herein and in the Bonds, except the Trustee's representations provided in Section 3.12, shall be taken as the statements of the Issuer, and the Trustee assumes no responsibility for the correctness of the same. The Trustee makes no representation as to the validity of the Bonds. The Trustee shall not be accountable for the use or application by the Issuer of any of the Bonds or of the proceeds of such Bonds. Similarly, the Issuer takes no responsibility for the correctness of the representations made by the Trustee under Section 3.12.

3.14 ***Reports to the Bondholders***

(a) Only upon the occurrence of either (i) or (ii) below, the Trustee shall submit to the Bondholders on or before March 31 of each year from the relevant Issue Date until full payment of the Bonds a brief report dated as of December 31 of the immediately preceding year with respect to:

(i) The property and funds, if any, physically in the possession of the Paying Agent held in trust for the Bondholders on the date of such report (as reported by the Paying Agent to the Trustee); and

(ii) Any action taken by the Trustee in the performance of its duties under the Trust Agreement which it has not previously reported and which in its opinion materially affects the Bonds, except action in respect of a default, notice of which has been or is to be withheld by it in accordance with the provisions of Section 10.02.

(b) Upon the written request of any Bona Fide Bondholder, the Trustee shall likewise transmit to the requesting Bondholder, a brief report with respect to the character, amount and the circumstances surrounding the making of any advance by the Trustee for the reimbursement of which the Trustee claims or may claim a Lien or charge which is prior to that of the Bondholders on the trust estate or property or funds held or collected by the Paying Agent and which it has not previously reported pursuant to this paragraph, if such advance remaining unpaid at any time aggregates more than ten percent (10%) of the aggregate principal amount of Bonds outstanding at such time, such report to be transmitted within ninety (90) days from the making of such advance.

(c) Only upon a written request at least five (5) business days before, the following pertinent documents may be inspected during regular business hours on any Banking Day at the principal office of the Trustee:

(i) This Agreement;

(ii) The Registry and Paying Agency Agreement;

(iii) The latest Articles of Incorporation and By-Laws of the Issuer; and

(iv) The Permit to Sell the Bonds.

(d) Upon the written request of any Bona Fide Bondholder, the Trustee shall issue a certification as to the amount of Bonds held by such Bona Fide Bondholder. The Bondholder shall pay the Trustee a certification fee of Two thousand Five Hundred Pesos (PhP2,500.00) per certification in addition to any fees that may be imposed by the Registrar and Paying Agent for such certification.

SECTION 4

REPRESENTATIONS AND WARRANTIES OF THE ISSUER

4.01 ***Representations and Warranties***

The Issuer hereby represents and warrants to the Trustee and the Bondholders as follows:

(a) ***Organization and Existence.*** It is a corporation duly incorporated, validly existing and in good standing under the Laws of the Republic of the Philippines, and has its business address at the place indicated in this Agreement, and is registered or qualified to do business as now being conducted in every jurisdiction where registration or qualification is necessary;

(b) ***Authorization.*** It has full legal right, power and authority to carry on its present business, to own its properties and assets, to incur the Indebtedness and other obligations provided for in the Bonds and this Agreement, and has taken all appropriate and necessary corporate and legal actions to authorize the offer, issuance, distribution and sale of the Bonds, for the circulation of the Prospectus and the execution and delivery of this Agreement, and to comply, perform and observe the terms and conditions hereof and thereof;

(c) ***Binding Obligation.*** The obligations of the Issuer under the Bonds, this Agreement and all accepted Applications to Purchase will constitute its legal, valid and binding obligations, enforceable in accordance with their terms and conditions;

(d) ***No Breach.*** The execution and delivery by the Issuer of this Agreement, the issuance of the Bonds, the performance by it of any provision, condition, covenant or other terms herein or therein and its payment of all amounts due on the dates and in the currency provided for therein will not violate in any respect any provision of its Articles of Incorporation, By-Laws, or other constitutive documents, or violate, conflict with or result in the breach of or constitute a default (or which, with the giving of notice or passing of time or both, would constitute a default) under: (i) any Law presently in effect; or (ii) any indenture, agreement, mortgage, contract or other undertaking or instrument to which it is a party or which is binding upon it or any of its properties or assets, and do not and will not result in the creation or imposition of any Lien in or any security interest on any of its properties or assets pursuant to the provisions of such indenture, agreement, contract or other undertaking or instrument;

(e) ***No Event of Default.*** No event has occurred and is continuing or would result from the making of this Agreement or the issuance of the Bonds which constitutes an Event of Default under Section 9 hereof or which, upon a lapse of time or notice or both, would become such an Event of Default;

(f) ***No Declared Event of Default in Other Agreements.*** No declared event of default which would have a Material Adverse Effect has occurred which constitutes a default by the Issuer under or in respect of any agreement, undertaking or instrument to which it is a party or by which it or its ownership in any of its assets or properties may be bound. Neither has an event which would have a Material Adverse Effect occurred which with giving of notice, lapse of time or other conditions would constitute a declared event of default by it under or in respect of any such agreement, undertaking or instrument;

(g) ***Consents, Approvals and Registrations.*** All consents, licenses, approvals and authorizations of, and all filings and registrations with any Governmental Authority, bureau or agency or other entity or Person legally necessary for the issuance as well as the offering, distribution and sale of the Bonds, for the circulation of the Prospectus, and for the Issuer to enter into and comply with its obligations under this Agreement, the Bonds and all accepted Applications to Purchase, will have been obtained or effected on or before the commencement of the Offer Period;

(h) ***Compliance with Conditions.*** All conditions imposed under the Securities Regulation Code and the pertinent rules and regulations of the SEC with respect to the offer, issuance, distribution and sale of the Bonds, have been or will have been complied with by the Issuer as of the date or time that they are required to be complied with;

(i) ***Litigation.*** Except as otherwise disclosed by the Issuer to the Bondholders, through the Trustee, in writing on or prior to the date of this Agreement, there is no litigation, arbitration or other proceeding pending, or to its knowledge threatened against or affecting it or its assets and properties, before any court or governmental department, commission, board, bureau, agency or instrumentality of the Republic of the Philippines or any other jurisdiction which, if determined adversely could have a material adverse effect on the business, properties, assets or financial conditions of the Issuer, or have a Material Adverse Effect or which might enjoin the execution and delivery of or might affect in any manner the validity and enforceability of this Agreement or the Bonds;

(j) ***Immunity.*** Neither it nor any of its properties or assets enjoy any right of immunity from suit, jurisdiction of any competent court, attachment prior to judgment, attachment in aid of execution, execution of judgment or set-off in respect of its obligations under this Agreement or the Bonds;

(k) ***Equal Rank.*** Its obligations under this Agreement and the Bonds shall constitute direct, unconditional, unsecured and unsubordinated Peso denominated obligations of the Issuer and shall rank *pari passu* and ratably without any preference or priority amongst themselves and at least *pari passu* in priority of payment with all other present and future unsecured and unsubordinated obligations of the Issuer, other than (i) obligations preferred by the law, (ii) any obligation incurred by the Issuer pursuant to Section 5.02 (a) or as may be allowed by this Agreement, and (iii) other Indebtedness or obligations disclosed by the Issuer to the Trustee as of the Issue Date.

(l) ***Material Adverse Event.*** No event has occurred which might materially and adversely affect its condition (financial or otherwise), results of operation, business or prospects or which makes it improbable that it will be able to fulfill any of its obligations under this Agreement or the Bonds;

(m) ***Financial Statements.*** Its unaudited financial statements as of March 31, 2015 and audited financial statements as of December 31, 2014 and December 31, 2013 fairly represent in all material respects the financial conditions of the Issuer as of such date and results of its operations for such period based on PFRS, and since such date, there has been no material adverse change in such condition or operations. There are no substantial liabilities of the Issuer, direct, contingent or otherwise as of the Issue Date, which are not reflected in such balance sheet except for those which have been previously disclosed in writing;

(n) ***Compliance with Laws/Taxes.*** The Issuer is conducting its business and operations in compliance with the applicable Laws and directives of any Governmental Authority having the force of Law. The Issuer has filed timely tax returns with the appropriate Governmental Authority, which are required to be filed by it, and has paid all Taxes shown to be due on such tax returns and on all assessments received by it, to the extent that such Taxes and assessments have become due, except to the extent that the payment of such Taxes and assessments is being contested in good faith and by appropriate proceedings diligently conducted, and adequate reserves have been provided for payment thereof;

(o) ***Material Disclosure.*** All information heretofore or hereinafter given by the Issuer to the Bondholders, through the Trustee, for and in connection with this Agreement and the Bonds are true and correct in all material respects and do not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements contained therein not misleading in light of the circumstances under which such statements were or are made; reasonable inquiries have been made to verify the facts contained therein; and, there are no other facts the omission of which would make any fact or statement therein misleading;

(p) ***Registration Statement and Prospectus.*** The Registration Statement and the Prospectus are not violative of any statute or any rule or regulation of any governmental agency or office, do not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements contained therein not misleading in light of the circumstances under which such statements were or are made; reasonable inquiries have been made to verify the facts contained therein; and there are no other facts the omission of which would make any fact of statement therein misleading. The Registration Statement and the Prospectus contain a reasonably complete description of the business, properties, operations, financial condition, affairs and assets of the Issuer, its capitalization, the Bonds, and the terms of the Offer;

(q) ***Title to Properties.*** It has valid, good, indefeasible and marketable title to all its properties appearing in its financial statements, free and clear of Liens, restrictions, or charges, except as provided under Section 5.02(a) hereof;

(r) ***Concession, Trade Names and Patents.*** It has the right to all concessions, trade names, patents and license agreements necessary for the conduct of its business as now conducted, without any known conflict with the rights of others, except to the extent that such rights may be subject to conflicts with third parties which would not have a Material Adverse Effect; and

(s) ***Solvency.*** The Issuer is solvent to operate and engage in business, and specifically that: (i) it is able to meet its obligations as they mature; (ii) the fair value of its assets exceeds its liabilities; and (iii) it has sufficient capital to carry on its business.

4.02 ***Survival of Representations and Warranties***

Each of the representations and warranties set forth in Section 4.01 hereof are made as of the date of this Agreement and, except for Section 4.01(p), will be true and accurate throughout the continuance of this Agreement and for as long as the Bonds or any portion thereof remains outstanding, with reference to the facts and circumstances existing from time to time.

SECTION 5

COVENANTS

5.01 ***Affirmative Covenants***

The Issuer covenants that during the term of the Bonds and until payment in full and performance of all its obligations thereunder and under this Agreement, the Issuer shall act as follows and shall perform the following obligations:

(a) ***Maintenance and Continuity of Business/Insurance.*** The Issuer shall maintain and preserve its corporate existence, rights, privileges and franchises necessary or desirable in the normal conduct of its business (including, without limitation, any governmental approval, license or certification necessary or advisable for the legality, validity and enforceability of this Agreement and the Bonds); carry out and conduct its business in an orderly, diligent, efficient, and customary manner and in accordance with sound financial and business practices; keep all its properties in good working order and condition, and from time to time make all needful and proper repairs, renewals, replacements and improvements thereto and thereof so that business carried on in connection therewith may be properly and advantageously conducted at all times; and maintain insurance with reputable insurers on all of its properties and assets to such extent and against such risk as is customary with companies in the same or similar business and maintain such other insurance as may be required by Law;

(b) ***Compliance with Law/ Taxes.*** The Issuer shall comply in all respects with all applicable Laws. It shall at all times comply with all orders, directives, judgments, indentures, mortgages, deeds of trust, agreements and other instruments, arrangements, obligations and duties to which it is subject or by which it is legally bound where non-compliance would materially and adversely affect the Issuer's ability to duly perform and observe its obligations and duties under this Agreement and the Bonds. The Issuer shall duly pay and discharge all Taxes assessments and governmental charges of whatsoever nature and by whomsoever levied upon it or against its properties prior to the date on which penalties attach thereto, unless and to the extent only that the same shall be contested in good faith and by appropriate proceedings diligently conducted by the Issuer and adequate reserves have been provided for the payment thereof or where penalties and consequences for a delay in the payment thereof will not result in a Material Adverse Effect;

(c) ***Indebtedness and Contractual and Other Obligations.*** The Issuer shall duly pay and discharge all Indebtedness and perform all contractual obligations promptly and in accordance with their terms; duly pay and discharge all lawful claims of labor, materials, supplies, services or otherwise which might or could, if unpaid become a Lien or charge upon the properties or assets of the Issuer, unless and to the extent only that the same shall be contested in good faith and by appropriate proceedings diligently conducted by the Issuer, and take such steps as may be necessary in order to prevent its properties or any part thereof from being subjected to the possibilities of loss, forfeiture or sale;

(d) ***Notice of Legal Proceeding and Adverse Action.*** The Issuer shall give the Bondholders through the Trustee prompt written notice of:

(i) any litigation or proceeding before any court, tribunal, arbitrator or Governmental Authority affecting it or any of its assets, including provisional relief such as attachments and garnishments, that could materially impair the ability of the Issuer to carry on its business substantially as now conducted, or materially and adversely affect its operations or financial condition, or would have a Material Adverse Effect;

(ii) any dispute which may exist between it and any Governmental Authority or any proposal by any Governmental Authority to acquire its business or any of its assets which could materially and adversely affect its operations and financial condition, or would have a Material Adverse Effect;

(iii) any litigation or proceeding relating to environmental matters concerning the Issuer that may materially and adversely affect its operations and financial condition, or would have a Material Adverse Effect;

(iv) any notice of strike filed with the Department of Labor and Employment against the Issuer which may materially and adversely disrupt the Issuer's business operations or have a Material Adverse Effect;

(v) any Event of Default or any event which, upon a lapse of time or giving of a notice or both, would become an Event of Default;

(vi) any damage, destruction or loss which might materially and adversely affect the assets, business operations, prospects or financial condition of the Issuer or have a Material Adverse Effect, or

(vii) any other event or matter of any nature whatsoever which has Material Adverse Effect;

(e) ***Additional Agreements***. The Issuer shall promptly execute and deliver to the Bondholders, through the Trustee, such additional reports, documents, and other information respecting the business, properties, condition or operations, financial or otherwise of the Issuer, as the Bondholders may reasonably require from time to time to perfect and confirm to the Bondholders all their rights, powers and remedies hereunder;

(f) ***Continuing Consents and Approvals.*** The Issuer shall at its own cost and expense, continue and maintain in full force and effect any and all Authorizations, approvals, licenses or consents obtained in connection with or necessary for the carrying out of its business and its obligations under this Agreement and the Bonds; perform and observe all the conditions and restrictions contained in, or imposed on the Issuer by, any and all such Authorizations; and, obtain any new or additional Authorizations, approvals, licenses or consents, effect any and all registrations or filings and take such additional actions as are, or which may become, necessary for its business and the performance by the Issuer of its obligations under this Agreement and the Bonds or the enforceability of this Agreement and the Bonds;

(g) ***Books of Account and Records.*** The Issuer shall maintain true, materially complete and adequate books of accounts and records and prepare all financial statements required hereunder to reflect fairly its financial condition and results of operation in accordance with PFRS and in compliance with the regulations of any Governmental Authority having jurisdiction thereof; appoint and maintain as auditors a firm of independent public accountants of recognized standing acceptable to the Trustee;

(h) ***Reports.*** The Issuer will furnish the Trustee:

(i) within ninety (90) days after the close of each semestral period of the fiscal year of the Issuer, unaudited consolidated financial statements of the Issuer, as of the end of such semester, certified by an authorized officer of the Issuer, each prepared in accordance with PFRS; and

(ii) within one hundred twenty (120) days after the close of the fiscal year of the Issuer, copies of the annual consolidated audited reports of the Issuer, certified by independent accountants of recognized standing accredited by the SEC including consolidated balance sheets as of the end of such fiscal year and consolidated earnings and surplus statements of the Issuer for such fiscal year, prepared in accordance with PFRS;

(i) ***Certificate of No Default, Compliance and Notice of Default.*** The Issuer shall furnish the Trustee, substantially in the form of **Exhibit 1**:

(i) simultaneous with the audited consolidated financial statements, a certificate signed by the Chief Finance Officer or a duly designated officer, dated not more than ten (10) days prior to the delivery thereof, stating that no event has occurred and is continuing which constitutes or which, with the giving of notice or lapse of time or both, would constitute an Event of Default; and

(ii) within five (5) Banking Days after the occurrence of any event which constitutes or which, with the giving of notice or lapse of time or both, would constitute an Event of Default, notice of such occurrence, together with a detailed statement by the Chief Finance Officer or a duly designated officer of the Issuer as to the nature thereof and the steps taken and/or being taken by the Issuer to cure such event;

(j) ***Notice of Change of Address.*** The Issuer shall give the Bondholders, through the Trustee, written notice of any change of address at least five (5) Banking Days prior to such change;

(k) ***Title.*** The Issuer shall maintain, warrant and defend the rights, title and interests of the Bondholders hereunder and under the Bonds;

(l) ***Use of Proceeds.*** The Issuer shall ensure that the proceeds of the Bonds shall be used for the purpose stated in the Prospectus. Notwithstanding this Section, the Issuer may reallocate the proceeds of the Bonds to other purposes subject to compliance with the applicable Law.

(m) ***Subsidiaries.*** The Issuer shall cause its Subsidiaries, so far as is permitted by Law, or by loan covenants, or by the financial conditions of, or other relevant agreements of the Issuer or Subsidiary, to pay such dividends to the Issuer as are necessary to meet the Issuer's obligations under this Agreement and the Bonds;

(n) ***Ranking of the Bonds.*** If the Issuer incurs Indebtedness embodied in public instruments providing priority or preference under Article 2244(14) of the Civil Code of the Philippines, the Issuer shall, at its option, either procure a waiver of the preference created by such notarization or equally and ratably extend such preference to the Bonds;

(o) ***Submission of Reports/Information Documents to Trustee.*** The Issuer shall submit to the SEC copies of the reports, information and documents which the Issuer may be required to file with the SEC in connection with the offering of the Bonds pursuant to the Securities Regulation Code, and submit the same to the Trustee (other than those documents which are already required to be submitted to the Trustee under this Agreement), within ten (10) Banking Days after the Issuer has filed the same with the SEC;

(p) ***Further Assurances.*** The Issuer shall: (i) comply with all the terms and conditions of this Agreement and the Bonds; (ii) maintain satisfactory accounting, cost control and management information systems; and (iii) ensure that all transactions with Subsidiaries and material Affiliates in the ordinary course of business shall be executed on arm's length basis; and

(q) ***Services of a Credit Rating Agency.*** The Issuer shall maintain the services of an independent credit rating agency accredited by the SEC to monitor the Bonds rating.

5.02 ***Negative Covenants***

During the term of this Agreement and until payment in full of all the outstanding Bonds and performance of all other obligations of the Issuer hereunder, the Issuer hereby covenants that it shall not permit any of the following occurrences without the prior consent of the Majority Bondholders:

(a) ***Encumbrances.***

The Issuer shall not permit any Indebtedness to be secured by or to benefit from any Lien, in favor of any creditor or class of creditors on, or in respect of, any present or future assets or revenues of the Issuer or the right of the Issuer to receive income; *Provided*, however that this shall not prohibit the following:

(i) any Lien over any asset to secure: (i) payment of the purchase price or cost of leasehold rights of such asset; or (ii) the payment of the cost and expenses for the development of such asset pursuant to any development made or being made by the Issuer in the ordinary course of business; or (iii) the payment of any Indebtedness in respect of borrowed money (including extensions and renewals thereof and replacements therefor) incurred for the purpose of financing the purchase, lease or development of such asset;

(ii) Liens or charges for current taxes, assessments, or other governmental charges which are not delinquent or remain payable, without any penalty, or the validity of which is contested in good faith by appropriate proceedings, and adequate reserves have been provided for payment thereof;

(iii) any Lien to secure, in the normal course of the business of the Issuer or its affiliates: (x) statutory or regulatory obligations; or (y) performance of bids, tenders, contracts (other than for the repayment of borrowed money) or leases;

(iv) any Lien to secure, in relation to a pending judicial, administrative, or arbitral proceeding, the Issuer or its affiliates' (x) surety or appeal bonds; or (y) bonds for release of attachment, stay of execution or injunction;

(v) any Lien constituted for the purpose of guaranteeing an affiliate's obligation in connection with any contract or agreement that has been assigned to such affiliate by the Issuer;

(vi) any Lien constituted for the purpose of guaranteeing an obligation in connection with any contract or agreement of sale of any asset by the Issuer, provided that the Lien is removed or discharged within twelve (12) months of the date of the sale of the asset;

(vii) any Lien created over (i) deposits made by the Issuer with the proceeds of any loan facility made to it by any bank or financial institution denominated in a currency other than Philippine Pesos ("foreign currency"); or (ii) financial instruments denominated in foreign currency owned by the Issuer, in each case solely for the purposes of raising an equivalent amount of Peso denominated indebtedness

(viii) any Lien on the properties and assets of the Issuer: (i) imposed by Law, such as carriers' Liens, warehousemen's Liens, mechanics' Liens, unpaid vendors' Liens, and other similar Liens arising in the ordinary course of business; (ii) arising out of pledges or deposits under workmen's compensation Laws, unemployment insurance, old age pensions, or other social security or retirement benefits or similar legislation, or retirement benefit plans of the Issuer, or (iii) arising out of the set-off provision on other agreements of the Issuer relating to Indebtedness;

(ix) any Lien in favor of banks, insurance companies, other financial institutions, and Philippine government agencies, departments, authorities, corporations of other juridical entities which secure a preferential financing obtained by the Issuer under a governmental program and the aggregate principal amount of such preferential financing does not exceed Thirty Five percent (35%) of the Issuer's total assets;

(x) any Lien over its cash deposits, short-term cash investments, and marketable investment securities in favor of banks and other financial institutions, which secure (i) any borrowed money in connection with a Treasury Transaction in the ordinary course of business of Issuer, provided that the aggregate amount of security does not at any time exceed United States Dollars: Ten Million (US$10,000,000.00) or its equivalent; and/or (ii) standby letters of credit to be used to guarantee additional equity infusions by the Issuer in its Subsidiaries or Affiliates and/or used in the ordinary course of business of Issuer, its Subsidiaries and/or Affiliates;

(xi) other Liens: (i) created solely by operation of law, and (ii) on such other assets, whether constituted before or after the Issue Date, as may be disclosed in writing by the Issuer to the Trustee on or before the execution of this Agreement, and

(xii) any Lien constituted over the investment of the Issuer in any of its affiliate, and whether such investment is in the form of shares, deposits or advances to guarantee or secure the obligations of the said affiliates;

Provided that for purposes of "affiliate" as used in Section 5.02 (a) (iii), (iv), (v), and (xii) of this Agreement, it shall refer to any Person in which the Issuer has investment, whether direct or indirect, in.

(b) ***Nature of Business.*** Except as required by Law or any Governmental Authority, the Issuer shall not: (i) make or permit any material change in the nature of its business from that being carried on as of the date hereof; or (ii) engage in any business operation or activity other than that for which it is presently authorized, expressly or impliedly, by its Articles of Incorporation or by Law;

(c) ***Merger or Consolidation.*** The Issuer shall not enter into any merger or consolidation except where (i) the Issuer is, or the Aboitiz Group retains Control of, the surviving corporation; (ii) such merger or consolidation is required by law, regulation or decree; or (iii) such merger or consolidation does not result in a Material Adverse Effect;

(d) ***Amendment of Articles of Incorporation and By-laws; Quasi-reorganization.*** Except as required by Law, the Issuer shall not amend its Articles of Incorporation and/or By-laws or reorganize or reduce its capital where such amendment, reorganization, or reduction of capital results in a Material Adverse Effect;

(e) ***Declaration and Payment of Cash Dividends/Issuance of Share.*** The Issuer shall not declare or pay any dividends to its stockholders (other than dividends payable solely in shares of its capital stock and cash dividends due on its then-outstanding preferred shares) or retain, retire, purchase or otherwise acquire any class of its capital stock, or make any other capital or other asset distribution to its stockholders, unless all payments due under the Bonds are current and updated;

(f) ***Sale or Lease of Assets.*** The Issuer shall not sell, assign, lease, transfer, dispose, or subject all and/or substantially all of its properties and assets (whether in a single transaction or in a series of transactions, related or otherwise), divest any of its existing investments, or acquire all or substantially all of the properties or assets of any other Person except when such sale, assignment, lease, transfer, disposition, divestment, or acquisition: (i) is made in the ordinary course of business; (ii) is required by Law or any Governmental Authority; or (iii) does not result in a Material Adverse Effect;

(g) ***Assignment of Revenues/Income.*** The Issuer shall not assign, transfer or otherwise convey any right to receive any of its income or revenues except when such assignment, transfer, or conveyance: (i) is allowed under Section 5.02(a) above; (ii) is made in the ordinary course of day-to-day operations; (iii) is required by Law or any Governmental Authority; or (iv) does not result in a Material Adverse Effect;

(h) ***Guarantee.*** The Issuer shall not purchase or repurchase (or agree contingently or otherwise to do so) the Indebtedness, or assume, guarantee, endorse, or otherwise become directly or contingently liable (including without limitation, to become liable by way of agreement, contingent or otherwise, to purchase, use facilities, provide funds for payment, supply funds or otherwise invest in the debtor or otherwise to assure the creditor against loss) for or in connection with any obligation or Indebtedness of any other Person, other than obligations of its Subsidiaries or Affiliates or any Person which the Issuer has investments in, whether such investment is in the form of shares, deposits or advances ;

(i) ***Suspension of Business.*** The Issuer shall not voluntarily suspend its business operations in a manner that will result in a Material Adverse Effect, or dissolve its affairs;

(j) ***Loans and Advances to any Person.*** The Issuer shall not extend any loan, advance or subsidy to any person (other than to its Subsidiaries or Affiliates or any Person which the Issuer has investments in, whether such investment is in the form of shares, deposits or advances, or transactions in the ordinary course of business) which will have a Material Adverse Effect. Neither shall the Issuer make any deposit, credit to, or investment in, any Person which will have a Material Adverse Effect, except for bank deposits, money market placements, and other transactions in the ordinary course of business;

(k) ***Maintenance of Financial Ratios.*** The Issuer shall not permit its Net Debt to Consolidated Equity Ratio to exceed 3:1 calculated based on the Issuer's year-end audited financial statements;

(l) ***Incurrence of Additional Loans.*** The Issuer shall not contract any loan obligation with a maturity of more than one (1) year if such obligation will result in a violation of the Net Debt to Consolidated Equity Ratio set forth in Section 5.02(k) hereof;

(m) ***Acceleration of Outstanding Credit Obligations.*** The Issuer shall not, after the occurrence of an Event of Default, voluntarily prepay any Indebtedness unless it shall contemporaneously make a proportionate prepayment of the Bonds; and

(n) ***Material Adverse Effect.*** The Issuer shall not, in any case, execute, perform or do any other act which shall have a Material Adverse Effect.

5.03 ***Survival***

The covenants of the Issuer mentioned in Sections 5.01 and 5.02 shall survive the issuance of the Bonds and shall be performed fully and faithfully by the Issuer at all times while the Bonds or any portion thereof remain outstanding.

SECTION 6

PAYMENT OF THE BONDS

6.01 ***Remittance of Payment by the Issuer***

(a) No later than three (3) Banking Days prior to a Payment Date, the Paying Agent shall notify Issuer in writing of the amount required to be remitted on such relevant Payment Date in accordance with the Registry and Paying Agency Agreement. On Payment Date, the Issuer shall remit to the Paying Agent in good and cleared funds the amount required for all interest and principal payments of the Bonds, net of any withholding tax, which tax shall be remitted to the BIR by the Issuer in accordance with BIR rules and regulations. Principal, interest and any other payment shall be considered paid and the Issuer's obligation to pay discharged at the time it is due if: (i) at such time the Paying Agent holds money sufficient to pay all principal, interest or other payments then due, and (ii) the Paying Agent pays out such monies to the Bondholders or the Issuer causes payment to be made directly to the Bondholders to discharge the interest or principal payments due on the Bonds in accordance with the Registry and Paying Agency Agreement.

(b) In the event that the Issuer will be unable to remit the full amount sufficient to cover the principal and the interest on the Bonds on the Payment Date, the Issuer shall remit the amount available for payment to the Paying Agent; provided, that such remitted amount shall be proportionately applied towards the satisfaction of the amounts due on the Bonds, and without prejudice to the right of action of the Trustee and the Bondholders because of such failure to remit in full such amount.

6.02 ***Interest Payment***

(a) The interest on the outstanding principal sum of the Bonds shall be paid at a rate and in the manner provided in **Annex "A"** hereof, accrued and payable on the dates indicated in the interest coupon of the Bonds (the "Interest Payment Dates"). The Interest Payment Dates shall be automatically adjusted to fall on the immediately succeeding Banking Day if the Interest Payment Dates fall on a non-Banking Day, but there shall be no adjustment in the amount of interest as originally computed. Interest on the first Interest Payment Date will cover the period from Issue Date up to such Interest Payment Date. Subsequent interest payments shall be reckoned from the last Interest Payment Date up to the next Interest Payment Date. The last Interest Payment Date on the Series A Bonds shall fall on the Maturity Date thereof. The last Interest Payment Date on the Series B Bonds shall fall on the Maturity Date thereof. The last Interest Payment Date on the Series C Bonds shall fall on the Maturity Date thereof.

(b) The Person in whose name the Bonds is registered at the close of business on the Record Date preceding any Interest Payment Date shall be entitled to receive payment of the interest accruing up to such Interest Payment Date. In case of default in the payment of interest, such defaulted interest payment shall pertain to and be paid to the Person in whose name the Bonds are registered as of Record Date immediately preceding the relevant Interest Payment Date. In all cases, interest payments shall be remitted to the Bondholders only upon proper presentation to, and authentication by, the Paying Agent of proper authorization and identification papers.

6.03 ***Principal Repayment***

(a) Unless previously redeemed, purchased and cancelled, the principal amount of the Series A Bonds, Series B Bonds, and Series C Bonds shall be payable on the respective Maturity Dates of the Series A Bonds, Series B Bonds and Series C Bonds at its face value.

(b) The Maturity Date shall be automatically adjusted to fall on the immediately succeeding Banking Day if the Maturity Date is on or otherwise falls on a non-Banking Day; provided, that no adjustment on the principal or interest accruing on such Maturity Date shall be made.

6.04 ***Optional Redemption***

Prior to Maturity Date, the Issuer shall have the option, but not the obligation, to redeem in whole (and not in part), any series of the outstanding Bonds on the following dates or the immediately succeeding Banking Day if such date is not a Banking Day: (i) For the Series B Bonds – at the end of the fifth (5^{th}) year and three months from the Issue Date and at the end of the sixth (6^{th}) year from the Issue Date; and (ii) For the Series C Bonds – at the end of the seventh (7^{th}) year, at the end of the eighth (8^{th}) year, at the end of the ninth (9^{th}) year, at the end of the tenth (10^{th}) year, and at the end of the eleventh (11^{th}) year from the Issue Date (collectively, the relevant "Optional Redemption Dates"). There shall be no optional redemption for the Series A Bonds.

The Issuer shall give not less than thirty (30) nor more than sixty (60) days prior written notice of its intention to redeem the Bonds, which notice shall be irrevocable and binding upon the Issuer to effect such early redemption of the Bonds on the Optional Redemption Date stated in such notice.

The amount payable to the Bondholders in respect of the Optional Redemption exercise (the "Optional Redemption Price") shall be calculated based on the principal amount of the Bonds being redeemed as the aggregate of the: (i) accrued interest computed up to the relevant Optional Redemption Date; and (ii) the product of the principal amount and the applicable Optional Redemption Price in accordance with the following schedule:

	Early Redemption Option Dates	Early Redemption Price
Series B Bonds	5.25 years from Issue Date	101.00%
	6.00 years from Issue Date	100.50%

	Early Redemption Option Dates	Early Redemption Price
Series C Bonds	7.00 years from Issue Date	102.00%
	8.00 years from Issue Date	101.75%
	9.00 years from Issue Date	101.50%
	10.00 years from Issue Date	101.00%

	11.00 years from Issue Date	100.25%

6.05 ***Redemption for Taxation Reasons***

If payments under the Bonds become subject to additional or increased taxes other than the taxes and rates of such taxes prevailing on Issue Date as a result of certain changes in Law, rule or regulation, or in the interpretation thereof, and such additional or increased rate of such tax cannot be avoided by use of reasonable measures available to the Issuer, the Issuer may redeem the Bonds in whole, but not in part, on any Interest Payment Date (having given not more than sixty (60) nor less than thirty (30) days' notice to the Trustee) at par plus accrued interest, subject to the requirements of applicable Law.

The Trustee, upon receipt of written notice of redemption delivered by the Issuer, shall declare the principal of the Bonds, including all accrued interest, to be immediately due and payable, and upon such declaration the same shall be immediately due and payable without any pre-payment penalty that is imposed under an optional redemption, anything in this Agreement or in the Bonds contained to the contrary notwithstanding.

For avoidance of doubt, the Issuer shall not be liable for the payment of the additional or increased taxes, which shall be for the account of the Bondholders.

The following events shall be considered as changes in Law or circumstances as it refers to the obligations of the Issuer and to the rights and interests of the Bondholders under the Trust Agreement and the Bonds.

(i) Any law, government and/or non-government consent, license, authorization, registration or approval now or hereafter necessary to enable the Issuer to comply with its obligations under the Trust Agreement or the Bonds which shall be modified in a manner which, in the reasonable opinion of the Trustee, while not constituting an Event of Default, will materially and adversely affect the ability of the Issuer to comply with such obligations, or shall be withdrawn or withheld;

(ii) Any provision of the Trust Agreement or any of the related documents is or becomes, for any reason, invalid, illegal or unenforceable to the extent that it becomes for any reason unlawful for the Issuer to give effect to its rights or obligations hereunder, or to enforce any provisions of the Trust Agreement or any of the related documents in whole or in part, or any law is introduced to prevent or restrain the performance by the parties hereto of their obligations under the Trust Agreement or any other related documents; and

(iii) Any concessions, permits, rights, franchise or privileges required for the conduct of the business and operations of the Issuer shall be revoked, canceled or otherwise terminated, or the free and continued use and exercise thereof shall be curtailed or prevented, in such manner as to materially and adversely affect the financial condition or operations of the Issuer.

6.06 ***Penalty Interest***

In case any amount payable by the Issuer under the Bonds, whether for principal, interest, fees due to the Trustee, Registrar or Paying Agent or otherwise, is not paid on due date, the Issuer shall, without prejudice to its obligations to pay the said principal, interest and other amounts, pay penalty fee on the defaulted amount(s) at the rate of two percent (2%) per annum (the "Penalty Interest") from the time the amount fell due until it is fully paid.

SECTION 7

DISCHARGE OF OBLIGATION

The obligations of the Issuer under the Bonds and this Agreement shall cease to be of further effect if the Issuer shall have paid or remitted or caused to be paid the principal of, and all accrued interest on, all the Bonds issued and outstanding, including Penalty Interest, if any, at the time and in the manner therein provided.

In the event that the obligations of the Issuer under the Bonds and this Agreement shall cease to be of further effect as provided in this Section, the Trustee shall, on demand of the Issuer and at the latter's cost and expense, execute proper instruments acknowledging the satisfaction and discharge of the obligations of the Issuer under the Bonds and this Agreement. The Issuer agrees to reimburse the Trustee for any cost or expense thereafter reasonably and properly incurred by the Trustee in connection with the Bonds or this Agreement.

SECTION 8

UNCLAIMED PAYMENTS

The Paying Agent shall be responsible for any money remitted to it for the payment of principal and interest on any Bonds including Penalty Interest, if any, but not actually applied to such payment because the same have not been collected or claimed by the Bondholders. The Bondholders concerned shall make the necessary request for payment to the Paying Agent for any such sums unclaimed in accordance with the Registry and Paying Agency Agreement. Any unclaimed payments shall not bear any interest.

Six (6) months after the Maturity Date or Optional Redemption Date or date of early redemption other than the Optional Redemption Date, the Paying Agent shall return any balance remaining in such payment account. Such amount of unclaimed interests and principal payments shall be held for the benefit of the Bondholders. Upon payment of all amounts due to the Bondholders or return of the balance to the Issuer as provided in this Section, the responsibility of the Paying Agent to effect payments to the Bondholders as provided for in this Agreement shall cease.

SECTION 9

EVENTS OF DEFAULT

9.01 ***Events of Default.*** A Bondholder upon receipt of information of an occurrence of any of the events enumerated in Section 9.01(a) to (i) below, or the Issuer pursuant to Section 5.01(d), shall promptly notify the Trustee in writing of the occurrence of such event.

Each of the following events constitutes an Event of Default ("Event of Default") under this Agreement:

(a) ***Payment Default.*** The Issuer fails to pay when due and payable any amount of principal or interest which the Issuer is obligated to pay the Bondholders under this Agreement and the Bonds, and such failure to pay is not remedied within seven (7) Banking Days from due date thereof.

The Issuer fails to pay when due and payable any other amount payable by the Issuer in respect of the Bonds and under the Trust Agreement in the manner, at the place, and in the currency in which it is expressed to be payable, and such non-payment continues for thirty (30) days from the date such payment is due. These other amounts include: (i) Penalty Interest, insofar as the payment of such interest is concerned; and, (ii) any gross up payments, if there is a Redemption for Taxation Reasons as indicated in Section 6.05 hereof;

(b) ***Representation Default.*** Except for clerical or typographical error, any representation or warranty made by the Issuer in this Agreement or in any document issued pursuant thereto or otherwise in connection therewith shall prove to have been untrue, incorrect or misleading in any material respect as of the time it was made or deemed to have been made or is violated or not complied with, and the circumstances which cause such representation or warranty to be incorrect or misleading continue for not less than thirty (30) days (or such longer period as the Majority Bondholders shall approve) after receipt of written notice from the Trustee to that effect;

(c) ***Other Provisions Default.*** The Issuer fails to perform or comply with any other term, obligation or covenant contained in this Agreement or in any other document or instruments related or otherwise in connection therewith and any such failure, violation, non-compliance is not remediable or if remediable, continues unremedied for a period of ninety (90) days for financial covenants and sixty (60) days for all other covenants from the date after written notice thereof shall have been given by any of the Bondholders; *Provided*, however, that for the avoidance of doubt, no grace period shall apply to the Events of Default specified in Section 9.01 (d) (Cross-Default), (e) (Insolvency Default), (f) (Closure Default) and (j) (Judgment Default);

(d) ***Cross-Default.*** The Issuer violates any other material obligation by the Issuer with any bank, financial institution or other person, corporation or entity for the payment of borrowed money which constitutes an event of default under said contract, or in general, violation of any law or regulation which violation, if remediable, is not remedied by the Issuer within thirty (30) Banking Days from receipt of notice by the Trustee to the Issuer, or which violation is otherwise not contested by the Issuer, and the effect of such violation results in the acceleration or declaration of the whole financial obligation to be due and payable prior to the stated normal date of maturity; and which violation will, further, in the reasonable opinion of the Trustee, adversely and materially affect the performance by the Issuer of its obligations under this Agreement and the Bonds. Provided, however, that no event of default will occur under this paragraph unless the aggregate amount of indebtedness in respect of which one or more of the events above mentioned has/have occurred equals or is in excess of five percent (5%) of the Fair Market Value of Assets (as defined);

(e) ***Insolvency Default.*** The Issuer becomes insolvent or is unable to pay its debts when due or commits or permits any act of bankruptcy, which act shall include: (i) the filing of a petition in any bankruptcy, reorganization, winding up or liquidation of the Issuer, or any other proceeding analogous in purpose and effect: Provided, however, that in case the foregoing petition is filed by any other party, other than the Issuer, such event shall be considered a declared Event of Default only upon the issuance of a final order by the court of competent authority; (ii) the making of an assignment by the Issuer of substantially all or all of its assets, or in fraud of creditors; (iii) the admission in writing by the Issuer of its inability to pay its debts; (iv) the entry of any final order or judgment of any court, tribunal or administrative agency or body confirming the bankruptcy or insolvency of the Issuer or approving any reorganization, winding up or liquidation of the Issuer; or (v) the appointment of a receiver, liquidator, assignee, trustee, or sequestrator of the Issuer, or a substantial part of its property or assets or a substantial part of its capital stock or to assume custody or control of the Issuer, or the ordering of its dissolution, winding-up or liquidation of its affairs;

(f) ***Closure Default.*** The Issuer voluntarily suspends or ceases operations of a substantial portion of its business for a continuous period of thirty (30) calendar days except in the case of strikes or lockouts or when necessary to prevent business losses or when due to fortuitous events or force majeure;

(g) ***Expropriation Default.*** Any Government Authority or any competent authority condemns, seizes, or expropriates all or substantially all of the assets or properties of the Issuer, unless such act is contested in good faith by the Issuer or unless such act is suspended or restrained by an order of a court of competent jurisdiction;

(h) ***Judgment Default***. Any final judgment, decree or arbitral award for the sum of money, damages or for a fine or penalty in excess of 20% of the Issuer's total consolidated assets or its equivalent in any other currency is entered against the Issuer and any relevant period specified for payment in such judgment, decree, order, or agreement, shall have expired without being satisfied, discharged, or stayed; and

(i) ***Writ and Similar Process Default***. Any writ, warrant of attachment or execution, or similar process shall be issued or levied against all or substantially all of the Issuer's assets, and such writ, warrant, or similar process shall not be released, vacated, or fully bonded within sixty (60) days after its issue or levy (or such longer period as the Issuer satisfies the Majority Bondholders as appropriate under the circumstances).

SECTION 10

CONSEQUENCES OF DEFAULT

10.01 ***Declaration by the Trustee or the Majority Bondholders***

(a) If any one or more of the Events of Default shall occur and be continuing, the Trustee, upon the written direction of the Bondholders holding at least two-thirds (2/3) of the outstanding amount of the Bonds, by notice in writing delivered to the Issuer, may declare the principal of the Bonds then outstanding, including all interest accrued and unpaid thereon and all amounts due thereunder, to be due and payable immediately, anything contained in this Agreement or in the Bonds to the contrary notwithstanding.

(b) The provision in Section 10.01(a), however, is subject to the condition that except in the case of a Writ and Similar Process Default under Section 9.01(i), the Majority Bondholders, by written notice to the Issuer and to the Trustee, may rescind and annul such declaration made by the Trustee pursuant to a consequence of default and its consequences, upon such terms, conditions and agreements, if any, as they may determine, including, in connection with a Cross Default, the fact that the non-payment of the obligation is contested in good faith by the Issuer; provided, that, no such rescission and annulment shall extend to or shall affect any subsequent default or shall impair any right consequent thereto. Any such waiver shall be conclusive and binding upon all the Bondholders and upon all future holders and owners of such Bonds, or of any Bond issued in lieu thereof or in exchange therefor, irrespective of whether or not notation of such waiver is made upon the Bonds.

(c) At any time after an Event of Default shall have occurred, the Trustee may:

(i) by notice in writing to the Issuer, the Paying Agent and the Registrar, require the Paying Agent and Registrar to:

(x) act thereafter as agents of the Bondholders represented by the Trustee on the terms provided in the Registry and Paying Agency Agreement (with consequential amendments as necessary and save that the Trustee's liability under the provisions thereof for the indemnification, remuneration and payment of out-of-pocket expenses of the Paying Agent and the Registrar shall be limited to amounts for the time being held by the Trustee on the trusts of this Agreement in relation to the Bonds and available to the Trustee for such purpose) and thereafter to hold all sums, documents and records held by them in respect of the Bonds on behalf of the Trustee; and/or

(y) deliver all evidence of the Bonds and all sums, documents and records held by them in respect of the Bonds to the Trustee or as the Trustee shall direct in such notice; provided, that, such notice shall be deemed not to apply to any document or record which the Paying Agent or Registrar is not obliged to release by any Law or regulation; and

(ii) by notice in writing to the Issuer, require the Issuer to make all subsequent payments in respect of the Bonds to the order of the Trustee and with effect from the issue of any such notice until such notice is withdrawn.

(e) If any one or more of the following events shall occur, in the reasonable opinion of the Bondholders holding at least two-thirds (2/3) of the outstanding amount of the Bonds (and with written notice to the Trustee), and be continuing for a period of fifteen (15) Banking Days with respect to the events contemplated in (i) or (iii) below:

i. Any law, government and/or non-government consent, license, authorization, registration or approval now or hereafter necessary to enable the Issuer to comply with its obligations under the Trust Agreement or the Bonds which shall be modified in a manner which while not constituting an Event of Default, will materially and adversely affect the ability of the Issuer to comply with such obligations, or shall be withdrawn or withheld;

ii. Any provision of the Trust Agreement or any of the related documents is or becomes, for any reason, invalid, illegal or unenforceable to the extent that it becomes for any reason unlawful for the Issuer to give effect to its rights or obligations hereunder, or to enforce any provisions of the Trust Agreement or any of the related documents in whole or in part, or any law is introduced to prevent or restrain the performance by the parties hereto of their obligations under the Trust Agreement or any other related documents; and

iii. Any concessions, permits, rights, franchise or privileges required for the conduct of the ordinary business of the Issuer shall be revoked, canceled or otherwise terminated, or the free and continued use and exercise thereof shall be curtailed or prevented, in such manner as to materially and adversely affect the conduct of the ordinary business of the Issuer.

the Trustee, by notice in writing delivered to the Issuer, after the lapse of the said fifteen (15) Banking Day period, may declare the principal of the Bonds, including all accrued interest and other charges thereon, if any, to be immediately due and payable, and upon such declaration the same shall be immediately due and payable without any pre-payment penalty that is imposed under an optional redemption, anything in this Agreement or in the Bonds contained to the contrary notwithstanding, subject to the notice requirements under Section 10.02 (Notice of Default), provided that, such notice shall not be deemed either caused by a default under Section 9.01 (Events of Default), or a notice of default under Section 10.02 (Notice of Default).

10.02 ***Notice of Default***

The Trustee shall, within ten (10) days after the occurrence of an Event of Default give to the Bondholders written notice of any such Event of Default known to it unless the same shall have been cured before the giving of such notice; provided, that, in the case of a Payment Default under Section 9.01(a), the Trustee shall, upon written notice from the Paying Agent of the Issuer's failure to pay any amount of principal or interest which the Issuer is obligated to pay the Bondholders under this Agreement and the Bonds, immediately notify the Bondholders upon the occurrence of such Payment Default, provided further, that such written notice from the Paying Agent shall not be required if the Issuer's failure to pay was caused by a technical error or by reasons beyond the control of the Issuer. The existence of a written notice required to be given to the Bondholders under this Section shall be published in two (2) newspapers of general circulation in Metro Manila, Philippines for two (2) consecutive days, indicating in the published notice that the Bondholders or their duly authorized representatives may obtain an important notice regarding the Bonds at the principal office of the Trustee as indicated in this Agreement upon presentation of sufficient and acceptable identification to the Trustee.

10.03 ***Payments in the Event of Default***

The Issuer covenants that upon the occurrence of any Event of Default, the Issuer will pay to the Bondholders, through the Paying Agent, the whole amount which shall then have become due and payable on all such outstanding Bonds with interest at the rate borne by the Bonds on the overdue principal and with Penalty Interest, where applicable, and in addition thereto the Issuer will pay to the Trustee such further amounts as shall be determined by the Trustee to be sufficient to cover the cost and expenses of collection, including reasonable compensation to the Trustee, its agents, attorneys and counsel, and any reasonable expenses or liabilities incurred without negligence or bad faith by the Trustee hereunder.

Upon the occurrence of an Event of Default and in accordance with the requirements of this Agreement, the Bondholders shall have the right, but not the obligation, to require the Issuer to redeem the Bonds in full, by payment of the amounts stated above, plus the principal amount, by delivery of the relevant evidence of the Bonds to the Trustee.

10.04 ***Application of Payments***

Any money collected by the Trustee under this Section and any other funds held by it, subject to any other provision of this Agreement relating to the disposition of such money and funds, shall be applied by the Trustee in the order of preference as follows:

First: To the payment of the costs, expenses, fees and other charges of collection, including reasonable compensation to the Trustee, Paying Agent, Registrar, and each such Person's agents, attorneys and counsel, and all reasonable expenses and liabilities incurred or disbursement made by them without negligence or bad faith.

Second: To the payment of Penalty Interest.

Third: To the payment of the interest, in the order of the maturity of such interest.

Fourth: To the payment of the principal amount of the outstanding Bonds due and payable.

Fifth: The remainder, if any, shall be paid to the Issuer, its successors or assigns, or to whosoever may be lawfully entitled to receive the same, or as a court of competent jurisdiction may direct.

Except for any interest and principal payments, all disbursements of the Paying Agent in relation to the Bonds shall require the conformity of the Trustee. The Paying Agent shall render a monthly account of such funds under its control.

10.05 ***Remedies***

(a) All remedies conferred by this Agreement to the Trustee and the Bondholders shall be cumulative and not exclusive and shall not be so construed as to deprive the Trustee or the Bondholders of any legal remedy by judicial or extrajudicial proceedings appropriate to enforce the conditions and covenants of this Agreement, subject to Section10.06.

(b) No delay or omission by the Trustee or by any Bondholder to exercise any right or power arising from or on account of any default hereunder shall impair any such right or power, or shall be construed to be a waiver of any such default or an acquiescence thereto, and every power and remedy given by this Agreement to the Trustee or to the Bondholder may be exercised from time to time and as often as may be necessary or expedient.

10.06 ***Ability to File Suit***

No Bondholder shall have any right by virtue of or by availing of any provision of this Agreement to institute any suit, action or proceeding for the collection of any sum due from the Issuer hereunder on account of principal, interest and other charges, or for the appointment of a receiver or trustee, or for any other remedy hereunder, unless all of the following conditions have been fulfilled: (1) such Bondholder previously shall have given to the Trustee written notice of an Event of Default and of the continuance thereof and the related request for the Trustee to convene a meeting of the Bondholders to take up matters related to their rights and interests under the Bonds, and (2) the Majority Bondholders shall have decided and made a written request upon the Trustee to institute such suit, action or proceeding in its own name, and (3) the Trustee for sixty (60) days after receipt of such notice and request shall have neglected or refused to institute any such suit, action or proceeding, and (4) no directions inconsistent with such written request or waiver of default by the Bondholders pursuant to Section 10.07 shall have been made, it being understood and intended, and being expressly covenanted by every Bondholder with every other Bondholder and the Trustee, that no one or more Bondholder shall have any right in any manner whatsoever by virtue of or by availing of any provision of this Agreement to affect, disturb or prejudice the rights of the holders of any other such Bonds or to obtain or seek to obtain priority over or preference to any other such holder or to enforce any right under this Agreement, except in the manner herein provided and for the equal, ratable and common benefit of all Bondholders. For the protection and enforcement of the provisions of this Section, each and every Bondholder and the Trustee shall be entitled to such relief as can be given under the Law.

10.07 ***Waiver of Default by Bondholders***

The Majority Bondholders may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred upon the Trustee, or the Majority Bondholders may decide for and in behalf of the Bondholders to waive any past default except the Events of Default specified in Section 9 (a) (Payment Default), (d) (Cross Default), (e) (Insolvency Default), (f) (Closure Default), and (g) (Expropriation Default) and its consequences. In case of any such waiver, written notice of which shall be given to the Issuer by the Trustee, the Issuer, the Trustee and the Bondholders shall be restored to their former positions and rights hereunder, but no such waiver shall extend to any subsequent or other default or impair any right consequent thereto. Any such waiver by the Majority Bondholders shall be conclusive and binding upon all Bondholders and upon all future holders and owners thereof, irrespective of whether or not any notation of such waiver is made upon the certificate representing the Bonds.

10.08 ***Prescription***

Claims in respect of principal and interest or other sums payable hereunder will be prescribed unless made within ten (10) years (in the case of principal or other sums) or five (5) years (in the case of interest) from the date on which payment becomes due.

SECTION 11

MEETINGS OF BONDHOLDERS

11.01 ***Meetings***

A meeting of Bondholders may be called at any time and from time to time pursuant to the provisions of this Section for the purpose of taking any action authorized to be taken by or on behalf of the holders of any specified aggregate principal amount of Bonds under any other provisions of this Agreement or under applicable Law and such other matters related to the rights and interests of the Bondholders under the Bonds.

11.02 ***Notice of Meetings***

The Trustee may at any time call a meeting of the Bondholders, or the holders of at least twenty-five percent (25%) of the aggregate outstanding principal amount of Bonds may direct in writing the Trustee to call a meeting of the Bondholders, to take any action specified in Section 11.01, to be held at such time and at such place as the Trustee shall determine. Notice of every meeting of Bondholders, setting forth the time and the place of such meeting and the purpose of such meeting in reasonable detail, shall be sent by the Trustee to the Issuer and to each of the registered Bondholders and published in two (2) newspapers of general circulation in Metro Manila, Philippines not earlier than forty-five (45) days nor later than fifteen (15) days prior to the date fixed for the meeting. All reasonable costs and expenses incurred by the Trustee for the proper dissemination of the notices for the requested meeting shall be reimbursed by the Issuer within ten (10) days from receipt of the duly supported statement of account.

11.03 ***Failure of Trustee to Call a Meeting***

In case at any time the Issuer, pursuant to a resolution of its board of directors, or the holders of at least twenty-five percent (25%) of the aggregate outstanding principal amount of the Bonds shall have requested the Trustee to call a meeting of the Bondholders by written request setting forth in reasonable detail the purpose of the meeting, and the Trustee shall not have mailed and published, in accordance with Section 11.02, the notice of such meeting within twenty (20) days after receipt of such request, then the Issuer or the holders of Bonds in the amount above specified may determine the time and place for such meeting and may call such meeting by mailing and publishing notice thereof as provided in Section 11.02, and the costs thereof shall be chargeable to the Trustee.

11.04 ***Quorum***

The presence of the Majority Bondholders personally or by proxy shall be necessary to constitute a quorum to do business at any meeting of the Bondholders. The Trustee shall determine and record the presence of the Majority Bondholders, personally or by proxy.

11.05 ***Procedure for Meetings***

The Trustee shall preside at all the meetings of the Bondholders unless the meeting shall have been called by the Issuer or by the Bondholders as provided in Section 11.03, in which case the Issuer or the Bondholders calling the meeting, as the case may be, shall move for the election of the chairman and secretary of the meeting from among the Bondholders then present or represented during the meeting.

Any meeting of the Bondholders duly called pursuant to the provisions of this Section may be adjourned from time to time for a period or periods not to exceed in the aggregate one (1) year from the date for which the meeting shall originally have been called, and the meeting so adjourned may be held on another date without further notice. Any such adjournment may be ordered by Persons representing a majority of the aggregate principal amount of the Bonds represented at the meeting and entitled to vote, whether or not a quorum shall be present at the meeting.

11.06 ***Voting Rights***

To be entitled to vote at any meeting of the Bondholders, a Person shall be a registered holder of the Bonds or a Person appointed by an instrument in writing as proxy by any such holder as of the date of such meeting. Bondholders shall be entitled to one vote for every Ten Thousand Pesos (PhP10,000.00) interest. The only Persons who shall be entitled to be present or to speak at any meeting of the Bondholders shall be the Persons entitled to vote at such meeting and any representative of the Issuer and its legal counsel.

11.07 ***Voting Requirement***

All matters presented for resolution by the Bondholders in a meeting duly called for the purpose shall be decided or approved by the affirmative vote of the majority of the Bondholders present or represented in a meeting at which there is a quorum, except as otherwise provided in this Agreement.

Any resolution of the Bondholders which has been duly approved with the required number of votes of the Bondholders as herein provided shall be binding upon all the Bondholders and the Trustee as if the votes were unanimous.

11.08 ***Role of the Trustee in Meetings of Bondholders***

Notwithstanding any other provisions of this Agreement, the Trustee may make such reasonable regulations as it may deem advisable for any meeting of the Bondholders, in regard to proof of ownership of Bonds, the appointment of proxies by registered holders of Bonds, the election of the chairman and the secretary, the appointment and duties of inspectors of votes, the submission and examination of proxies, certificates and other evidences of the right to vote, and such other matters concerning the conduct of the meeting as it shall deem fit. The minutes of each meeting and any resolution made thereat shall be taken by the Trustee.

11.09 ***Evidence Supporting Bondholders' Action***

Wherever in this Agreement it is provided that the holders of a specified percentage of the aggregate outstanding principal amount of Bonds may take any action (including the making of any demand or request, the giving of any notice or consent, or the taking of any other action), the fact that at the time of taking any such action the holders of such specified percentage have joined therein may be evidenced by: (i) any instrument executed by the Bondholders in person or by the agent or proxy appointed in writing; (ii) the duly authenticated record of voting in favor thereof at the meeting of the Bondholders duly called and held in accordance herewith; or (iii) a combination of such instruments and any such record of meeting of the Bondholders. The Trustee shall rely on the Registrar to authenticate all Bondholders' signature at all times.

SECTION 12

AMENDMENT OR SUPPLEMENTAL AGREEMENTS

With the written consent of the Majority Bondholders, the Issuer, when authorized by a resolution of its board of directors, and the Trustee may, from time to time and at any time, enter into an agreement or agreements supplemental hereto for the purpose of adding any provision to or changing in any manner or eliminating any of the provisions of this Agreement; provided, however, that no such supplemental agreement shall -

(a) Without the consent of each Bondholder affected thereby:

  (i) extend the fixed maturity of the Bonds, or

  (ii) reduce the principal amount of the Bonds, or

  (iii) reduce the rate or extend the time of payment of interest and principal thereon;

(b) Affect the rights of some of the Bondholders without similarly affecting the rights of all the Bondholders; or

(c) Reduce the percentage required to be obtained of the Bondholders to consent to or approve any supplemental agreement or any waiver provided for in this Agreement without the consent of all the Bondholders.

It shall not be necessary to obtain the consent of the Bondholders under this Section for the purpose of approving the particular form of any proposed supplemental agreement but such consent shall be necessary for the purpose of approving the substance thereof.

Any consent given pursuant to this Section shall be conclusive and binding upon all Bondholders and upon all future holders and owners thereof or of any Bonds issued in lieu thereof or in exchange therefor, irrespective of whether or not any notation of such consent is made upon the Bonds.

Promptly after the execution by the Issuer and the Trustee of any supplemental agreement pursuant to the provisions of this Section, the Issuer shall send a notice to the Bondholders setting forth in general terms the substance of such supplemental agreement. Any failure of the Issuer to send such notice or any defect therein shall not, however, in any way impair or affect the validity of any supplemental agreement.

SECTION 13

MISCELLANEOUS PROVISIONS

13.01 ***Waiver of Preference***

In the event that a primary obligation for payment shall arise out of this Agreement, such as to constitute this Agreement as a contract for the payment of an indebtedness or a loan, then it is understood and expressly agreed by the parties hereto that the obligation created under this Agreement shall not enjoy any priority, preference or special privileges whatsoever over any indebtedness or obligations of the Issuer. Accordingly, whatever priorities or preferences that this Agreement may have or any person deriving a right hereunder may have under Article 2244, paragraph 14 of the Civil Code of the Philippines are hereby absolutely and unconditionally waived and renounced.

13.02 ***Notice***

Any notice or demand authorized by this Agreement to be given to the Issuer and the Trustee shall be sufficiently given for all purposes hereof, if delivered or mailed at their respective addresses mentioned herein or at such address designated by them subsequently in writing.

For the purpose of this Agreement, any notice or request to the Trustee shall be through the following details:

To the Trustee:	BANK OF THE PHILIPPINE ISLANDS, acting through its Asset Management and Trust Group
Attention:	Trust Account Officer (IAM6)
Subject:	Aboitiz Equity Ventures, Inc. Retail Bonds due 2020, 2022, and 2027
Address:	2nd Floor, BPI Building, 6768 Ayala Avenue corner Paseo de Roxas, Makati City
Facsimile:	(632) 848-5222
E-mail:	bpi.assetmanagement.iam@bpi.com.ph

The Trustee shall send all notices to Bondholders to their mailing address as set forth in the Register of Bondholders. Except where a specific mode of notification is provided for herein, notices to

Bondholders shall be sufficient when made in writing and transmitted in any one of the following modes: (i) registered mail; (ii) surface mail; (iii) by one-time publication in a newspaper of general circulation in the Philippines; or (iv) personal delivery to the address of record in the Register of Bondholders. The Trustee shall rely on the Register of Bondholders in determining the Bondholders entitled to notice.

All notices shall be deemed to have been received (i) ten (10) days from posting if transmitted by registered mail; (ii) fifteen (15) days from mailing, if transmitted by surface mail; (iii) on date of publication or (iv) on date of delivery, for personal delivery.

13.03 ***Binding and Conclusive Nature***

Except as provided in this Agreement, all notifications, opinion, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained by the Trustee for the purposes of the provisions of this Agreement, shall (in the absence of willful default, bad faith or manifest error) be binding on the Issuer, and all Bondholders and (in the absence of willful default, bad faith or manifest error) no liability to the Issuer, the Registrar, the Paying Agent or the Bondholders shall attach to the Trustee in connection with the exercise or non-exercise by it of its powers, duties and discretions under this Agreement, resulting from the Trustee's reliance on the foregoing.

13.04 ***Successors and Assigns***

This Agreement shall be binding upon and shall be enforceable against the Issuer, the Trustee and the Bondholders and their respective successors and assigns; provided, however, that the Issuer shall not have the right to transfer or assign any and all of its rights or obligations herein without the prior written consent of the Bondholders representing at least two-thirds (2/3) of the aggregate outstanding principal amount of the Bonds.

13.05 ***Exclusive Nature of Agreement***

Nothing in this Agreement, expressed or implied, is intended or shall be construed to confer upon or give to any Person or corporation, other than the parties hereto and the Bondholders, any right, remedy or claim under or by reason of this Agreement or any covenant, condition or stipulation hereof; and except as aforesaid all the covenants, stipulations, promises and agreements herein contained are and shall be for the sole and exclusive benefit of the parties hereto, their successors and assigns, and the Bondholders.

13.06 ***Validity of Provisions***

If any provision, term or condition of this Agreement or the application hereof to any Person or circumstance is declared invalid, the other provisions, terms or conditions hereof or the application hereof to any Person or circumstance shall not be affected and shall continue to be in full force and effect.

13.07 ***Venue***

Any legal action or proceeding arising out of, or in connection with, this Agreement and the Bonds and any and all related documents and papers, shall be brought in the proper courts of Makati City, Metro Manila, Philippines, to the exclusion of any other court.

13.08 ***Dispute Settlement***

In case any dispute shall arise between the Issuer, the Trustee or any of the Bondholders in respect of this Agreement, or other related agreements or arrangements, the Issuer, the Trustee or any of the Bondholders shall attempt to resolve the same amicably by agreement which shall be in writing. However, if no such agreement is concluded within thirty (30) Banking Days from the time the dispute arose, or such period as may be reasonable under the circumstances, the parties may have recourse to the usual judicial action obtaining under the circumstances.

13.09 ***No Right to Set-Off***

The Trustee shall have no right to apply funds or money of the Issuer on deposit with or in the custody of the Trustee or any of its branches, subsidiaries, or affiliates on reduction of amounts past due under this Agreement.

13.10 ***Governing Law***

This Agreement and the Bonds issued hereunder shall be governed by, and construed and interpreted in accordance with, the laws of the Republic of the Philippines.

13.11 ***Termination***

The Trustee shall automatically be discharged from its duties and responsibilities under this Agreement within three (3) days from full payment of the Bonds on the relevant Maturity Date absent any written notice of payment default.

13.12 ***Counterparts***

This Agreement may be executed and delivered in any number of counterparts, each of which will be deemed an original, but all of which together will constitute one and the same instrument.

[The remainder of this page is left intentionally blank.]

IN WITNESS WHEREOF, the parties hereto have signed this Agreement on the date and at the place first abovementioned.

By affixing our signature on this signature page, we are deemed to have agreed to and confirmed the terms and conditions contained in all the other pages of this Trust Indenture.

ABOITIZ EQUITY VENTURES, INC.

By: [redacted]

Gabriel T. Mañalac
Senior Vice President and Group Treasurer

[redacted] IN THE PRESENCE OF

____

IN WITNESS WHEREOF, the parties hereto have signed this Agreement on the date and at the place first abovementioned.

BANK OF THE PHILIPPINE ISLANDS, acting through its Asset Management and Trust Group

By:

[redacted]

Paul Joseph M. Garcia
Senior Vice President

[redacted]

Mario Gerardo Z. Evaristo
Vice President

SIGNED IN THE PRESENCE OF:

____________________ [redacted]

BPI AMTG Trust Account No.: 1720-5162

ACKNOWLEDGMENT

REPUBLIC OF THE PHILIPPINES)
TAGUIG CITY) S. S.

I certify that on this 24 July 2015, a Notary Public duly authorized in the city named above to take acknowledgements, personally appeared the following who are identified by me through their competent evidence of identity by exhibiting to me:

Name	Valid Government Issued ID	Date/Place of Issue	Community Tax Certificate
Gabriel T. Mañalac	[redacted]		

to be the same persons described in the foregoing instrument, who acknowledged before me that their signatures on the instrument were voluntarily affixed by them for purposes stated therein, and who declared to me that they executed the instrument as their free and voluntary act and deed.

This instrument consisting of 64 (__) pages, including the page on which this Acknowledgment is written and the annexes hereto, is signed on each and every page thereof by the parties and their instrumental witnesses and sealed with my notarial seal.

WITNESS MY HAND AND SEAL on the date and at the place first above-written.

[redacted]

JANETTE R. ANCOG
Notary Public for Taguig City
Notarial Commission No. 287
Until December 31, 2015
NAC Tower, 32nd Street, Bonifacio Global City, Taguig City
PTR No. A 2364592, 01-07-2015, Taguig City
IBP No. 0953400 01-06-2015, Davao City
Roll No. 58877, IBP Davao City Chapter
MCLE No. IV-0022412, 04-14-2016

Doc. No. 359;
Page No. 69;
Book No. II;
Series of 2015.

ATTY. JANETTE R. ANCOG
ROLL NO. 58877
NOTARY PUBLIC
PASIG, TAGUIG, SAN JUAN, PATEROS CITY, PHILS.

BPI AMTG Trust Account No.: 1720-5162

ACKNOWLEDGMENT

REPUBLIC OF THE PHILIPPINES)
MAKATI CITY) S. S.

I certify that on this July 24, 2015, a Notary Public duly authorized in the city named above to take acknowledgements, personally appeared the following who are identified by me through their competent evidence of identity by exhibiting to me:

Name	Valid Government Issued ID	Date/Place of Issue
Paul Joseph M. Garcia	[redacted]	[redacted]
Mario Gerardo Z. Evaristo	[redacted]	[redacted]

to be the same persons described in the foregoing instrument, who acknowledged before me that their signatures on the instrument were voluntarily affixed by them for purposes stated therein, and who declared to me that they executed the instrument as their free and voluntary act and deed.

This instrument consisting of Sixty-Four (64) pages, including the page on which this Acknowledgment is written and the annexes hereto, is signed on each and every page thereof by the parties and their instrumental witnesses and sealed with my notarial seal.

WITNESS MY HAND AND SEAL on the date and at the place first above-written.

[redacted]

MA. CHR[redacted]ERA
Appointment No. M-521
Notary Public for Makati City
Until December 31, 2015
Penthouse, Liberty Center
104 H.V. dela Costa Street, Makati City
Roll of Attorneys No. 62659
PTR No. 4754659/Makati City/01-06-2015
IBP No. 479423/Laguna/01-05-2015

Doc. No. 462;
Page No. 96;
Book No. V;
Series of 2015.

ANNEX A

TERMS AND CONDITIONS OF THE BOND

Issuer	:	Aboitiz Equity Ventures, Inc. ("AEV")
Issue Manager	:	BPI Capital Corporation
Joint Lead Underwriters	:	BPI Capital Corporation First Metro Investment Corporation
Trustee	:	BPI Asset Management and Trust Group
Registrar and Paying Agent	:	Philippine Depository & Trust Corporation
Issue / Issue Amount	:	SEC–registered fixed rate, Peso-denominated bonds constituting the direct, unconditional, unsecured and general obligations of the Issuer (the "Bonds") in the aggregate amount of fixed rate bonds of up to Php24,000,000,000.00
Use of Proceeds	:	Proceeds of the Offer will be used by AEV to replenish working capital, for other general corporate purposes , and to partially fund any or all of the projects enumerated and described in the section entitled *"Use of Proceeds"* of the Prospectus.
Issue Price	:	100% face value
Manner of Distribution	:	Public Offering
Offer Period	:	The Offer shall commence on July 28, 2015 and end on July 31, 2015
Issue Date	:	August 6, 2015
Maturity Date or Redemption Date	:	Series A Bonds: Five (5) years and three (3) months from Issue Date Series B Bonds: Seven (7) years from Issue Date Series C Bonds: Twelve (12) years from Issue Date Except when an Early Redemption Option is exercised, the Bonds will be redeemed at par (or 100%) on Maturity Date.
Interest Rate	:	Series A Bonds: Fixed interest rate of 4.4722% p.a. Series B Bonds: Fixed interest rate of 5.0056% p.a. Series C Bonds: Fixed interest rate of 6.0169% p.a.

The interest rates are determined subject to the results of bookbuilding and final pricing upon release of the SEC pre-effective approval.

Interest Payment Date	:	The Interest shall be paid quarterly in arrears on August 6, November 6, February 6 and May 6, or the next Banking Day if such dates fall on a non-Banking Day, of each year commencing on November 6, 2015, until and including the Maturity Date (each, an "Interest Payment Date"). Interest on the Bonds shall be calculated on a 30/360-day basis.
Form and Denomination	:	The Bonds shall be issued in scripless form in minimum denominations of Php50,000.00 each, and in multiples of Php10,000.00 thereafter.
Early Redemption	:	The Issuer shall have the option, but not the obligation, to redeem in whole (and not in part), the outstanding Bonds on the following relevant dates. The amount payable to the Bondholders upon the exercise of the Early Redemption Option by the Issuer shall be calculated, based on the principal amount of Bonds being redeemed, as the sum of: (i) accrued interest computed from the last Interest Payment Date up to the relevant Early Redemption Option Date; and (ii) the product of the principal amount of the Bonds being redeemed and the Early Redemption Price in accordance with the following schedule:

	Early Redemption Option Dates	Early Redemption Price
Series B Bonds	5.25 years from Issue Date	101.00%
	6.00 years from Issue Date	100.50%
Series C Bonds	7.00 years from Issue Date	102.00%
	8.00 years from Issue Date	101.75%
	9.00 years from Issue Date	101.50%
	10.00 years from Issue Date	101.00%
	11.00 years from Issue Date	100.25%

The Issuer shall give not less than thirty (30) nor more than sixty (60) days prior written notice of its intention to redeem the Bonds, which notice shall be irrevocable and binding upon the Issuer to effect such early redemption of the Bonds on the Early Redemption Date stated in such notice.

Redemption for Taxation Reasons	:	If payments under the Bonds become subject to additional or increased taxes other than the taxes

		and rates of such taxes prevailing on the Issue Date as a result of certain changes in law, rule or regulation, or in the interpretation thereof, and such additional or increased rate of such tax cannot be avoided by use of reasonable measures available to the Issuer, the Issuer may redeem the Bonds in whole, but not in part, (having given not more than sixty (60) nor less than thirty (30) days prior written notice to the Trustee) at par or 100% face value plus accrued interest.
Negative Pledge		The Bonds shall have the benefit of a negative pledge on all existing and future assets of the Issuer, subject to certain permitted liens, as provided under Section 5.02(a) of the Trust Agreement.
Purchase and Cancellation	:	The Issuer may purchase the Bonds at any time in the open market or by tender or by contract at the best available price under prevailing market conditions, in accordance with PDEX Rules and/or the Securities and Regulation Code, as may be amended from time to time, without any obligation to make pro rata purchases from all Bondholders. Bonds so purchased shall be redeemed and cancelled and may not be re-issued.
Status of the Bonds	:	The Bonds constitute direct, unconditional, unsecured and unsubordinated Peso denominated obligations of the Issuer and shall rank pari passu and rateably without any preference or priority amongst themselves and at least pari passu with all other present and future unsecured and unsubordinated obligations of the Issuer, other than (i) obligations preferred by the law, (ii) any obligation incurred by the Issuer pursuant to Section 5.02 (a) of the Trust Agreement or as may be allowed by the Trust Agreement, and (iii) other Indebtedness or obligations disclosed by the Issuer to the Trustee as of Issue Date.
Rating		The Bonds are rated PRS Aaa by PhilRatings.
Listing	:	The Issuer intends to list the Bonds in the PDEx on Issue Date.
Non-Reliance		Each Bondholder also represents and warrants to the Trustee that it has independently and, without reliance on the Trustee, made its own credit investigation and appraisal of the financial condition and affairs of the Issuer on the basis of such documents and information as it has deemed appropriate and that it has subscribed to the Issue on the basis of such independent appraisal, and each Bondholder represents and

	warrants that it shall continue to make its own credit appraisal without reliance on the Trustee. The Bondholders agree to indemnify and hold the Trustee harmless from and against any and all liabilities, damages, penalties, judgments, suits, expenses and other costs of any kind or nature against the Trustee in respect of its obligations hereunder, except for its gross negligence or willful misconduct.
Own Risk	Bondholders understood and acknowledge that investment in the Bonds is not covered by the Philippine Deposit Insurance Corporation ("PDIC") and that any loss or depreciation in the value of the assets of the Bondholders, resulting from the investments or reinvestment in the Bonds and the regular conduct of the Trustee's trust business shall be for the account of the Bondholder.
Contact Details of Registrar and Trustee	**Registrar and Paying Agent** PHILIPPINE DEPOSITORY & TRUST CORP. 37th Floor Enterprise Centre Tower 1 Ayala Avenue, Makati City, Metro Manila Telephone No.: (632) 884-4425 Fax No.: (632) 757-6025 E-mail: baby_delacruz@pds.com.ph Attention: Josephine "Baby" Delacruz Director **Trustee** BANK OF THE PHILIPPINE ISLANDS 2nd Floor BPI Building, 6788 Ayala Avenue corner Paseo de Roxas, Makati City, Metro Manila Telephone No.: (632) 737-3161 Fax No.: (632) 848-5222 E-mail: kochua@bpi.com.ph Attention: Kim O. Chua Senior Manager

ANNEX B

FORM OF THE APPLICATION TO PURCHASE

aboitiz
Equity Ventures

ANNEX B

APPLICATION TO PURCHASE

Underwriter's Control # _____

1st Copy	Registrar
2nd Copy	Underwriter
3rd Copy	Applicant

[4.4722]% Series "A" Bonds
Due 2020
(Five Year and Three Month Bonds)

This is an application to purchase Aboitiz Equity Ventures, Inc. ("AEV") Fixed Rate Bonds due 2020 (the "Application"). Any Application submitted by a prospective purchaser must be for a minimum principal amount (face value) of ₱50,000 and in multiples of ₱10,000 thereafter. The AEV Fixed Rate Bonds Due 2020 (the "AEV Fixed Rate Bonds Due 2020") will be recorded in electronic book-entry (scripless) form in the system of the Philippine Depository & Trust Corporation (the "Registrar") and shall be subject to the rules and regulations of the Registrar. Duly completed Applications and all supporting documents must be received by the Underwriters not later than 5:00 pm of July 31, 2015, which is the end of the Offer Period, unless otherwise extended or earlier terminated. Applications and payments received after the Offer Period will be rejected. Any Application improperly or incompletely accomplished may likewise be rejected. This Application is irrevocable and, once submitted, may not be withdrawn by the Applicant. Payment in full, through one of the three methods set forth below, must accompany this Application. AEV and the Underwriters reserve the right to accept or reject, in whole or in part, this Application, and in case of oversubscription, allocate the AEV Fixed Rate Bonds Due 2020 available to the applicants in a manner they deem appropriate.

Name of Applicant: (Last, First, M.I. / Business Name)*

Type of Investor:
☐ Individual
☐ Corporate (For Corporate or juridical entities, check one)
- ☐ Partnership or other Juridical Entity
- ☐ Corporation under the laws of ___
- ☐ Trust Company/Trust Fund/Trust Department
- ☐ Bank
- ☐ Investment House
- ☐ Insurance Company
- ☐ Incorporated Mutual Fund
- ☐ Others ___

Nationality:	Yes	No
1. Are you a US Person?	☐	☐
2. Are you a US citizen?	☐	☐
3. Do you hold a US permanent resident card? (Green Card)?	☐	☐
4. Did you stay in the US for a total of 183 days or more in the last Thirty-six (36) months? If yes, please state the reason ________	☐	☐
5. For corporate investors, are any of your shareholders owning more than 10% of the shares in the company a US Resident, US Person or US Citizen?	☐	☐

I/We (the "Applicant") hereby apply to purchase the following principal amount of the AEV Fixed Rate Bonds Due 2020 (the "Total Purchase Amount"), subject to the Terms and Conditions and the Prospectus distributed or made available by AEV and the Underwriters in relation to the offer and sale of AEV Fixed Rate Bonds Due 2020.

Amount in Words (PhP)	Amount in Figures (PhP)
Total Purchase Amount	PhP

Mode of Payment for the Bonds:
I/We hereby pay for my/our purchase of the AEV Fixed Rate Bonds Due 2020 as indicated below.

☐ Real Time Gross Settlement

We have caused the transfer of cleared funds via RTGS to the Underwriter (named below) for the account of Aboitiz Equity Ventures, Inc. for the Total Purchase Amount (as stated above), representing full payment of the AEV Fixed Rate Bonds Due 2020 covered by this Application.

____
NAME OF UNDERWRITER

☐ Regular Bank Check or Manager's Check

Attached herewith is a check in favor of the Underwriter (named below) for the account of Aboitiz Equity Ventures, Inc. for the Total Purchase Amount (as stated above), representing full payment of the AEV Fixed Rate Bonds Due 2020 covered by this Application.

NAME OF UNDERWRITER: _______________
DRAWEE BANK: _______________
CHECK NUMBER: _______________

☐ Direct Debit

We have caused the transfer of cleared funds via debiting of my/our bank account with the Drawee Bank (named below) and crediting the bank account of the Underwriter (named below) for the Total Purchase Amount (as stated above), representing full payment for the AEV Fixed Rate Bonds Due 2020 covered by this Application.

NAME OF UNDERWRITER: _______________
DRAWEE BANK & BRANCH: _______________
ACCOUNT NUMBER: _______________

Permanent Address:*	**Present Mailing Address** (if different from Permanent Address):*
Telephone Number/s:	**Fax Number(s):**
Email Address:	
Primary Contact Person (if other than Applicant):	**Relationship to Applicant:**
Date of Birth / Incorporation (mm/dd/yyyy):*	**Place of Birth / Incorporation:***
Nationality:*	**Tax Identification Number:***
Nature of Work or Business:*	**Name of Employer/ Business:***
Sources of Income:*	

Mode of Collection of Interest and Principal Payments:

I/We hereby unconditionally instruct and authorize the Paying Agent to credit the payments of interest and principal on the AEV Fixed Rate Bonds Due 2020 net of applicable taxes, fees and costs (if any) via credit to my/our PESO current or savings account (designated below).

BANK OF ACCOUNT: _______________
ACCOUNT TYPE: _______________
ACCOUNT NUMBER: _______________

Tax Status:

☐ Individual (Taxable)
☐ Domestic Corporate
☐ Tax Exempt: Corporate**
☐ If a foreign investor, tax rate below will apply (subject to application of preferential rates)**
- ☐ Non-resident individual not engaged in business: 25%
- ☐ Resident foreign corporate: 20%
- ☐ Non-resident foreign corporate: 30%

** Subject to submission of documentary proof of exemption

Statement, Notices & Correspondence Delivery Mode

☐ Send to email address indicated above
☐ Delivery via courier (Metro Manila area only) or registered mail to mailing address indicated above

If a Corporation, please fill up Additional Required Information: (Please use additional sheets if necessary):

Name of Parent Company, if Any:

Names of Directors:*	**Name of Stockholders Owning at Least 2% of the Authorized Capital Stock:***
Name of Beneficial Owners of Applicant, if any:	**Address of Beneficial Owner:**

*Required to be filled up under Republic Act No. 9160, Republic Act No. 9194 and BSP Circular Nos. 251, 253 and 279, and all other amendatory and implementing law, regulation, jurisprudence, notice or order of any Philippine governmental body relating thereto.

** Communications (E-mail Indemnity): By indicating the e-mail address, I/We consent to receive all notices and communications via e-mail, and such consent shall operate as a waiver of my/our right and privilege to the secrecy of bank deposits in respect of such statements or notices. I/We acknowledge that security of any statement, notice, or communication sent through electronic means is not guaranteed and I/We assume all risks in relation to its transmission. I/We are responsible for keeping such email account active and existing during the term of the AEV Fixed Rate Bonds Due 2020, otherwise, I/we shall be liable for any fees or charges that may be imposed or incurred in transmitting or re-transmitting such communication via electronic means.

REQUIRED ATTACHMENTS TO THIS APPLICATION

The Applicant understands that the Registrar will not issue a Registry Confirmation nor will any Bondholder be allowed to sell or transfer AEV Fixed Rate Bonds Due 2020 until such Bondholder shall have submitted to the Registrar all the documents required for the issuance of such AEV Fixed Rate Bonds Due 2020.

IF THE APPLICANT IS A CORPORATION:

(a) An original notarized Certificate of the Corporate Secretary of the Applicant setting forth resolutions of the Applicant's Board of Directors authorizing the purchase of the AEV Fixed Rate Bonds Due 2020 and designating the signatories, with their specimen signatures, for the said purposes;

(b) Copies of its Articles of Incorporation and By-laws and latest amendments thereof, together with the Certificate of Incorporation issued by the Securities and Exchange Commission (SEC) or equivalent government institution, stamped and signed as certified true copies by the SEC or by the Applicant's Corporate Secretary, or by an equivalent officer(s) who is/are authorized signatory(ies); and

(c) Two (2) duly accomplished signature cards containing the specimen signatures of the Applicant's authorized signatories, validated by its Corporate Secretary or by an equivalent officer(s) who is/are authorized signatory(ies), and further validated/signed by the Underwriter's authorized signatory(ies), whose authority(ies) and specimen signatures have been submitted to the Registrar.

IF THE APPLICANT IS A NATURAL PERSON:

(a) Copies of valid identification documents of the Applicant;

(b) Two (2) duly accomplished signature cards containing the specimen signature of the Applicant, validated / signed by the Underwriter's authorized signatory(ies), whose authority(ies) and specimen signatures have been submitted to the Registrar; and

(c) Such other documents as may be reasonably required by the Underwriter(s) in implementation of its internal policies regarding "knowing your customer" and anti-money laundering.

IDENTIFICATION DOCUMENTS SHALL CONSIST OF:

Any one (1) of the following valid identification documents bearing a signature and recent photo, and which is not expired: Passport, Driver's License, Tax Identification (TIN) ID, Professional Regulation Commission (PRC) ID, National Bureau of Investigation (NBI) Clearance, Police Clearance, Postal ID, Voter's ID, Barangay Certification, Government Service Insurance System (GSIS) e-Card, Social Security System (SSS) Card, Senior Citizen Card, Overseas Workers Welfare Administration (OWWA) ID, OFW ID, Seaman's Book, Alien Certification of Registration/Immigrant Certificate of Registration, Government Office and GOCC ID, e.g. Armed forces of the Philippines (AFP ID), Home Development Mutual Fund (HDMF ID), National Council for the Welfare of Disabled Persons (NCWDP) Certification, Department of Social Welfare and Development (DSWD) Certification, Integrated Bar of the Philippines ID, Company IDs issued by private entities or institutions registered with or supervised or regulated either by the BSP, SEC or IC, or school ID duly signed by the principal or head of the school (for Students who are beneficiaries of remittances/fund transfers who are under 18 years of age).

Applicants claiming exemption or preferential rate from any applicable tax shall also be required to submit the following documentary proof of its tax-exempt or preferential status together with this Application to Purchase:

(a) Certified true copy of the (dated no earlier than required to be considered valid under applicable tax regulations at the relevant time) current and valid original tax exemption certificate, ruling or opinion issued by the BIR confirming the exemption or preferential rate;

(b) A duly notarized undertaking (in the prescribed form and substance by AEV) declaring and warranting that the same Bondholder named in the tax exemption certificate described in (a) above, is specifically exempt from the relevant tax or is subject to a preferential tax rate for the relevant tax, undertaking to immediately notify AEV and the Registrar of any suspension or revocation of its tax exemption certificates or preferential rate entitlement and agreeing to indemnify and hold AEV, the Registrar and the Paying Agent free and harmless against any claims, actions, suits and liabilities resulting from the non-withholding of the required tax; and

(c) Such other documentary requirements as may be required by AEV, the Registrar or the Paying Agent under the applicable regulations of the relevant taxing or other authorities, which for purposes of claiming tax treaty withholding rate benefits shall include evidence of the applicability of a tax treaty and consularized proof of the Applicant's legal domicile in the relevant treaty state, and confirmation acceptable to AEV that the Bondholder entity is not doing business in the Philippines; provided further that, upon submission of reasonable evidence of exemption or preferential rate entitlement of the Applicant to the Registrar, all sums payable by AEV to tax exempt entities shall be paid in full without deductions for taxes, duties, assessments or government charges from and to the extent which the Bondholder has adequately evidenced exemption.

Unless properly provided with satisfactory proof of the tax-exempt status of a Bondholder, the Registrar and Paying Agent may assume that said Bondholder is taxable and proceed to apply the tax due on the AEV Fixed Rate Bonds due 2020. Notwithstanding the submission by the Bondholder, or the receipt by AEV or any of its agents, of documentary proof of the tax-exempt status of a Bondholder, AEV may, in its sole and reasonable discretion, determine that such Bondholder is taxable and require the Registrar and Paying Agent to proceed to apply the tax due on the AEV Fixed Rate Bonds due 2020. Any question on such determination shall be referred to AEV.

REPRESENTATIONS, WARRANTIES AND AUTHORIZATION

In executing this Application, the Applicant represents and warrants, that all information contained herein (including its tax status) and the required attachments are true and correct and that the signatures thereon are genuine, properly authorized, and obtained without use of fraud, coercion or any other vice of consent. The Applicant agrees to immediately notify AEV and the Registrar, either directly or through the Underwriter, if anything occurs which renders or may render untrue or incorrect in any respect any of the information given herein (including information given with respect to the Applicant's tax status) or any of its representations or warranties. The Applicant understands that the Underwriter, the Registrar, the Paying Agent and AEV will rely on the Applicant's representations and warranties set forth herein including, without limit, its declaration of its tax status, including, if applicable, its tax-exempt status in processing payments due to it under the Bonds. The Applicant agrees to indemnify and hold the Underwriter, the Registrar, the Paying Agent and AEV free and harmless against any and all claims, actions, suits, damages, and liabilities resulting from the non- withholding of the required tax due to the representations as indicated in this Application to Purchase, any misrepresentation contained herein or any reliance on the confirmations contained herein. The Applicant likewise authorizes AEV, the Registrar and the Paying Agent to verify the information stated in this Application from any and all sources and in any and all manner, including but not limited to, requesting information contained herein from the Underwriter regarding the Applicant's account(s) with the said Underwriter, and the Applicant authorizes the Underwriter to provide such information required by AEV, the Registrar and the Paying Agent. By giving authority to AEV, the Registrar, the Underwriter and the Paying Agent and by signing this application, the Applicant hereby waives its right to privacy of information or confidentiality that may exist by law or by contract, solely and exclusively for the limited purpose of enabling AEV, the Registrar and the Paying Agent to update with respect to the information contained herein. The Applicant warrants that the Applicant (or its authorized signatory) has read and understood the Terms and Conditions and the terms and conditions stated in this Application to Purchase as well as the Rules and Procedures of the Registrar and unconditionally accepts the same. The Applicant further agrees that completion of this Application to Purchase constitutes an instruction and authority from the Applicant to AEV and/or Underwriter to execute any application form or other documents and generally to do all such other things and acts as AEV, and/or Underwriter may consider necessary or desirable to effect registration of the AEV Fixed Rate Bonds Due 2020 in the name of the Applicant.

Unless otherwise expressly stated or the context provides otherwise, all terms used herein shall have the meaning ascribed to them in the Prospectus of the AEV Fixed Rate Bonds due 2020 (the "Prospectus") and the Terms and Conditions of the AEV Fixed Rate Bonds due 2020 described therein ("Terms and Conditions"). The AEV Fixed Rate Bonds due 2020 are governed by and subject to a Registry and Paying Agency Agreement between AEV and Philippine Depository & Trust Corp. as the Registrar and Paying Agent, and the rules and procedures of PDTC and a Trust Agreement between AEV and Bank of the Philippine Islands – Asset Management and Trust Group. Applicants should read the Prospectus and its description of the Terms and Conditions.

APPLICANT'S FULL NAME (IN PRINT):	APPLICANT'S AUTHORIZED SIGNATURE/S:

ACKNOWLEDGEMENT AND ACCEPTANCE

Underwriter's Acceptance:

☐ Acceptance	☐ Rejection due to:

Underwriter's Certification/Endorsement:

We received this Application, with all the required attachments below, at _______________ a.m. / p.m. on ____________.

We hereby warrant that:

(a) The necessary know-your-client process was conducted on the Applicant pursuant to the Anti-Money Laundering Act and the amendments thereto ("AMLA") as well as its implementing rules and regulations ("IRR") and our own internal policies.

(b) The identity of the Applicant was duly established pursuant to the AMLA and its IRR.

(c) To the best of the undersigned's knowledge, all information provided to AEV and the Registrar regarding the Applicant are true, complete, current and correct; and

(d) The Applicant's signature appearing herein is genuine and authentic and was herein affixed freely and voluntarily.

______________________	______________________	______________________
Underwriter	Underwriter's Authorized Signatory Signature over printed name	Underwriter's Authorized Signatory Signature over printed name

aboitiz
Equity Ventures

APPLICATION TO PURCHASE

Underwriter's Control # _____

1st Copy	Registrar
2nd Copy	Underwriter
3rd Copy	Applicant

[5.0056]% Series "B" Bonds
Due 2022
(Seven Year Bonds)

This is an application to purchase Aboitiz Equity Ventures Inc. ("AEV") Fixed Rate Bonds due 2022 (the "Application"). Any Application submitted by a prospective purchaser must be for a minimum principal amount (face value) of ₱50,000 and in multiples of ₱10,000 thereafter. The AEV Fixed Rate Bonds due 2022 (the "AEV Fixed Rate Bonds Due 2022") will be recorded in electronic book-entry (scripless) form in the system of the Philippine Depository & Trust Corporation (the "Registrar") and shall be subject to the rules and regulations of the Registrar. Duly completed Applications and all supporting documents must be received by the Underwriters not later than 5:00 pm of July 31, 2016, 2015, which is the end of the Offer Period, unless otherwise extended or earlier terminated. Applications and payments received after the Offer Period will be rejected. Any Application improperly or incompletely accomplished may likewise be rejected. This Application is irrevocable and, once submitted, may not be withdrawn by the Applicant. Payment in full, through one of the three methods set forth below, must accompany this Application. AEV and the Underwriters reserve the right to accept or reject, in whole or in part, this Application, and in case of oversubscription, allocate the AEV Fixed Rate Bonds Due 2022 available to the applicants in a manner they deem appropriate.

Name of Applicant: (Last, First, M.I. / Business Name)*

Type of Investor:
❑ **Individual**
❑ **Corporate (For Corporate or juridical entities, check one)**
- ❑ Partnership or other Judicial Entity
- ❑ Corporation under the laws of ___
- ❑ Trust Company/Trust Fund/Trust Department
- ❑ Bank
- ❑ Investment House
- ❑ Insurance Company
- ❑ Incorporated Mutual Fund
- ❑ Others ___

Nationality:	**Yes**	**No**
1. **Are you a US Person?**	❑	❑
2. **Are you a US citizen?**	❑	❑
3. **Do you hold a US permanent resident card? (Green Card)?**	❑	❑
4. **Did you stay in the US for a total of 183 days or more in the last Thirty-six (36) months? If yes, please state the reason _______**	❑	❑
5. **For corporate investors, are any of your shareholders owning more than 10% of the shares in the company a US Resident, US Person or US Citizen?**	❑	❑

I/We (the "Applicant") hereby apply to purchase the following principal amount of the AEV Fixed Rate Bonds Due 2022 (the "Total Purchase Amount"), subject to the Terms and Conditions and the Prospectus distributed or made available by AEV and the Underwriters in relation to the offer and sale of AEV Fixed Rate Bonds Due 2022.

Amount in Words (PhP)	**Amount in Figures (PhP)**
Total Purchase Amount	PhP

Mode of Payment for the Bonds:
I/We hereby pay for my/our purchase of the AEV Fixed Rate Bonds Due 2022 as indicated below:

❑ **Real Time Gross Settlement**

We have caused the transfer of cleared funds via RTGS to the Underwriter (named below) to the account of Aboitiz Equity Ventures, Inc., for the Total Purchase Amount (as stated above) representing full payment of the AEV Fixed Rate Bonds Due 2022 covered by this Application.

NAME OF UNDERWRITER ______________

❑ **Regular Bank Check or Manager's Check**

Attached herewith is a check in favor of the Underwriter (named below) for the amount of Aboitiz Equity Ventures, Inc. for the Total Purchase Amount (as stated above) representing full payment of the AEV Fixed Rate Bonds Due 2022 covered by this Application.

NAME OF UNDERWRITER ______________
DRAWEE BANK ______________
CHECK NUMBER ______________

❑ **Direct Debit**

We have caused the transfer of cleared funds via debiting of my/our bank account with the Drawee Bank (named below) and crediting the bank account of the Underwriter (named below), for the Total Purchase Amount (as stated above), representing full payment for the AEV Fixed Rate Bonds Due 2022 covered by this Application.

NAME OF UNDERWRITER ______________
DRAWEE BANK & BRANCH ______________
ACCOUNT NUMBER ______________

Permanent Address:*	**Present Mailing Address (if different from Permanent Address):***
Telephone Number/s:	**Fax Number(s):**
Email Address:	
Primary Contact Person (if other than Applicant):	**Relationship to Applicant:**
Date of Birth / Incorporation (mm/dd/yyyy):*	**Place of Birth / Incorporation:***
Nationality:*	**Tax Identification Number:***
Nature of Work or Business:*	**Name of Employer/ Business:***
Sources of Income:*	

Mode of Collection of Interest and Principal Payments:

I/we hereby unconditionally instruct and authorize the Paying Agent to cause the payments of interest and principal on the AEV Fixed Rate Bonds Due 2022 (net of applicable taxes, fees and costs) to be via credit to my/our **PESO** current or savings account (designated below).

BANK OF ACCOUNT ______________
ACCOUNT TYPE ______________
ACCOUNT NUMBER ______________

Tax Status:

❑ Individual (Taxable)
❑ Domestic Corporate
❑ Tax Exempt Corporate**
❑ If a foreign investor, tax rate below will apply (subject to application of preferential rates)**
- ❑ Non-resident individual not engaged in business: 25%
- ❑ Resident foreign corporate: 20%
- ❑ Non-resident foreign corporate: 30%

** Subject to submission of documentary proof of exemption

Statement, Notices & Correspondence Delivery Mode:

❑ Send to email address indicated above
❑ Delivery via courier (Metro Manila area only) or registered mail to mailing address indicated above

If a Corporation, please fill up Additional Required Information: (Please use additional sheets if necessary)

Name of Parent Company, if Any:	
Names of Directors:*	**Name of Stockholders Owning at Least 2% of the Authorized Capital Stock:***
Name of Beneficial Owners of Applicant, if any:	**Address of Beneficial Owner:**

* Required to be filled up under Republic Act No. 9160, Republic Act No. 9194 and BSP Circular Nos. 251, 253 and 279, and all other amendatory and implementing law, regulations, jurisprudence, notice or order of any Philippine governmental body relating thereto.

** Communications (E-mail Indemnity): By indicating the e-mail address, I/we consent to receive all notices and communications via email, and such consent shall operate as a waiver of my/our right and privilege to the secrecy of bank deposits in respect of such statements or notices. I/We acknowledge that security of any statement, notice or communication sent through electronic means is not guaranteed and I/we assume all risks in relation to its transmission. I/We are responsible for keeping such email address active and existing during the term of the AEV Fixed Rate Bonds Due 2022, otherwise, I/we shall be liable for any fees or charges that may be imposed or incurred in transmitting or retransmitting such communication via electronic means.

REQUIRED ATTACHMENTS TO THIS APPLICATION

The Applicant understands that the Registrar will not issue a Registry Confirmation nor will any Bondholder be allowed to sell or transfer AEV Fixed Rate Bonds Due 2022 until such Bondholder shall have submitted to the Registrar all the documents required for the issuance of such AEV Fixed Rate Bonds Due 2022.

IF THE APPLICANT IS A CORPORATION:

(a) An original notarized Certificate of the Corporate Secretary of the Applicant setting forth resolutions of the Applicant's Board of Directors authorizing the purchase of the AEV Fixed Rate Bonds Due 2022 and designating the signatories, with their specimen signatures, for the said purposes;

(b) Copies of its Articles of Incorporation and By-laws and latest amendments thereof, together with the Certificate of Incorporation issued by the Securities and Exchange Commission (SEC) or equivalent government institution, stamped and signed as certified true copies by the SEC or by the Applicant's Corporate Secretary, or by an equivalent officer(s) who is/are authorized signatory(ies); and

(c) Two (2) duly accomplished signature cards containing the specimen signatures of the Applicant's authorized signatories, validated by its Corporate Secretary or by an equivalent officer(s) who is/are authorized signatory(ies), and further validated/signed by the Underwriter's authorized signatory(ies) whose authority(ies) and specimen signatures have been submitted to the Registrar.

IF THE APPLICANT IS A NATURAL PERSON:

(a) Copies of valid identification documents of the Applicant;

(b) Two (2) duly accomplished signature cards containing the specimen signature of the Applicant, validated / signed by the Underwriter's authorized signatory(ies), whose authority(ies) and specimen signatures have been submitted to the Registrar; and

(c) Such other documents as may be reasonably required by the Underwriter(s) in implementation of its internal policies regarding "knowing your customer" and anti-money laundering.

IDENTIFICATION DOCUMENTS SHALL CONSIST OF:

Any one (1) of the following valid identification documents bearing a signature and recent photo, and which is not expired: Passport, Driver's License, Tax Identification (TIN) ID, Professional Regulation Commission (PRC) ID, National Bureau of Investigation (NBI) Clearance, Police Clearance, Postal ID, Voter's ID, Barangay Certification, Government Service Insurance System (GSIS) e-Card, Social Security System (SSS) Card, Senior Citizen Card, Overseas Workers Welfare Administration (OWWA) ID, OFW ID, Seaman's Book, Alien Certification of Registration/Immigrant Certificate of Registration, Government Office and GOCC ID, e.g. Armed forces of the Philippines (AFP ID), Home Development Mutual Fund (HDMF ID), National Council for the Welfare of Disabled Persons (NCWDP) Certification, Department of Social Welfare and Development (DSWD) Certification, Integrated Bar of the Philippines ID, Company IDs issued by private entities or institutions registered with or supervised or regulated either by the BSP, SEC or IC, or school ID duly signed by the principal or head of the school (for Students who are beneficiaries of remittances/fund transferees who are under 18 years of age).

Applicants claiming exemption or preferential rate from any applicable tax shall also be required to submit the following documentary proof of its tax-exempt or preferential status together with this Application to Purchase:

(a) Certified true copy of the (dated no earlier than required to be considered valid under applicable tax regulations at the relevant time) current and valid original tax exemption certificate, ruling or opinion issued by the BIR confirming the exemption or preferential rate;

(b) A duly notarized undertaking (in the prescribed form and substance by AEV) declaring and warranting that the same Bondholder named in the tax exemption certificate described in (a) above, is specifically exempt from the relevant tax or is subject to a preferential tax rate for the relevant tax, undertaking to immediately notify AEV and the Registrar of any suspension or revocation of its tax exemption certificates or preferential rate entitlement and agreeing to indemnify and hold AEV, the Registrar and the Paying Agent free and harmless against any claims, actions, suits and liabilities resulting from the non-withholding of the required tax; and

(c) Such other documentary requirements as may be required by AEV, the Registrar or the Paying Agent under the applicable regulations of the relevant taxing or other authorities, which for purposes of claiming tax treaty withholding rate benefits shall include evidence of the applicability of a tax treaty and consularized proof of the Applicant's legal domicile in the relevant treaty state, and confirmation acceptable to AEV that the Bondholder entity is not doing business in the Philippines; provided further that, upon submission of reasonable evidence of exemption or preferential rate entitlement of the Applicant to the Registrar, all sums payable by AEV to tax exempt entities shall be paid in full without deductions for taxes, duties, assessments or government charges from and to the extent which the Bondholder has adequately evidenced exemption.

Unless properly provided with satisfactory proof of the tax-exempt status of a Bondholder, the Registrar and Paying Agent may assume that said Bondholder is taxable and proceed to apply the tax due on the AEV Fixed Rate Bonds Due 2022. Notwithstanding the submission by the Bondholder, or the receipt by AEV or any of its agents, of documentary proof of the tax-exempt status of a Bondholder, AEV may, in its sole and reasonable discretion, determine that such Bondholder is taxable and require the Registrar and Paying Agent to proceed to apply the tax due on the AEV Fixed Rate Bonds Due 2022. Any question on such determination shall be referred to AEV.

REPRESENTATIONS, WARRANTIES AND AUTHORIZATION

In executing this Application, the Applicant represents and warrants, that all information contained herein (including its tax status) and the required attachments are true and correct and that the signatures thereon are genuine, properly authorized, and obtained without use of fraud, coercion or any other vice of consent. The Applicant agrees to immediately notify AEV and the Registrar, either directly or through the Underwriter, if anything occurs which renders or may render untrue or incorrect in any respect any of the information given herein (including information given with respect to the Applicant's tax status) or any of its representations or warranties. The Applicant understands that the Underwriter, the Registrar, the Paying Agent and AEV will rely on the Applicant's representations and warranties set forth herein including, without limit, its declaration of its tax status, including, if applicable, its tax-exempt status in processing payments due to it under the Bonds. The Applicant agrees to indemnify and hold the Underwriter, the Registrar, the Paying Agent and AEV free and harmless against any and all claims, actions, suits, damages, and liabilities resulting from the non- withholding of the required tax due to the representations as indicated in this Application to Purchase, any misrepresentation contained herein or any reliance on the confirmations contained herein. The Applicant likewise authorizes AEV, the Registrar and the Paying Agent to verify the information stated in this Application from any and all sources and in any and all manner, including but not limited to, requesting information contained herein from the Underwriter regarding the Applicant's account(s) with the said Underwriter, and the Applicant authorizes the Underwriter to provide such information required by AEV, the Registrar and the Paying Agent. By giving authority to AEV, the Registrar, the Underwriter and the Paying Agent and by signing this application, the Applicant hereby waives its right to privacy of information or confidentiality that may exist by law or by contract, solely and exclusively for the limited purpose of enabling AEV, the Registrar and the Paying Agent to update with respect to the information contained herein. The Applicant warrants that the Applicant (or its authorized signatory) has read and understood the Terms and Conditions and the terms and conditions stated in this Application to Purchase as well as the Rules and Procedures of the Registrar and unconditionally accepts the same. The Applicant further agrees that completion of this Application to Purchase constitutes an instruction and authority from the Applicant to AEV and/or Underwriter to execute any application form or other documents and generally to do all such other things and acts as AEV, and/or Underwriter may consider necessary or desirable to effect registration of the AEV Fixed Rate Bonds Due 2022 in the name of the Applicant.

Unless otherwise expressly stated or the context provides otherwise, all terms used herein shall have the meaning ascribed to them in the Prospectus of the AEV Fixed Rate Bonds due 2022 (the "Prospectus") and the Terms and Conditions of the AEV Fixed Rate Bonds due 2022 described therein ("Terms and Conditions"). The AEV Fixed Rate Bonds due 2022 are governed by and subject to a Registry and Paying Agency Agreement between AEV and Philippine Depository & Trust Corp. as the Registrar and Paying Agent, and the rules and procedures of PDTC and a Trust Agreement between AEV and Bank of the Philippine Islands – Asset Management and Trust Group. Applicants should read the Prospectus and its description of the Terms and Conditions.

APPLICANT'S FULL NAME (IN PRINT):	**APPLICANT'S AUTHORIZED SIGNATURE/S:**

ACKNOWLEDGEMENT AND ACCEPTANCE

Underwriter's Acceptance:

☐ Acceptance ☐ Rejection due to

Underwriter's Certification/Endorsement:

We received this Application, with all the required attachments below, at_______________ a.m. / p.m. on___________

We hereby warrant that:

(a) The necessary know-your-client process was conducted on the Applicant pursuant to the Anti-Money Laundering Act and the amendments thereto ("AMLA") as well as its implementing rules and regulations ("IRR") and our own internal policies;

(b) The identity of the Applicant was duly established pursuant to the AMLA and its IRR;

(c) To the best of the undersigned's knowledge, all information provided to AEV and the Registrar regarding the Applicant are true, complete, current and correct; and

(d) The Applicant's signature appearing herein is genuine and authentic and was herein affixed freely and voluntarily.

______________________	______________________	______________________
Underwriter	Underwriter's Authorized Signatory	Underwriter's Authorized Signatory
	Signature over printed name	Signature over printed name

aboitiz
Equity Ventures

APPLICATION TO PURCHASE

Underwriter's Control # _____

1st Copy	Registrar
2nd Copy	Underwriter
3rd Copy	Applicant

[6.0169]% Series "C" Bonds
Due 2027
(Twelve Year Bonds)

This is an application to purchase Aboitiz Equity Ventures, Inc. ("AEV") Fixed Rate Bonds due 2027 (the "Application"). Any Application submitted by a prospective purchaser must be for a minimum principal amount (face value) of P50,000 and in multiples of P10,000 thereafter. The AEV Fixed Rate Bonds due 2027 (the "AEV Fixed Rate Bonds Due 2027") will be recorded in electronic book-entry (scripless) form in the system of the Philippine Depository & Trust Corporation (the "Registrar") and shall be subject to the rules and regulations of the Registrar. Duly completed Applications and all supporting documents must be received by the Underwriters not later than 5:00 pm of July 31, 2015, which is the end of the Offer Period, unless otherwise extended or earlier terminated. Applications and payments received after the Offer Period will be rejected. Any Application improperly or incompletely accomplished may likewise be rejected. This Application is irrevocable and, once submitted, may not be withdrawn by the Applicant. Payment in full, through one of the three methods set forth below, must accompany this Application. AEV and the Underwriters reserve the right to accept or reject, in whole or in part, this Application and in case of oversubscription, allocate the AEV Fixed Rate Bonds Due 2027 available to the applicants in a manner they deem appropriate.

Name of Applicant: (Last, First, M.I. / Business Name)*

Type of Investor:
❑ Individual
❑ Corporate (For Corporate or juridical entities, check one)

- ❑ Partnership or other Judicial Entity
- ❑ Corporation under the laws of ___
- ❑ Trust Company/Trust Fund/Trust Department
- ❑ Bank
- ❑ Investment House
- ❑ Insurance Company
- ❑ Incorporated Mutual Fund
- ❑ Others ___

Nationality:

		Yes	No
1.	Are you a US Person?	❑	❑
2.	Are you a US citizen?	❑	❑
3.	Do you hold a US permanent resident card? (Green Card)?	❑	❑
4.	Did you stay in the US for a total of 183 days or more in the last Thirty-six (36) months? If yes, please state the reason ________	❑	❑
5.	For corporate investors, are any of your shareholders owning more than 10% of the shares in the company a US Resident, US Person or US Citizen?	❑	❑

I/We (the "Applicant") hereby apply to purchase the following principal amount of the AEV Fixed Rate Bonds Due 2027 (the "Total Purchase Amount"), subject to the Terms and Conditions and the Prospectus distributed or made available by AEV and the Underwriters in relation to the offer and sale of AEV Fixed Rate Bonds Due 2027.

Amount in Words (PhP)	Amount in Figures (PhP)
Total Purchase Amount	PhP

Mode of Payment for the Bonds:
I/We hereby pay for my/our purchase of the AEV Fixed Rate Bonds Due 2027 as indicated below:

❑ **Real Time Gross Settlement**

We have caused the transfer of cleared funds via RTGS to the Underwriter (named below) for the account of Aboitiz Equity Ventures, Inc. for the Total Purchase Amount (as stated above), representing full payment of the AEV Fixed Rate Bonds Due 2027 covered by this Application.

____
NAME OF UNDERWRITER

❑ **Regular Bank Check or Manager's Check**

Attached herewith is a check in favor of the Underwriter (named below), for the account of Aboitiz Equity Ventures, Inc. for the Total Purchase Amount (as stated above), representing full payment of the AEV Fixed Rate Bonds Due 2027 covered by this Application.

NAME OF UNDERWRITER ________________
DRAWEE BANK ________________
CHECK NUMBER ________________

❑ **Direct Debit**

We have caused the transfer of cleared funds via debiting of my/our bank account with the Drawee Bank (named below) and crediting the bank account of the Underwriter (named below), for the Total Purchase Amount (as stated above), representing full payment for the AEV Fixed Rate Bonds Due 2027 covered by this Application.

NAME OF UNDERWRITER ________________
DRAWEE BANK & BRANCH ________________
ACCOUNT NUMBER ________________

Permanent Address:*	**Present Mailing Address** (if different from Permanent Address):*
Telephone Number/s:	**Fax Number(s):**
Email Address:	
Primary Contact Person (if other than Applicant):	**Relationship to Applicant:**
Date of Birth / Incorporation (mm/dd/yyyy):*	**Place of Birth / Incorporation:***
Nationality:*	**Tax Identification Number:***
Nature of Work or Business:*	**Name of Employer/ Business:***
Sources of Income:*	

Mode of Collection of Interest and Principal Payments:

I/we hereby unconditionally instruct and authorize the Paying Agent to cause the payments of interest and principal on the AEV Fixed Rate Bonds Due 2027 net of applicable taxes, fees and cost, to be via credit to my/our **PESO** current or savings account (designated below):

BANK OF ACCOUNT ________________
ACCOUNT TYPE ________________
ACCOUNT NUMBER ________________

Tax Status:

❑ Individual (Taxable)
❑ Domestic Corporate
❑ Tax Exempt Corporate**
❑ If a foreign investor, tax rate below will apply (subject to application of preferential rates)**
- ❑ Non-resident individual not engaged in business: 25%
- ❑ Resident foreign corporate: 30%
- ❑ Non-resident foreign corporate: 30%

***Subject to submission of documentary proof of exemption*

Statement, Notices & Correspondence Delivery Mode:
❑ Send to email address indicated above
❑ Delivery via courier (Metro Manila area only) or registered mail to mailing address indicated above

If a Corporation, please fill up Additional Required Information: (Please use additional sheets if necessary):

Name of Parent Company, if Any:

Names of Directors:*	**Name of Stockholders Owning at Least 2% of the Authorized Capital Stock:***
Name of Beneficial Owners of Applicant, if any:	**Address of Beneficial Owner:**

* Required to be filled up under Republic Act No. 9160, Republic Act No. 9194 and BSP Circular Nos. 251, 253 and 279, and all other amendatory and implementing law, regulation, jurisprudence, notice or order of any Philippine governmental body relating thereto.

** Communications (E-mail Indemnity): By indicating the e-mail address, I/we consent to receive all notices and communications via e-mail, and such consent shall operate as a waiver of my/our right and privilege to the secrecy of bank deposits in respect of such statements or notices. I/We acknowledge that security of any statement, notice or communication sent through electronic means is not guaranteed and I/we assume all risks in relation to its transmission. I/We are responsible for keeping such email access active and existing during the term of the AEV Fixed Rate Bonds Due 2027, otherwise, I/we shall be liable for any fees or charges that may be imposed or incurred in transmitting or retransmitting such communication via electronic means.

REQUIRED ATTACHMENTS TO THIS APPLICATION

The Applicant understands that the Registrar will not issue a Registry Confirmation nor will any Bondholder be allowed to sell or transfer AEV Fixed Rate Bonds Due 2027 until such Bondholder shall have submitted to the Registrar all the documents required for the issuance of such AEV Fixed Rate Bonds Due 2027.

IF THE APPLICANT IS A CORPORATION:

(a) An original notarized Certificate of the Corporate Secretary of the Applicant setting forth resolutions of the Applicant's Board of Directors authorizing the purchase of the AEV Fixed Rate Bonds Due 2027 and designating the signatories, with their specimen signatures, for the said purposes;

(b) Copies of its Articles of Incorporation and By-laws and latest amendments thereof, together with the Certificate of Incorporation issued by the Securities and Exchange Commission (SEC) or equivalent government institution, stamped and signed as certified true copies by the SEC or by the Applicant's Corporate Secretary, or by an equivalent officer(s) who is/are authorized signatory(ies); and

(c) Two (2) duly accomplished signature cards containing the specimen signatures of the Applicant's authorized signatories, validated by its Corporate Secretary or by an equivalent officer(s) who is/are authorized signatory(ies), and further validated/signed by the Underwriter's authorized signatory(ies) whose authority(ies) and specimen signatures have been submitted to the Registrar.

IF THE APPLICANT IS A NATURAL PERSON:

(a) Copies of valid identification documents of the Applicant;

(b) Two (2) duly accomplished signature cards containing the specimen signature of the Applicant, validated / signed by the Underwriter's authorized signatory(ies), whose authority(ies) and specimen signatures have been submitted to the Registrar; and

(c) Such other documents as may be reasonably required by the Underwriter(s) in implementation of its internal policies regarding "knowing your customer" and anti-money laundering.

IDENTIFICATION DOCUMENTS SHALL CONSIST OF:

Any one (1) of the following valid identification documents bearing a signature and recent photo, and which is not expired: Passport, Driver's License, Tax Identification (TIN) ID, Professional Regulation Commission (PRC) ID, National Bureau of Investigation (NBI) Clearance, Police Clearance, Postal ID, Voter's ID, Barangay Certification, Government Service Insurance System (GSIS) e-Card, Social Security System (SSS) Card, Senior Citizen Card, Overseas Workers Welfare Administration (OWWA) ID, OFW ID, Seaman's Book, Alien Certification of Registration/Immigrant Certificate of Registration, Government Office and GOCC ID, e.g. Armed forces of the Philippines (AFP ID), Home Development Mutual Fund (HDMF ID), National Council for the Welfare of Disabled Persons (NCWDP) Certification, Department of Social Welfare and Development (DSWD) Certification, Integrated Bar of the Philippines ID, Company IDs issued by private entities or institutions registered with or supervised or regulated either by the BSP, SEC or IC, or school ID duly signed by the principal or head of the school (for Students who are beneficiaries of remittances/fund transferees who are under 18 years of age).

Applicants claiming exemption or preferential rate from any applicable tax shall also be required to submit the following documentary proof of its tax-exempt or preferential status together with this Application to Purchase:

(a) Certified true copy of the (dated no earlier than required to be considered valid under applicable tax regulations at the relevant time) current and valid original tax exemption certificate, ruling or opinion issued by the BIR confirming the exemption or preferential rate.

(b) A duly notarized undertaking (in the prescribed form and substance by AEV) declaring and warranting that the same Bondholder named in the tax exemption certificate described in (a) above, is specifically exempt from the relevant tax or is subject to a preferential tax rate for the relevant tax, undertaking to immediately notify AEV and the Registrar of any suspension or revocation of its tax exemption certificates or preferential rate entitlement and agreeing to indemnify and hold AEV, the Registrar and the Paying Agent free and harmless against any claims, actions, suits and liabilities resulting from the non-withholding of the required tax; and

(c) Such other documentary requirements as may be required by AEV, the Registrar or the Paying Agent under the applicable regulations of the relevant taxing or other authorities, which for purposes of claiming tax treaty withholding rate benefits shall include evidence of the applicability of a tax treaty and consularized proof of the Applicant's legal domicile in the relevant treaty state, and confirmation acceptable to AEV that the Bondholder entity is not doing business in the Philippines; provided further that, upon submission of reasonable evidence of exemption or preferential rate entitlement of the Applicant to the Registrar, all sums payable by AEV to tax exempt entities shall be paid in full without deductions for taxes, duties, assessments or government charges from and to the extent which the Bondholder has adequately evidenced exemption.

Unless properly provided with satisfactory proof of the tax-exempt status of a Bondholder, the Registrar and Paying Agent may assume that said Bondholder is taxable and proceed to apply the tax due on the AEV Fixed Rate Bonds Due 2027. Notwithstanding the submission by the Bondholder, or the receipt by AEV or any of its agents, of documentary proof of the tax-exempt status of a Bondholder, AEV may, in its sole and reasonable discretion, determine that such Bondholder is taxable and require the Registrar and Paying Agent to proceed to apply the tax due on the AEV Fixed Rate Bonds Due 2027. Any question on such determination shall be referred to AEV.

REPRESENTATIONS, WARRANTIES AND AUTHORIZATION

In executing this Application, the Applicant represents and warrants, that all information contained herein (including its tax status) and the required attachments are true and correct and that the signatures thereon are genuine, properly authorized, and obtained without use of fraud, coercion or any other vice of consent. The Applicant agrees to immediately notify AEV and the Registrar, either directly or through the Underwriter, if anything occurs which renders or may render untrue or incorrect in any respect any of the information given herein (including information given with respect to the Applicant's tax status) or any of its representations or warranties. The Applicant understands that the Underwriter, the Registrar, the Paying Agent and AEV will rely on the Applicant's representations and warranties set forth herein including, without limit, its declaration of its tax status, including, if applicable, its tax-exempt status in processing payments due to it under the Bonds. The Applicant agrees to indemnify and hold the Underwriter, the Registrar, the Paying Agent and AEV free and harmless against any and all claims, actions, suits, damages, and liabilities resulting from the non- withholding of the required tax due to the representations as indicated in this Application to Purchase, any misrepresentation contained herein or any reliance on the confirmations contained herein. The Applicant likewise authorizes AEV, the Registrar and the Paying Agent to verify the information stated in this Application from any and all sources and in any and all manner, including but not limited to, requesting information contained herein from the Underwriter regarding the Applicant's account(s) with the said Underwriter, and the Applicant authorizes the Underwriter to provide such information required by AEV, the Registrar and the Paying Agent. By giving authority to AEV, the Registrar, the Underwriter and the Paying Agent and by signing this application, the Applicant hereby waives its right to privacy of information or confidentiality that may exist by law or by contract, solely and exclusively for the limited purpose of enabling AEV, the Registrar and the Paying Agent to update with respect to the information contained herein. The Applicant warrants that the Applicant (or its authorized signatory) has read and understood the Terms and Conditions and the terms and conditions stated in this Application to Purchase as well as the Rules and Procedures of the Registrar and unconditionally accepts the same. The Applicant further agrees that completion of this Application to Purchase constitutes an instruction and authority from the Applicant to AEV and/or Underwriter to execute any application form or other documents and generally to do all such other things and acts as AEV, and/or Underwriter may consider necessary or desirable to effect registration of the AEV Fixed Rate Bonds Due 2027 in the name of the Applicant.

Unless otherwise expressly stated or the context provides otherwise, all terms used herein shall have the meaning ascribed to them in the Prospectus of the AEV Fixed Rate Bonds due 2027 (the "Prospectus") and the Terms and Conditions of the AEV Fixed Rate Bonds due 2027 described therein ("Terms and Conditions"). The AEV Fixed Rate Bonds due 2027 are governed by and subject to a Registry and Paying Agency Agreement between AEV and Philippine Depository & Trust Corp. as the Registrar and Paying Agent, and the rules and procedures of PDTC and a Trust Agreement between AEV and Bank of the Philippine Islands – Asset Management and Trust Group. Applicants should read the Prospectus and its description of the Terms and Conditions.

APPLICANT'S FULL NAME (IN PRINT):	APPLICANT'S AUTHORIZED SIGNATURE/S:

ACKNOWLEDGEMENT AND ACCEPTANCE

Underwriter's Acceptance:

☐ Acceptance	☐ Rejection due to:

Underwriter's Certification/Endorsement:

We received this Application, with all the required attachments below, at _______________ a.m. / p.m. on ____________.

We hereby warrant that:

(a) The necessary know-your-client process was conducted on the Applicant pursuant to the Anti-Money Laundering Act and the amendments thereto ("AMLA") as well as its implementing rules and regulations ("IRR") and our own internal policies;

(b) The identity of the Applicant was duly established pursuant to the AMLA and its IRR;

(c) To the best of the undersigned's knowledge, all information provided to AEV and the Registrar regarding the Applicant are true, complete, current and correct; and

(d) The Applicant's signature appearing herein is genuine and authentic and was herein affixed freely and voluntarily.

________________	________________	________________
Date/Time	Underwriter's Authorized Signatory Signature over printed name	Underwriter's Authorized Signatory Signature over printed name

BPI AMTG Trust Account No.: 1720-5162

ANNEX C

MASTER CERTIFICATES OF INDEBTEDNESS

ANNEX C

MASTER CERTIFICATES OF INDEBTEDNESS

[LOGO]

ABOITIZ EQUITY VENTURES, INC.
MASTER CERTIFICATE OF INDEBTEDNESS
Series A Bonds

[₱ ________]

Bond Certificate No. 0001
Issue Date: __________
Maturity Date: _________

For and in consideration of the sum of PESOS: [____________ [₱ ________],ABOITIZ EQUITY VENTURES, INC (the "Company"), promises to pay the sum of PESOS: [____________ [₱ ________], together with interest, to the Bondholders appearing in the Registry Book, pursuant to, and subject to the terms and conditions set forth in: (i) the Trust Agreement dated 22 July 2015, and (ii) Annex A hereto and thereto.

This Master Certificate of Indebtedness is being issued by the Company, acting by the authority of its Board of Directors, to the BANK OF THE PHILIPPINE ISLANDS, acting through its Asset Management and Trust Group, in its capacity as Trustee, in acknowledgement of the Company's obligations in respect of the five year and a quarter Philippine Peso fixed rate bonds (the "Series A Bonds") duly registered with the Philippine Securities and Exchange Commission.

The Series A Bonds shall bear interest, subject to the terms and conditions contained in the Trust Agreement dated 22 July 2015, and Annex A attached hereto and thereto.

Annex A provides for the mode and manner of the payment and prepayment of the Series A Bonds under the terms and conditions set forth and specified therein as well as for the acceleration of the maturity of the Series A Bonds under certain conditions.

The Series A Bonds shall be governed by, and construed in accordance with, the laws of the Republic of the Philippines.

ABOITIZ EQUITY VENTURES, INC.
By:

THE SERIES A BONDS ARE NOT INSURED WITH THE PHILIPPINE DEPOSIT INSURANCE CORPORATION

[LOGO]

ABOITIZ EQUITY VENTURES, INC.
MASTER CERTIFICATE OF INDEBTEDNESS
Series B Bonds

[PHP________]

Bond Certificate No. 0001
Issue Date: __________
Maturity Date: __________

For and in consideration of the sum of PESOS: [____________ [PhP________], ABOITIZ EQUITY VENTURES, INC. (the "Company"), promises to pay the sum of PESOS: [____________ [PhP________], together with interest, to the Bondholders appearing in the Registry Book, pursuant to, and subject to the terms and conditions set forth in: (i) the Trust Agreement dated 22 July 2015 and (ii) Annex A hereto and thereto.

This Master Certificate of Indebtedness is being issued by the Company, acting by the authority of its Board of Directors, to the BANK OF THE PHILIPPINE ISLANDS, acting through its Asset Management and Trust Group, in its capacity as Trustee, in acknowledgement of the Company's obligations in respect of the seven year Philippine Peso fixed rate bonds (the "Series B Bonds") duly registered with the Philippine Securities and Exchange Commission.

The Series B Bonds shall bear interest, subject to the terms and conditions contained in the Trust Agreement dated 22 July 2015 and Annex A attached hereto and thereto.

Annex A provides for the mode and manner of the payment and prepayment of the Series B Bonds under the terms and conditions set forth and specified therein as well as for the acceleration of the maturity of the Series B Bonds under certain conditions.

The Series B Bonds shall be governed by, and construed in accordance with, the laws of the Republic of the Philippines.

ABOITIZ EQUITY VENTURES, INC.

By:

THE SERIES B BONDS ARE NOT INSURED WITH THE PHILIPPINE DEPOSIT INSURANCE CORPORATION

[LOGO]

ABOITIZ EQUITY VENTURES, INC.
MASTER CERTIFICATE OF INDEBTEDNESS
Series C Bonds

[PHP________]

Bond Certificate No. 0001
Issue Date: __________
Maturity Date: __________

For and in consideration of the sum of PESOS: [____________ [PhP________], ABOITIZ EQUITY VENTURES, INC. (the "Company"), promises to pay the sum of PESOS: [____________ [PhP________], together with interest, to the Bondholders appearing in the Registry Book, pursuant to, and subject to the terms and conditions set forth in: (i) the Trust Agreement dated 22 July 2015 and (ii) Annex A hereto and thereto.

This Master Certificate of Indebtedness is being issued by the Company, acting by the authority of its Board of Directors, to the BANK OF THE PHILIPPINE ISLANDS, acting through its Asset Management and Trust Group, in its capacity as Trustee, in acknowledgement of the Company's obligations in respect of the twelve year Philippine Peso fixed rate bonds (the "Series C Bonds") duly registered with the Philippine Securities and Exchange Commission.

The Series C Bonds shall bear interest, subject to the terms and conditions contained in the Trust Agreement dated 22 July 2015 and Annex A attached hereto and thereto.

Annex A provides for the mode and manner of the payment and prepayment of the Series B Bonds under the terms and conditions set forth and specified therein as well as for the acceleration of the maturity of the Series B Bonds under certain conditions.

The Series B Bonds shall be governed by, and construed in accordance with, the laws of the Republic of the Philippines.

ABOITIZ EQUITY VENTURES, INC.

By:

THE SERIES B BONDS ARE NOT INSURED WITH THE PHILIPPINE DEPOSIT INSURANCE CORPORATION

EXHIBIT 1

FORM OF CERTIFICATE OF NO DEFAULT, COMPLIANCE AND NOTICE OF DEFAULT

To: [•]
(the "Trustee")
[•]Fax: [•]
Attn: [•]
From: Aboitiz Equity Ventures, Inc.
Date: [•]

Re: **Trust Agreement dated [•] (the "Agreement") between Aboitiz** Equity Ventures, Inc. **(the "Issuer"), and the Trustee**

1. We refer to the Agreement. Words and expressions defined in the Agreement have the same meanings in this certificate. This is a Certificate of No Default and Compliance.

2. We confirm the following:

   i. that [no/the following] Events of Default were outstanding as at [*relevant date*];

   ii. all the representations and warranties of the Issuer contained in the Agreement remain true and correct;

   iii. all of the covenants of the Issuer set forth in the Agreement have been fully met and performed; and

3. We confirm that as of [*relevant date*] the **Maximum Net Debt to Consolidated Equity Ratio:** Net Debt was [•] and Consolidated Equity was [•], so the ratio of Net Debt to Consolidated Equity was [•]:1.

For and on behalf of Aboitiz Equity Ventures, Inc.

By: ....
Name:
Title:

aboitiz
Equity Ventures

REPUBLIC OF THE PHILIPPINES)
CITY OF TAGUIG) S.S.

CERTIFICATION

I, **JOANNE L. RANADA**, Filipino, of legal age, with office address at NAC Tower, 32nd Street, Bonifacio Global City, Taguig City, hereby state that:

1. I am the Assistant Corporate Secretary of **ABOITIZ EQUITY VENTURES INC.** (the "Company"), a corporation duly organized and existing under and by virtue of the laws of the Republic of the Philippines with principal office address at NAC Tower, 32nd Street, Bonifacio Global City, Taguig City.

2. As Assistant Corporate Secretary, I have custody of and/or access to the corporate records of the Company.

3. I hereby certify that the Conglomerate Mapping of the Company and its subsidiaries, attached hereto as Annex "A", is still in full force and effect and has not been superseded, revoked, amended or modified as of December 31, 2018.

4. The foregoing statements are true and correct and in accordance with the records of the Company.

5. This certification is issued for whatever legal purpose it may serve.

IN WITNESS WHEREOF, the undersigned has hereunto set her hand this 21 MAR 2019.

[redacted]

JOANNE L. RANADA
Assistant Corporate Secretary TOP

SUBSCRIBED AND SWORN to before me this 21 MAR 2019 at Taguig City, Philippines. Affiant, who is personally known to me, exhibited to me [redacted]ty.

[redacted]

Atty. Sammy Dave A. Santos
Notary Public for Taguig City
Notarial Commission No. 48
Until December 31, 2019
NAC Tower, 32nd St. Bonifacio Global City, Taguig City
PTR No. A-4208017; Taguig City; January 07, 2019
IBP O.R. No. 061323; January 08, 2019
Roll No. 63272
MCLE Compliance No. VI-0016957

ATTY. SAMMY DAVE A. SANTOS
ROLL NO. 63272
NOTARY PUBLIC
TAGUIG CITY, PHILS.

Doc. No. 149;
Page No. 31;
Book No. IV;
Series of 2019.

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES
CONGLOMERATE MAPPING
As of December 31, 2018

Legend:
- Parent Company
- Reporting Company
- Co-Subsidiary
- Subsidiary
- Associate or Joint Venture
- Other Related Parties

* Joint Operations
** Engages in retail electricity supply business

ABOITIZ EQUITY VENTURES INC.

Curriculum Vitae

ANA MARIA A. DELGADO

Director

I hereby acknowledge that the information contained in this Curriculum Vitae is true and correct in all material respects.

Mar 26, 2019 [redacted]

Date Signature

26 MAR 2019

SUBSCRIBED AND SWORN TO before me this ________________ at Taguig City, Philippines affiant exhibiting to me her Community Tax Certificate No.________ issued in ________ on __________ 2019 and her Philippine Passport No. EC5777516 issued at DFA NCR East on October 23, 2015 bearing the affiant's photograph and signature.

Doc. No. 64;
Page No. 14;
Book No. I;
Series of 2019.

ATTY. MAILENE M. DELA TORRE
ROLL NO. 55885
NOTARY PUBLIC
TAGUIG CITY, PHILS.

[redacted]

Mailene M. de la Torre
Notary Public for Taguig City
Notarial Commission No. 61
Until December 31, 2019
NAC Tower, 32nd St. Bonifacio Global City, Taguig City
PTR No. A-4208016, January 07, 2019, Taguig City
IBP Lifetime Member No. 010379; Taguig City, Jan 06, 2017
Roll No. 55885
MCLE No. VI-0014710, November 13, 2018

CURRICULUM VITAE

Name	:	Ana Maria A. Delgado
Date of Birth	:	April 12, 1980
Place of Birth	:	Makati, Metro Manila, Philippines
Civil Status	:	Married

Present Positions:

Director	Aboitiz Equity Ventures Inc.
Senior Vice President, Center Head of Consumer Finance and Chief Customer Experience Officer	Union Bank of the Philippines
Treasurer	Weather Philippines Foundation, Inc.

Previous Positions:

2006-2008	Assistant Vice President for Product Management	Citibank, N.A.

Educational Background:

College	Bachelor of Arts – Art History/Painting Boston College
Graduate Studies	Business Administration New York University Stern School of Business

ABOITIZ EQUITY VENTURES INC.

Curriculum Vitae

EDWIN R. BAUTISTA

Director

I hereby acknowledge that the information contained in this Curriculum Vitae is true and correct in all material respects.

3/26/2019 [redacted]

Date Signature

SUBSCRIBED AND SWORN TO before me this MAR 26 2019 at Taguig City, Philippines affiant exhibiting to me his [redacted] bearing the affiant's photograph and signature.

[redacted]

Doc. No. 425;
Page No. 86;
Book No. II;
Series of 2019.

Atty. Francis Alvin V. Asilo
Notary Public for Taguig City
Notarial Commission No. 49 (2018-2019)
Until December 31, 2019
NAC Tower, 32nd Street, Bonifacio Global City, Taguig City
PTR No. A-3747885; Taguig City; January 08, 2019
IBP No. 023443; January 07, 2018
Roll No. 61419
MCLE No. V-0014039

ATTY. FRANCIS ALVIN V. ASILO
ROLL NO. 61419
NOTARY PUBLIC
TAGUIG CITY, PHILS.

CURRICULUM VITAE

Name	:	Edwin R. Bautista
Date of Birth	:	April 23, 1960
Place of Birth	:	Iloilo City, Philippines
Civil Status	:	Married

Present Positions:

Director	Aboitiz Equity Ventures Inc.
Chairman of the Board of Directors	City Savings Bank, Inc.
Director/ President and CEO	Union Bank of the Philippines
Director	Union Properties, Inc.
	First Union Plans, Inc.
	First Union Direct Corp.

Previous Positions:

2016-2017	Chief Operating Officer	Union Bank of the Philippines
2011-2015	Senior Executive Vice President	Union Bank of the Philippines
2001-2011	Executive Vice President	Union Bank of the Philippines
1997-2001	Senior Vice President	Union Bank of the Philippines

Educational Background:

College	Bachelor of Science in Mechanical Engineering De La Salle University

ABOITIZ EQUITY VENTURES INC.

Curriculum Vitae

ENRIQUE M. ABOITIZ

Chairman of the Board of Directors

I hereby acknowledge that the information contained in this Curriculum Vitae is true and correct in all material respects.

2 1 MAR 2019	[redacted]
Date	Signature

SUBSCRIBED AND SWORN TO before me this 2 1 MAR 2019 at Taguig City, Philippines affiant exhibiting to me his [redacted] bearing the affiant's photograph and signature.

[redacted]

Mailene M. de la Torre
Notary Public for Taguig City
Notarial Commission No. 61
Until December 31 2019
NAC Tower 32nd St. Bonifacio Global City Taguig City
PTR No. A-4208016 January 07 2019 Taguig City
IBP Lifetime Member No 010379 Taguig City, Jan 06, 20
Roll No. 55885
MCLE No. VI-0014710 November 13, 2018

Doc. No. 63;
Page No. 14;
Book No. I;
Series of 2019.

ATTY. MAILENE M. DELA TORRE
ROLL NO. 55885
NOTARY PUBLIC
TAGUIG CITY, PHILS.

CURRICULUM VITAE

Name	:	Enrique M. Aboitiz
Date of Birth	:	September 10, 1953
Place of Birth	:	Cebu City, Philippines
Civil Status	:	Married

Present Positions:

Chairman of the Board of Directors	Aboitiz Equity Ventures Inc.
Vice Chairman of the Board of Directors	Aboitiz Power Corporation Aboitiz & Company, Inc.

Educational Background:

College	Bachelor of Science in Business Administration, Major in Economics Gonzaga University Spokane, U.S.A.

[redacted]

ABOITIZ EQUITY VENTURES INC.

Curriculum Vitae

ERRAMON I. ABOITIZ

Director/President and Chief Executive Officer

I hereby acknowledge that the information contained in this Curriculum Vitae is true and correct in all material respects.

[redacted]

Mar 25, 2019
Date

Signature

SUBSCRIBED AND SWORN TO before me this MAR 25 2019 at Taguig City, Philippines affiant exhibiting to me his [redacted] bearing the affiant's photograph and signature.

[redacted]

Atty. Francis Alvin V. Asilo
Notary Public for Taguig City
Notarial Commission No. 49 (2018-2019)
Until December 31, 2019
NAC Tower, 32nd Street, Bonifacio Global City, Taguig City
PTR No. A4202015 Taguig City; January 07, 2019
IBP No. 061326 January 08, 2019
Roll No. 61419
MCLE No. V-0014039

Doc. No. 420;
Page No. 85;
Book No. II;
Series of 2019.

ATTY. FRANCIS ALVIN V. ASILO
ROLL NO. 61419
NOTARY PUBLIC
TAGUIG CITY, PHILS.

CURRICULUM VITAE

Name	:	Erramon I. Aboitiz
Date of Birth	:	May 15, 1956
Place of Birth	:	Manila, Philippines
Civil Status	:	Married

Present Positions:

Director/ President & Chief Executive Officer	Aboitiz Equity Ventures Inc.
	Aboitiz Power Corporation
	Aboitiz & Company, Inc.
Chairman of the Board of Directors	Aboitiz InfraCapital, Inc.
	Aboitiz Land, Inc.
	San Fernando Electric Light and Power Co., Inc.
	SN Aboitiz Power – Benguet, Inc.
	SN Aboitiz Power – Cordillera, Inc.
	SN Aboitiz Power – Energy, Inc.
	SN Aboitiz Power – Generation, Inc.
	SN Aboitiz Power – Greenfield, Inc.
	SN Aboitiz Power – Ifugao, Inc.
	SN Aboitiz Power – Magat, Inc.
	SN Aboitiz Power – Projects, Inc.
	SN Aboitiz Power – Renewable, Inc.
	Therma Power, Inc.
	CRH Aboitiz Holdings, Inc.
	Aboitiz Renewables, Inc.
Vice Chairman of the Board	Republic Cement Building Materials, Inc.
	Union Bank of the Philippines
Chairman of the Board of Trustees	Aboitiz Foundation, Inc.
Director	Philippine Disaster Recovery Foundation

Previous Position:

1994-2008	Executive Vice President and Chief Operating Officer	Aboitiz Equity Ventures Inc.

Educational Background:

College	Bachelor of Science in Business Administration, Major in Accounting and Finance Gonzaga University Spokane, Washington, U.S.A.

ABOITIZ EQUITY VENTURES INC.

Curriculum Vitae

JUSTICE JOSE C. VITUG (ret.)

Independent Director

I hereby acknowledge that the information contained in this Curriculum Vitae is true and correct in all material respects.

[redacted]

MAR 2 2 2019	
Date	Signature

SUBSCRIBED AND SWORN TO before me this MAR 2 2 2019 at Taguig City, Philippines affiant exhibiting to me [redacted] bearing the affiant's photograph and signature.

[redacted]

Atty. Francis Alvin V. Asilo
Notary Public for Taguig City
Notarial Commission No. 49 (2018-2019)
Until December 31, 2019
NAC Tower, 32nd Street Bonifacio Global City, Taguig City
PTR No. A-4208015 Taguig City; January 07, 2019
IBP No. 067326; January 08, 2019
Roll No. 61419
MCLE No. V-00014039

Doc. No. 412;
Page No. 84;
Book No. II;
Series of 2019.

ATTY. FRANCIS ALVIN V. ASILO
ROLL NO. 61419
NOTARY PUBLIC
TAGUIG CITY, PHILS.

CURRICULUM VITAE

Name	:	Justice Jose C. Vitug (ret.)
Date of Birth	:	July 15, 1934
Place of Birth	:	Manila, Philippines
Civil Status	:	Married

Present Positions:

Independent Director	Aboitiz Equity Ventures Inc. ABS-CBN Holdings Corporation
Chairman of the Board of Trustees	Angeles University Foundation Medical Center
Trustee	Angeles University Foundation
Dean	Angeles University Foundation School of Law
Graduate Professor	San Beda School of Law
Professorial Lecturer	Philippine Judicial Academy
Member	Philippine National Group of Judges of the Permanent Court of Arbitration in the Hague, Netherlands

Previous Positions:

1993-2004	Associate Justice	Supreme Court of the Philippines
	Chairman	House of Representatives Electoral Tribunal
	Senior Member	Senate Electoral Tribunal

Educational Background:

Graduate Studies	Master of Laws Master of National Security Administration
College	Bachelor of Laws Manuel L. Quezon University

ABOITIZ EQUITY VENTURES INC.

Curriculum Vitae

MANUEL R. SALAK III

Independent Director

I hereby acknowledge that the information contained in this Curriculum Vitae is true and correct in all material respects.

[redacted]

March 26, 2019
Date

Signature

SUBSCRIBED AND SWORN TO before me this 26 MAR 2019 at ____________, Philippines affiant exhibiting to me his [redacted] bearing the affiant's photograph and signature.

[redacted]

Mailene M. de la Torre
Notary Public for Taguig City
Notarial Commission No. 61
Until December 31, 2019
NAC Tower 32nd St. Bonifacio Global City, Taguig City
PTR No. A-4208016 January 07, 2019 Taguig City
IBP Lifetime Member No. 010379 Taguig City, Jan 06, 20..
Roll No. 55805
MCLE No. VI-0014710 November 13, 2018

Doc. No. 65;
Page No. 14;
Book No. 1;
Series of 2019.

ATTY. MAILENE M. DELA TORRE
ROLL NO. 55805
NOTARY PUBLIC
TAGUIG CITY PHILS.

CURRICULUM VITAE

Name	:	Manuel R. Salak III
Date of Birth	:	October 15, 1959
Place of Birth	:	Manila, Philippines
Civil Status	:	Married

Present Positions:

Independent Director	Aboitiz Equity Ventures Inc. Maxicare Philippines
Senior Strategic Advisor	ING Bank N. V. Philippines
Founder and Managing Principal	Alpha Primus Advisors
Trustee	Asian Institute of Management

Previous Positions:

2008-2017	Managing Director, Head of Clients Coverage and Corporate Finance – Asia	ING Bank N. V. Singapore
1999-2008	Managing Director and Country Head Philippines	ING Bank N. V. Manila Branch
1999-2000	Managing Director and Head of Corporate & Investment Banking	ING Barings Philippines

Educational Background:

Graduate Studies	Master's in Business Management Asian Institute of Management
College	Bachelor of Science in Economics Ateneo de Manila University

ABOITIZ EQUITY VENTURES INC.

Curriculum Vitae

MIKEL A. ABOITIZ

Director

I hereby acknowledge that the information contained in this Curriculum Vitae is true and correct in all material respects.

[redacted]

4.29.19
Date

Signature

SUBSCRIBED AND SWORN TO before me this APR 24 2019 at Taguig City, Philippines affiant exhibiting to me his [redacted] bearing the affiant's photograph and signature.

Doc. No. 473
Page No. 61
Book No. II
Series of 2019.

ATTY. FRANCIS ALVIN ... ROLL NO. ... NOTARY ... TAGUIG

[redacted]

Atty. Francis Alvin V. Asilo
Notary Public for Taguig City
Notarial Commission No. 49 (2018-2019)
Until December 31, 2019
NAC Tower, 32nd Street,
Bonifacio Global City, Taguig City
PTR No. A-4203015; Taguig City, January 07, 2019
IBP OR No. 061326; January 08, 2019
Roll No. 61419
MCLE No. Compliance VI-0018612

CURRICULUM VITAE

Name	:	Mikel A. Aboitiz
Date of Birth	:	September 8, 1954
Place of Birth	:	Cebu City, Philippines
Civil Status	:	Married

Present Positions:

Vice Chairman of the Board of Directors	Aboitiz Equity Ventures Inc.
Chairman of the Board of Directors	Aboitiz Power Corporation
	Aboitiz & Company, Inc.
Trustee and Vice Chairman	Ramon Aboitiz Foundation, Inc.

Previous Positions:

2015-2016	Vice Chairman of the Board of Directors	City Savings Bank, Inc.
2004-2015	Senior Vice President	Aboitiz Equity Ventures Inc.
2001-2014	President and Chief Executive Officer	City Savings Bank, Inc.

Educational Background:

College	Bachelor of Science in Business Administration Gonzaga University Spokane, U.S.A.

ABOITIZ EQUITY VENTURES INC.

Curriculum Vitae

RAPHAEL P.M. LOTILLA

Independent Director

I hereby acknowledge that the information contained in this Curriculum Vitae is true and correct in all material respects.

MAR 25 2019
Date

[redacted]
Signature

SUBSCRIBED AND SWORN TO before me this MAR 25 2019 at Taguig City, Philippines affiant exhibiting to me his [redacted] bearing the affiant's photograph and signature.

[redacted]

Notary Public for Taguig City
Notarial Commission No. 49 (2018-2019)
Until December 31, 2019
NAC Tower, 32nd Street, Bonifacio Global City, Taguig City
PTR No. A-4208015 Taguig City; January 07, 2019
IBP No. 061776 January 08, 2019
Roll No. 61419
MCLE No. V-00014039

Doc. No. 413;
Page No. 84;
Book No. II;
Series of 2019.

ATTY. FRANCIS ALVIN V. ASILO
ROLL NO. 61419
NOTARY PUBLIC
TAGUIG CITY, PHILS.

CURRICULUM VITAE

Name	:	Raphael P.M. Lotilla
Date of Birth	:	June 16, 1958
Place of Birth	:	Sibalom, Antique, Philippines
Civil Status	:	Single

Present Positions:

Independent Director	Aboitiz Equity Ventures Inc. First Metro Investment, Inc. Trans Asia Petroleum Corporation Petron Foundation, Inc.
Chairman of the Board of Trustees	Center for the Advancement of Trade Integration and Facilitation Asia-Pacific Pathways to Progress Foundation, Inc.
Trustee	Philippine Institute for Development Studies

Previous Positions:

2005-2007	Secretary	Department of Energy
2004-2005	President and Chief Executive Officer	Power Sector Assets and Liabilities Management Corporation
1996-2004	Deputy Director-General	National Economic and Development Authority
2005-2007	*Ex-Officio* Chairman	Philippine National oil Company
2005-2007	Vice Chairman of the Board	National Power Corporation National Transmission Corporation

Educational Background:

Graduate Studies	Master of Laws University of Michigan Law School Michigan, U.S.A.
College	Bachelor of Science in Psychology/ Bachelor of Arts in History/ Bachelor of Laws University of the Philippines – Diliman Manila, Philippines

ABOITIZ EQUITY VENTURES INC.

Curriculum Vitae

SABIN M. ABOITIZ

Director/Executive Vice President and Chief Operating Officer

I hereby acknowledge that the information contained in this Curriculum Vitae is true and correct in all material respects.

25/mar/2019 [redacted]

Date Signature

SUBSCRIBED AND SWORN TO before me this MAR 25 2019 at Taguig City, Philippines affiant exhibiting to me his [redacted] s[redacted]e[redacted] at ~~DFA Mani~~[redacted]a [redacted] bearing the affiant's photograph and signature.

[redacted]

Atty. Francis Alvin V. Asilo
Notary Public for Taguig City
Notarial Commission No. 49 (2018-2019)
Until December 31, 2019
NAC Tower, 32nd Street, Bonifacio Global City, Taguig City
PTR No. A4208115; Taguig City; January 07, 2019
IBP No. 061326 January 08, 2019
Roll No. 61419
MCLE No. V-0001408?

Doc. No. 419;
Page No. 85;
Book No. II;
Series of 2019.

ATTY. FRANCIS ALVIN V. ASILO
ROLL NO. 61419
NOTARY PUBLIC
TAGUIG CITY, PHILS.

CURRICULUM VITAE

Name	:	Sabin M. Aboitiz
Date of Birth	:	June 17, 1964
Place of Birth	:	Cebu, Philippines
Civil Status	:	Married

Present Positions:

Director/ Executive Vice President and Chief Operating Officer	Aboitiz Equity Ventures Inc.
Chairman of the Board of Directors	Weather Philippines Foundation, Inc Filagri, Inc.
Chairman of the Board of Directors and President	AEV Aviation, Inc.
Vice Chairman of the Board of Directors	Aboitiz Land, Inc.
Director/ President & CEO	Pilmico Animal Nutrition Corporation Pilmico Foods Corporation Aboitiz InfraCapital, Inc. AEV Properties, Inc. Filagri Holdings, Inc.
Director/ President	AEV CRH Holdings, Inc.
Director	Aboitiz & Company, Inc. Union Bank of the Philippines Republic Cement & Building Materials, Inc. CRH Aboitiz Holdings, Inc. PETNET, Inc. Aboitiz Construction International, Inc. Aboitiz Construction, Inc. Apo Agua Infrastructura, Inc. Metaphil, Inc. Neptune Hydro, Inc. Republic Cement Services, Inc. Gold Coin Management Holdings, Ltd.
Alternate Director	AboitizPower International Pte. Ltd. AEV International Pte. Ltd.
Trustee	Aboitiz Foundation, Inc.

Previous Positions:

May 2014 to May 2015	First Vice President	Aboitiz Equity Ventures Inc.
May to December 2015	Senior Vice President	Aboitiz Equity Ventures Inc.

Educational Background:

College	Bachelor of Science in Business Administration - Finance Gonzaga University Spokane, Washington, U.S.A.

ABOITIZ EQUITY VENTURES INC.

Curriculum Vitae

ANNACEL A. NATIVIDAD

Chief Risk Officer

I hereby acknowledge that the information contained in this Curriculum Vitae is true and correct in all material respects.

3/26/19	[redacted]
Date	Signature

SUBSCRIBED AND SWORN TO before me this 27 MAR 2019 at Taguig City, Philippines affiant exhibiting to me he[redacted] bearing the affiant's photograph and signature.

ATTY. MAILENE M. DELA TORRE
ROLL NO. 55885
NOTARY PUBLIC
TAGUIG CITY, PHILS.

Doc. No. 70
Page No. 15
Book No. 1
Series of 2019.

[redacted]

Mailene M. de la Torre
Notary Public for Taguig City
Notarial Commission No. 61
Until December 31, 2019
NAC Tower 32nd St. Bonifacio Global City, Taguig City
PTR No. A-4208016; January 07, 2019, Taguig City
IBP Lifetime Member No. 010379; Taguig City, Jan 06, 20
Roll No. 55885
MCLE No. VI-0014710, November 13, 2018

CURRICULUM VITAE

Name	:	Annacel A. Natividad
Date of Birth	:	October 12, 1969
Place of Birth	:	San Jose, Northern Samar, Philippines
Civil Status	:	Married

Present Positions:

First Vice President and Chief Risk Officer	Aboitiz Equity Ventures Inc.

Previous Positions:

2013-2016	Vice President – Risk Management	Aboitiz Equity Ventures Inc.
	Vice President/Chief Finance Officer/Risk Management Head	2GO Group, Inc.
	Chief Finance Officer	Scanasia Overseas, Inc. Kerry-ATS Logistics, Inc. Hapag-Lloyd Philippines, Inc. Aboitiz Project TS Corporation Sea Merchants, Inc.

Educational Background:

Graduate Studies	Master's Degree in Business Administration De La Salle University Manila, Philippines
College	Bachelor of Science in Commerce University of Santo Tomas Manila, Philippines

ABOITIZ EQUITY VENTURES INC.

Curriculum Vitae

CHRISTOPHER P. BESHOURI

Executive Director – Chief Strategy Officer

I hereby acknowledge that the information contained in this Curriculum Vitae is true and correct in all material respects.

March 27, 2019	[redacted]
Date	Signature

SUBSCRIBED AND SWORN TO before me this 27 MAR 2019 at Taguig City, Philippines affiant exhibiting to me his [redacted] bearing the affiant's photograph and signature.

[redacted]

Doc. No. 67;
Page No. 15;
Book No. I;
Series of 2019.

ATTY. MARLENE M. DELA TORRE
ROLL NO. 55885
NOTARY PUBLIC
TAGUIG CITY, PHILS.

CURRICULUM VITAE

Name	:	Christopher P. Beshouri
Date of Birth	:	November 5, 1962
Place of Birth	:	U.S.A.
Civil Status	:	Married

Present Positions:

Executive Director – Chief Strategy Officer	Aboitiz Equity Ventures Inc.

Previous Positions:

2013-2018	Head	VICSAL Development Corporation
2013-2017	Independent Director	GT Capital Holdings, Inc.
2005-2013	President and Chief Executive Officer	McKinsey and Company Philippines
2004-2005	Chief of Staff for Asia	McKinsey and Company Philippines
1997-2004	Associate Principal	McKinsey and Company Philippines
1989-1997	Senior Financial Economist and Director	United States Treasury

Educational Background:

Graduate Studies	Master's in Public Affairs Princeton University U.S.A.
College	Bachelor of Arts (Dual Major in Economics and Public Policy) Michigan State University U.S.A.

ABOITIZ EQUITY VENTURES INC.

Curriculum Vitae

DAVID JUDE L. STA. ANA

Senior Vice President and Chief External Affairs Officer

I hereby acknowledge that the information contained in this Curriculum Vitae is true and correct in all material respects.

02APRIL2019	[redacted]
Date	Signature

SUBSCRIBED AND SWORN TO before me this 02 APR 2019 at Taguig City, Philippines affiant exhibiting to me his [redacted] bearing the affiant's photograph and signature.

[redacted]

Doc. No. 214;
Page No. 44;
Book No. IV;
Series of 2019.

ATTY. SAMMY DAVE A. SANTOS
ROLL NO. 63272
NOTARY PUBLIC
TAGUIG CITY, PHIL.

Atty. Sammy Dave A. Santos
Notary Public for Taguig City
Notarial Commission No. 48
Until December 31, 2019
NAC Tower, 32nd St. Bonifacio Global City, Taguig City
PTR No. A-4208017; Taguig City; January 07, 2019
IBP O.R. No. 061323; January 08, 2019
Roll No. 63272
MCLE Compliance No. VI 0016957

CURRICULUM VITAE

Name	:	David Jude L. Sta. Ana
Date of Birth	:	October 29, 1966
Place of Birth	:	Manila, Philippines
Civil Status	:	Married

Present Positions:

Senior Vice President and Chief External Affairs Officer	Aboitiz Equity Ventures Inc.

Previous Positions:

2016-2018	First Vice President for Government Relations	Aboitiz Equity Ventures Inc.
	Head for News Operations	TV5 Network
	News Director	ABS-CBN Broadcasting Corporation GMA Network, Inc.

Educational Background:

College	Bachelor's Degree in Journalism University of the Philippines - Diliman Manila, Philippines

ABOITIZ EQUITY VENTURES INC.

Curriculum Vitae

GABRIEL T. MAÑALAC

Senior Vice President and Group Treasurer

I hereby acknowledge that the information contained in this Curriculum Vitae is true and correct in all material respects.

2 8 MAR 2019 [redacted]

Date Signature

SUBSCRIBED AND SWORN TO before me this 2 8 MAR 2019 at Taguig City, Philippines affiant exhibiting to me his [redacted] bearing the affiant's photograph and signature.

[redacted]

Doc. No. 177 ;
Page No. 37 ;
Book No. IV ;
Series of 2019.

ATTY. SAMMY DAVE A. SANTOS
ROLL NO. 63272
NOTARY PUBLIC
TAGUIG CITY, PHILS.

Atty Sammy Dave A. Santos
Notary Public for Taguig City
Notarial Commission No. 48
Until December 31, 2019
NAC Tower, 32nd St. Bonifacio Global City, Taguig City
PTR No. A-4208017; Taguig City; January 07, 2019
IBP O.R. No 061323; January 08, 2019
Roll No. 63272
MCLE Compliance No. VI 0016957

CURRICULUM VITAE

Name	:	Gabriel T. Mañalac
Date of Birth	:	September 17, 1956
Place of Birth	:	Manila, Philippines
Civil Status	:	Married

Present Positions:

Senior Vice President and Group Treasurer	Aboitiz Equity Ventures Inc. Aboitiz Power Corporation
Vice President and Treasurer	Davao Light & Power Company, Inc.
Treasurer	Cotabato Light & Power Company

Previous Positions:

1998-2004	Vice President for Treasury Services	Aboitiz Equity Ventures Inc.
2004-2009	First Vice President for Treasury Services	Aboitiz Equity Ventures Inc.

Educational Background:

Graduate Studies	Master of Business Administration in Banking and Finance Asian Institute of Management Manila, Philippines
College	Bachelor of Science in Finance and Bachelor of Arts in Economics De La Salle University Manila, Philippines

ABOITIZ EQUITY VENTURES INC.

Curriculum Vitae

JOANNE L. RANADA

Assistant Corporate Secretary

I hereby acknowledge that the information contained in this Curriculum Vitae is true and correct in all material respects.

[redacted]

25 March 2019 ______________________

Date Signature

MAR 2 5 2019

SUBSCRIBED AND SWORN TO before me this ____________ at the City of Taguig, Philippines. Affiant, who is personally known to me, exhibited to me her [redacted] bearing the affiant's photograph and signature.

Doc. No. 417;
Page No. 85;
Book No. II;
Series of 2019.

[redacted]

Atty. Francis Alvin V. Asuu
Notary Public for Taguig City
Notarial Commission No. 49 (2018-2019)
Until December 31, 2019
NAC Tower, 32nd Street, Bonifacio Global City, Taguig City
PTR No. A4208015 Taguig City; January 07, 2019
IBP No. 061724 January 08, 2019
Roll No. 61419
MCLE No. V-0001405[illegible]

ATTY. FRANCIS ALVIN V. ASU[illegible]
ROLL NO. 61419
NOTARY PUBLIC
TAGUIG CITY, PHILS.

CURRICULUM VITAE

Name	:	Joanne L. Ranada
Date of Birth	:	October 20, 1978
Place of Birth	:	Quezon City, Philippines
Civil Status	:	Married

Present Positions:

Senior Associate General Counsel for Governance and Compliance	Aboitiz Equity Ventures Inc.
Assistant Corporate Secretary	Aboitiz Power Corporation
Corporate Secretary	SN Aboitiz Power Group
Assistant Corporate Secretary	Aboitiz Renewables, Inc. Hedcor Bukidnon, Inc. Hedcor Sabangan, Inc. Hedcor Sibulan, Inc. Hedcor Tudaya, Inc. Hedcor, Inc. Manila-Oslo Renewable Enterprise, Inc. Therma South, Inc. Therma Visayas, Inc.

Previous Positions:

2015-2018	Legal Manager – Corporate Secretarial and Corporate Maintenance Services	Quisumbing Torres Law
2014-2015	Senior Corporate Lawyer	GWI Business Solutions, Inc.
2006-2014	Chief Counsel	Securities and Exchange Commission

Educational Background:

Graduate School	Bachelor of Laws Philippine Law School Manila, Philippines
College	Bachelor's Degree in International Studies College of the Holy Spirit Manila, Philippines

ABOITIZ EQUITY VENTURES INC.

Curriculum Vitae

JOJO S. GUINGAO

Senior Vice President and Chief Digital Officer

I hereby acknowledge that the information contained in this Curriculum Vitae is true and correct in all material respects.

[redacted]

MARCH 27, 2019
Date

Signature

SUBSCRIBED AND SWORN TO before me this 27 MAR 2019 at Taguig City, Philippines affiant exhibiting to me his [redacted] bearing the affiant's photograph and signature.

[redacted]

Doc. No. 69;
Page No. 15;
Book No. 1;
Series of 2019.

ATTY. MAILENE M. DELA TORRE
ROLL NO. 55885
NOTARY PUBLIC
TAGUIG CITY, PHILS.

Mailene M. de la Torre
Notary Public for Taguig City
Notarial Commission No. 61
Until December 31, 2019
NAC Tower 32nd St. Bonifacio Global City, Taguig City
PTR No. A-4208015; January 07, 2019, Taguig City
IBP Lifetime Member No. 010379; Taguig City, Jan 06, 20
Roll No. 55885
MCLE No. VI-0014710; November 13, 2018

CURRICULUM VITAE

Name	:	Jojo S. Guingao
Date of Birth	:	
Place of Birth	:	
Civil Status	:	Married

Present Positions:

Senior Vice President and Chief Digital Officer — Aboitiz Equity Ventures Inc.

Previous Positions:		
2016-2018	First Vice President for Digital Management	Aboitiz Equity Ventures Inc.
	Vice President for Customer Services	Navagis, Inc.
		Critigen LLC
		Environmental Systems Research Institute
		Autodesk Inc.

Educational Background:

Graduate Studies	Master's Degree in Business Administration California State University-East Bay California, U.S.A.
College	Bachelor's Degree in Electronics and Communications Engineering Mapua Institute of Technology Manila, Philippines

ABOITIZ EQUITY VENTURES INC.

Curriculum Vitae

LUIS MIGUEL O. ABOITIZ

Senior Vice President

I hereby acknowledge that the information contained in this Curriculum Vitae is true and correct in all material respects.

[redacted]

27 MAR 2019	
Date	Signature

SUBSCRIBED AND SWORN TO before me this 27 MAR 2019 at Taguig City, Philippines affiant exhibiting to me his [redacted] bearing the affiant's photograph and signature.

[redacted]

Mailene M. de la Torre
Notary Public for Taguig City
Notarial Commission No. 61
Until December 31, 2019
NAC Tower, 32nd St. Bonifacio Global City, Taguig City
PTR No. A-42[illegible]816, January 07, 2019, Taguig City
IBP Lifetime Member No. 010379, Taguig City, Jan 06, 20[illegible]
Roll No. 55885
MCLE No. VI-0014710, November 13, 2018

ATTY. MAILENE M. DELA TORRE
ROLL NO. 55885
NOTARY PUBLIC
TAGUIG CITY

Doc. No. 66;
Page No. 15;
Book No. I;
Series of 2019.

CURRICULUM VITAE

Name	:	Luis Miguel O. Aboitiz
Date of Birth	:	September 22, 1964
Place of Birth	:	Manila, Philippines
Civil Status	:	Married

Present Positions:

Senior Vice President	Aboitiz Equity Ventures Inc.
Director/ Chief Strategy Officer	Aboitiz Power Corporation
Director and First Vice President	Aboitiz & Company, Inc.
Director and President	Manila-Oslo Renewable Enterprise, Inc.
Director	Abovant Holdings, Inc.
	Aboitiz Renewables, Inc.
	Therma Power, Inc.
	Pilmico Foods Corporation
	Pilmico Animal Nutrition Corporation
	Therma South, Inc.
	Therma Luzon, Inc.
	Aboitiz InfraCapital, Inc.
	San Carlos Sun Power Inc.
	Cebu Energy Development Corporation
	Southern Philippines Power Corporation
	Western Mindanao Power Corporation
	Union Bank of the Philippines
Management Positions	GNPower Mariveles Coal Plant Ltd. Co.
Trustee	Aboitiz Foundation, Inc.
	Philippine Independent Producers Association, Inc.

Previous Positions:

1995-2004	Vice President	Aboitiz Equity Ventures Inc.
2004-2015	First Vice President	Aboitiz Equity Ventures Inc.
1998-2007	Vice President	Aboitiz Power Corporation
2009-2015	Senior Vice President – Power Marketing and Trading	Aboitiz Power Corporation
2016-2018	Executive Vice President and Chief Operating Officer – Corporate Business Group	Aboitiz Power Corporation

Educational Background:

Graduate Studies	Master of Business Administration University of California Berkeley, U.S.A.
College	Bachelor of Science in Computer Science and Engineering Santa Clara University California, U.S.A.

ABOITIZ EQUITY VENTURES INC.

Curriculum Vitae

MAILENE M. DE LA TORRE

Assistant Corporate Secretary

I hereby acknowledge that the information contained in this Curriculum Vitae is true and correct in all material respects.

[redacted]

MAR 2 6 2019
Date

Signature

SUBSCRIBED AND SWORN TO before me this MAR 2 6 2019 at the City of Taguig, Philippines. Affiant, who is personally known to me, exhibited to me her [redacted] bearing the affiant's photograph and signature.

[redacted]

Doc. No. 424 ;
Page No. 86 ;
Book No. II ;
Series of 2019.

Atty. Francis Alvin V. Asilo
Notary Public for Taguig City
Notarial Commission No. 49 (2018-2019)
Until December 31, 2019
NAC Tower, 32nd Street, Bonifacio Global City, Taguig City
PTR No. A-3747885; Taguig City; January 03, 2018
IBP No. 023443; January 07, 2018
Roll No. 61419
MCLE No. V-00014039

ATTY. FRANCIS ALVIN V. ASILO
ROLL NO. 61419
NOTARY PUBLIC
TAGUIG CITY, PHILS.

CURRICULUM VITAE

Name	:	Mailene M. de la Torre
Date of Birth	:	March 3, 1982
Place of Birth	:	Daraga, Albay, Philippines
Civil Status	:	Single

Present Positions:

Assistant Corporate Secretary	Aboitiz Equity Ventures Inc. Aboitiz Power Corporation
Assistant Vice President – Governance and Compliance	Aboitiz Equity Ventures Inc.
Corporate Secretary	Aboitiz Renewables, Inc. Aboitiz InfraCapital, Inc. East Asia Utilities Corporation Balamban Enerzone Corporation Lima Enerzone Corporation Mactan Enerzone Corporation Manila-Oslo Renewable Enterprise, Inc. Subic Enerzone Corporation Hedcor Bukidnon, Inc. Hedcor Sabangan, Inc. Hedcor Sibulan, Inc. Hedcor Tudaya, Inc. Luzon Hydro Corporation Pilmico Animal Nutrition Corporation Pilmico Foods Corporation Pagbilao Energy Corporation SN Aboitiz Power – Benguet, Inc. SN Aboitiz Power – Magat, Inc. Therma Power, Inc. Therma Marine, Inc. Therma Mobile, Inc. Therma South, Inc. Therma Visayas, Inc.
Assistant Corporate Secretary	Visayan Electric Company, Inc. Cotabato Light & Power Company Davao Light & Power Company, Inc.
Graduate Member	Institute of Corporate Directors

Previous Positions:

2014-2017	Senior Associate General Counsel	Aboitiz Equity Ventures Inc.
2010-2014	Associate General Counsel	Aboitiz Equity Ventures Inc.
2007-2010	Associate	Esguerra & Blanco Law Office

Educational Background:

Graduate School	Bachelor of Laws University of the Philippines Manila, Philippines
College	Bachelor of Arts in Political Science University of the Philippines Manila, Philippines

ABOITIZ EQUITY VENTURES INC.

Curriculum Vitae

MANUEL ALBERTO R. COLAYCO

Chief Legal Officer/Corporate Secretary/Chief Compliance Officer

I hereby acknowledge that the information contained in this Curriculum Vitae is true and correct in all material respects.

MAR 2 5 2019
Date

[redacted]
Signature

SUBSCRIBED AND SWORN TO before me this MAR 2 5 2019 at Taguig City, Philippines. Affiant, who is personally known to me, exhibited to me his [redacted] bearing the affiant's photograph and signature.

[redacted]

Atty. Francis Alvin V. Asilo
Notary Public for Taguig City
Notarial Commission No. 49 (2018-2019)
Until December 31, 2019
NAC Tower, 32nd Street, Bonifacio Global City, Taguig City
PTR No. A4208015 Taguig City; January 07, 2019
IBP No. 061326 January 08, 2019
Roll No. 61419
MCLE No. V-00014039

Doc. No. 418;
Page No. 85;
Book No. II;
Series of 2019.

ATTY. FRANCIS ALVIN V. ASILO
ROLL NO. 61419
NOTARY PUBLIC
TAGUIG CITY, PHILS.

CURRICULUM VITAE

Name	:	Manuel Alberto R. Colayco
Date of Birth	:	December 1, 1969
Place of Birth	:	Manila, Philippines
Civil Status	:	Married

Present Positions:

First Vice President/Chief Legal Officer/Corporate Secretary	Aboitiz Equity Ventures Inc.
Corporate Secretary	Aboitiz Power Corporation

Previous Positions:

2013-2014	General Counsel	AGP International Holdings Ltd. Atlantic, Gulf & Pacific Company of Manila, Inc.
2010-2013	Executive Director and Assistant General Counsel	J.P. Morgan Chase Bank N.A.
2007-2010	Vice President and Legal Counsel	DKR Oasis (Hong Kong) LLC
2000-2007	Associate	Skadden, Arps, Slate, Meagher & Flom, LLP
1996-2000	Associate	Romulo Mabanta Buenaventura Sayoc & De Los Angeles

Educational Background:

Graduate Studies	Master of Laws New York University School of Law U.S.A.
	Juris Doctor in Laws Ateneo de Manila University Manila, Philippines
College	Ateneo de Manila University Manila, Philippines

ABOITIZ EQUITY VENTURES INC.

Curriculum Vitae

MANUEL R. LOZANO

Senior Vice President/ Chief Financial Officer/ Corporate Information Officer

I hereby acknowledge that the information contained in this Curriculum Vitae is true and correct in all material respects.

[redacted]

MAR 2 6 2019

Date

Signature

SUBSCRIBED AND SWORN TO before me this MAR 2 6 2019 at Taguig City, Philippines affiant exhibiting to me his [redacted] bearing the affiant's photograph and signature.

[redacted]

Doc. No. 423;
Page No. 86;
Book No. II;
Series of 2019.

ATTY. FRANCIS ALVIN V. ASILO
ROLL NO. 61419
NOTARY PUBLIC
TAGUIG CITY, PHILS.

Atty. Francis Alvin V. Asilo
Notary Public for Taguig City
Notarial Commission No. 49 (2018-2019)
Until December 31, 2019
NAC Tower, 32nd Street, Bonifacio Global City, Taguig City
PTR No. A-3747885; Taguig City, January 03, 2018
IBP No. 023443; January 07, 2018
Roll No. 61419
MCLE No. V-00014039

CURRICULUM VITAE

Name	:	Manuel R. Lozano
Date of Birth	:	November 10, 1970
Place of Birth	:	Manila, Philippines
Civil Status	:	Married

Present Positions:

Chairman of the Board and Chief Executive Officer	Lima Water Corporation
Director	Aboitiz InfraCapital, Inc. AEV Aviation, Inc. AEV CRH Holdings, Inc. Pilmico Animal Nutrition Corporation Pilmico Foods Corporation Republic Cement & Building Materials, Inc. Union Bank of the Philippines AEV International Pte. Ltd. Archipelago Insurance Pte. Ltd.
Alternate Director	Pilmico International Pte. Ltd. AboitizPower International Pte. Ltd.
Senior Vice President – Finance	Aboitiz & Company, Inc.
Vice President	AEV Aviation, Inc.
Treasurer	Aboitiz Construction, Inc. Aboitiz Construction International, Inc. AEV CRH Holdings, Inc. CRH Aboitiz Holdings, Inc.
Treasurer/Chief Financial Officer	Aboitiz InfraCapital, Inc. Apo Agua Infrastructura, Inc.
Trustee and Treasurer	Aboitiz Foundation, Inc.

Previous Positions:

2014-2015	First Vice President and Chief Financial Officer/Corporate Information Officer	Aboitiz Power Corporation
2008-2013	Chief Financial Officer – Generation	Aboitiz Power Corporation

Educational Background:

Graduate Studies	Master of Business Administration The Wharton School of the University of Pennsylvania Pennsylvania, U.S.A.
College	Bachelor of Science in Business Administration University of the Philippines - Diliman Manila, Philippines

ABOITIZ EQUITY VENTURES INC.

Curriculum Vitae

MARIA LOURDES Y. TANATE

Group Internal Audit Head

I hereby acknowledge that the information contained in this Curriculum Vitae is true and correct in all material respects.

26 March 2019
Date

[redacted]
Signature

SUBSCRIBED AND SWORN TO before me this MAR 26 2019 at Taguig City, Philippines affiant exhibiting to me her [redacted] bearing the affiant's photograph and signature.

[redacted]

Atty. Francis Alvin V. Asilo
Notary Public for Taguig City
Notarial Commission No. 49 (2018-2019)
Until December 31, 2019
HAC Tower, 32nd Street, Bonifacio Global City, Taguig City
PTR No. A4208095 Taguig City; January 07, 2019
IBP No. 061724 January 08, 2019
Roll No. 61419
MCLE No. V-0001403?

Doc. No. 422;
Page No. 86;
Book No. II;
Series of 2019.

ATTY. FRANCIS ALVIN V. ASILO
ROLL NO. 61419
NOTARY PUBLIC
TAGUIG CITY, PHILS.

CURRICULUM VITAE

Name	:	Maria Lourdes Y. Tanate
Date of Birth	:	September 3, 1965
Place of Birth	:	Manila
Civil Status	:	Married

Present Positions:

Vice President and Group Internal Audit Head	Aboitiz Equity Ventures Inc.

Previous Positions:

2009 - 2011	Chief Audit Executive	ATS Consolidated (ATSC), Inc. (now 2GO Group, Inc.)
2005 - 2009	Assistant Vice President for Finance	ATS Consolidated (ATSC), Inc. (now 2GO Group, Inc.)
2000 - 2005	Senior Manager	ATS Consolidated (ATSC), Inc. (now 2GO Group, Inc.)

Educational Background:

Graduate Studies	Masters in Engineering and Technology Management University of Queensland Australia
	Masters in Business Administration University of the Philippines Manila, Philippines
College	Bachelor of Arts in Economics University of the Philippines (Diliman) Manila, Philippines

ABOITIZ EQUITY VENTURES INC.

Curriculum Vitae

RICARDO F. LACSON, JR.

Data Privacy Officer

I hereby acknowledge that the information contained in this Curriculum Vitae is true and correct in all material respects.

2 6 MAR 2019 [redacted]

Date Signature

SUBSCRIBED AND SWORN TO before me this 2 6 MAR 2019 at Taguig City, Philippines affiant exhibiting to me his [redacted] bearing the affiant's photograph and signature.

Doc. No. 172;
Page No. 36;
Book No. IV;
Series of 2019.

ATTY. SAMMY DAVE A. SANTOS
ROLL NO. 63272
NOTARY PUBLIC
TAGUIG CITY, PHILS.

[redacted]

Atty. Sammy Dave A. Santos
Notary Public for Taguig City
Notarial Commission No. 48
Until December 31, 2019
NAC Tower, 32nd St. Bonifacio Global City, Taguig City
PTR No. A-4208017; Taguig City; January 07, 2019
IBP O.R. No. 061323; January 08, 2019
Roll No. 63272
MCLE Compliance No. VI - 0016957

CURRICULUM VITAE

Name	:	Ricardo F. Lacson, Jr.
Date of Birth	:	10 November 1961
Place of Birth	:	Manila
Civil Status	:	Married

Present Positions:

Data Privacy Officer	Aboitiz Equity Ventures Inc.

Previous Positions:		
2014-2019	Vice President - Strategy	Aboitiz Equity Ventures Inc.
2009-2014	Vice President for Administration and Customer Services	Visayan Electric Company, Inc.
2008-2009	Director	ZMG Ward Howell
2006-2008	Country Manager	SAP SuccessFactors
2002-2005	Vice President	Software Ventures International, Corp.
2000-2002	President	Motorola Communications Philippines, Inc.
1997-2000	General Manager	Metrobank Technology, Inc.

Educational Background:

College	Bachelor of Science in Management Engineering Ateneo de Manila University Manila, Philippines

ABOITIZ EQUITY VENTURES INC.

Curriculum Vitae

ROBERT McGREGOR

Executive Director – Chief Investments Officer

I hereby acknowledge that the information contained in this Curriculum Vitae is true and correct in all material respects.

26 MAR 2019	[redacted]
Date	Signature

SUBSCRIBED AND SWORN TO before me this MAR 26 2019 at Taguig City, Philippines affiant exhibiting to me his [redacted] bearing the affiant's photograph and signature.

[redacted]

Doc. No. 424;
Page No. 86;
Book No. II;
Series of 2019.

Atty. Francis Alvin V. Asilo
Notary Public for Taguig City
Notarial Commission No. 49 (2018-2019)
Until December 31, 2019
HAC Tower, 32nd Street, Bonifacio Global City, Taguig City
PTR No. A4208015 Taguig City; January 07, 2019
IBP No. 061326 January 08, 2019
Roll No. 61419
MCLE No. V-0014039

ATTY. FRANCIS ALVIN V. ASILO
ROLL NO. 61419
NOTARY PUBLIC
TAGUIG CITY, PHILS.

CURRICULUM VITAE

Name	:	Robert McGregor
Date of Birth	:	January 15, 1960
Place of Birth	:	Paisley, Scotland, United Kingdom
Civil Status	:	Married

Present Positions:

Executive Director – Chief Investment Officer	Aboitiz Equity Ventures Inc. Aboitiz Power Corporation

Previous Positions:

2014-2018	Chief Strategy and Investment Officer	Aboitiz Equity Ventures Inc.
2012-2014	Managing Director, Corporate & Investment Banking	HSBC
2008-2012	Partner (Private Equity)	Actis
2005-2008	Head of Power &Utilities, Asia	UBS
2000-2005	Head of Investment Banking, Asia	Societe Generale
1997-2000	Head of Power & Utilities, Asia	Dresdner Kleinwort Benson
1996-1997	Head of Corporate Strategy	British Energy plc
1991-1996	Head of Sales, Marketing and Corporate Planning	Scottish Hydro-Electric plc
1980-1991	Various roles in sales & marketing	BP Oil UK Limited

Educational Background:

Graduate Studies	Masters Degree in Business Administration Strathclyde University United Kingdom
College	Degree in Applied Chemistry Strathclyde University United Kingdom

ABOITIZ EQUITY VENTURES INC.

Curriculum Vitae

SUSAN V. VALDEZ

Senior Vice President and Chief Human Resources Officer

I hereby acknowledge that the information contained in this Curriculum Vitae is true and correct in all material respects.

2 6 MAR 2019	[redacted]
Date	Signature

SUBSCRIBED AND SWORN TO before me this 2 6 MAR 2019 at Taguig City, Philippines affiant exhibiting to me her [redacted] bearing the affiant's photograph and signature.

[redacted]

Doc. No. 173;
Page No. 36;
Book No. IV;
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ATTY. SAMMY DAVE A. SANTOS
ROLL NO. 63272
NOTARY PUBLIC
TAGUIG CITY, PHILS.

Notary Public for Taguig City
Notarial Commission No. 48
Until December 31, 2019
NAC Tower, 32nd St. Bonifacio Global City, Taguig City
PTR No. A-4208017; Taguig City; January 07, 2019
IBP O.R. No. 061323; January 08, 2019
Roll No. 63272
MCLE Compliance No. VI - 0016957

CURRICULUM VITAE

Name	:	Susan V. Valdez
Date of Birth	:	October 4, 1960
Place of Birth	:	Cebu City, Philippines
Civil Status	:	Married

Present Positions:

Senior Vice President and Chief Reputation and Risk Management Officer	Aboitiz Power Corporation
President and Trustee	Aboitiz Foundation, Inc. Weather Philippines Foundation, Inc

Previous Positions:

2013-2018	Senior Vice President and Chief Corporate Services Officer	Aboitiz Equity Ventures Inc.
2012-2013	First Vice President – Chief Reputation Officer	Aboitiz Equity Ventures Inc.
2009-2011	President and Chief Executive Officer	Aboitiz One, Inc. (now ATS Express, Inc.) Aboitiz One Distribution, Inc. (now ATS Distribution, Inc.)
2004-2011	Executive Vice President and Chief Executive Officer	Freight Division of Aboitiz Transport System (ATSC) Corporation (now 2GO Group, Inc.)
1994-2004	Chief Finance Officer and Chief Information Officer	Aboitiz Transport System (ATSC) Corporation (now 2GO Group, Inc.)

Educational Background:

Graduate Studies	Master's in Business Management University of the Philippines Manila, Philippines Program on Management Development Harvard Business School
College	Bachelor of Science in Commerce, major in Accounting St. Theresa's College Cebu City, Philippines

BOARD OF INVESTMENTS
PHILIPPINES

DEPARTMENT OF TRADE & INDUSTRY PHILIPPINES

16 June 2017

MS. MARLITA VILLACAMPA
PILMICO ANIMAL NUTRITION CORPORATION
Sto. Domingo II, Capas, Tarlac
Telephone Nos. (045) 925 0505 / 0917818 0798
Fax: (045) 925 0506
Email Address: marlita.villacampa@aboitiz.com

Dear Ms. Villacampa:

Congratulations! Your project is now registered with the Board of Investments as **New Producer of Live Hogs and Pork Meat** on a **Non-Pioneer Status** under Book 1 of E.O. 226.

The attached Certificate of Registration incorporates the agreed Terms and Conditions of your registration, including all the fiscal and non-fiscal incentives available to the registered project. Other incentives with no specific number of years of entitlement may be enjoyed for a maximum period of ten (10) years from the start of your commercial operation and/ or date of registration.

Very truly yours,

Atty. MARJORIE O. RAMOS-SAMANIEGO
Board Secretary

BOARD OF INVESTMENTS
PHILIPPINES

Republic of the Philippines
BOARD OF INVESTMENTS
Makati City

DEPARTMENT OF TRADE & INDUSTRY PHILIPPINES

CERTIFICATE OF REGISTRATION

No. 2017-181

TO ALL WHOM IT MAY CONCERN:

This is to certify that the Board of Investments has duly registered

PILMICO ANIMAL NUTRITION CORPORATION

New Producer of Live Hogs and Pork Meat

in accordance with the provisions of the Omnibus Investments Code of 1987, as amended, subject to the representations and commitments set forth in its application for registration, the provisions of the above law, the rules and regulations of the Board of Investments and the terms and conditions herein prescribed.

In testimony whereof the seal of the Board of Investments and the signature of its Chairman / Vice - Chairman is hereunto affixed. Given at Makati City, Philippines, this 16th day of, June 2017

Management Committee Res. No. 20-05 S'2017
Board Resolution No. 13-08 S'2017

DR. CEFERINO S. RODOLFO
Undersecretary and BOI Managing Head

312757
Department of Trade and Industry
DTI

Attested:

Atty. MARJORIE O. RAMOS SAMANIEGO
Board Secretary

PILMICO ANIMAL NUTRITION CORPORATION
(Sto. Domingo II, Capas, Tarlac)

Type of Registration/Activity	**:**	**NEW PRODUCER OF LIVE HOGS AND PORK MEAT**
Capacity	**:**	**LIVE HOGS – 10,464,994 KILOS/YEAR** **PORK MEAT – 5, 110,356 KILOS/YEAR**
Status	**:**	**NON-PIONEER**
Certificate of Registration No.	**:**	**2017-181**
Date	**:**	**JUNE 16, 2017**

x--x

SPECIFIC TERMS AND CONDITIONS

1. The enterprise shall start commercial operations in **July 2017.** Request for amendment of timetable should be filed before the scheduled start of commercial operations. However, movement of Income Tax Holiday (ITH) period is subject to Art. 7 of E.O. 226.
2. The enterprise shall increase its owner's equity to **at least Php365,291,750.00** equivalent to 25% of the total project cost and shall submit proof of compliance before availment of ITH. Equity shall include paid-up capital stock, additional paid-in capital and unrestricted retained earnings, and restricted retained earnings provided that such is intended for the project. Appraisal surplus and treasury stock should not be included as part of stockholders equity for this purpose.
3. In the grant of incentives, the extent of the project's ITH entitlement shall be based on the project's ability to contribute to the economy's development based on the following parameters: (1) net value added; (2) job generation; (3) multiplier effect; and (4) measured capacity. The Board may reduce the ITH if the project does not realize the extent of economic benefits represented by the proponent at the time of its application. The enterprise shall comply with the following representations:

   a. **Net Value Added should be at least 25%**

	Y1	Y2	Y3	Y4	Y5
NVA	100%	100%	100%	100%	100%

   b. **Job Generation**

	Y1	Y2	Y3	Y4	Y5
Number of Employees	97	199	245	245	245

(Continued on page 2)

c. **Investments and Timetable:**

Activities	**Schedule (month/year)**	**Related Expenses**	**Total Cost (P)**
Land	April-June 2014		105,898,101.00
Secure preliminary requirements-surveying services, government licenses/permits, etc.	July 2014 to September 2015		31,609,552.00
Master plan and design development			
▪ Site development and design evaluation	Oct – Dec 2015	Design engineering, project management	15,510,952.00
▪ Engineering design and calculation			
▪ Bidding process for contractors and suppliers			
Project Implementation			
▪ Awarding of contracts and issuance of purchase orders		General construction works (Barns, office and warehouse) , building waste water facility (Phase 1 and Phase 2)	941,741,102.00
▪ Site grading and development			
▪ Foundation and civil works	Jan 2015 to May 2017		
Delivery of machinery and equipment	Jun 2015 to May 2017	Delivery and installation of farm machinery and equipment	277,732,618.00
Installation of Machinery and equipment	July 2015 to July 2017		
Total Capital Expenditures			**1,372,492,326.00**
Working Capital	July 2016	Loading of sow	88,674,674.00
	Aug-Oct 2016	Breeding	
	Nov-Dec 2016	Weaning	
	Jan 2017 to June 2017	Nursery to growing to finishing	
Commercial Operations	July 2017		
TOTAL CAPEX and PRE-OPERATING EXPENSES			**1,461,167,000.00**

(Continued on page 3)

d. **Projected Production and Sales Schedule:**

Live Hogs

Year	Production Volume (kilo)	% Capacity Utilization	Sales Volume (kilo)	Average Selling Price (Php)	Total Sales Value (Php)
1	6,261,639	62%	6,261,639	115.00	720,088,527
2	10,464,994	100%	10,464,994	116.00	1,213,939,323
3	10,358,528	100%	10,358,528	117.00	1,211,947,826
4	10,252,063	100%	10,252,063	118.00	1,209,743,397
5	10,039,131	100%	10,039,131	119.00	1,194,656,614

Pork Meat

Year	Production Volume (kilo)	% Capacity Utilization	Sales Volume (kilo)	Average Selling Price (Php)	Total Sales Value (Php)
1	3,378,645	66%	3,378,645	170.00	574,369,699
2	4,684,493	100%	4,684,493	171.00	801,048,227
3	4,790,958	100%	4,790,958	172.00	824,044,827
4	4,897,424	100%	4,897,424	173.00	847,254,358
5	5,110,356	100%	5,110,356	174.00	889,201,859

The basis of net income qualified for ITH shall be limited to the 110% of the projected gross revenues as represented by the firm in its application for registration.

In cases where the project's actual revenues exceed the projections in its application due to, e.g. new markets/orders, additional employment/shifts, additional investments, the Board may increase the project's ITH availment proportionately. Request/s for adjustments of projected revenue must be filed before the projected revenue is exceeded, otherwise ITH on the excess revenue (i.e. excess of 110% of the projected gross revenue) shall not be granted.

4. The enterprise should endeavor to undertake meaningful and sustainable Corporate Social Responsibility (CSR) activities in the locality where the projects are implemented.

5. Prior to availment of ITH, the enterprise shall submit copy of its Environmental Compliance Certificate (ECC) pursuant to P.D. No. 1586 (Philippine Environmental Impact Statement System) or Certificate of Non-Coverage (CNC) issued by the Environmental Management Bureau (EMB) of the Department of Environment and Natural Resources (DENR), whichever is applicable to the registered project, and other applicable clearances under relevant environmental laws.

(Continued on page 4)

6. The enterprise shall maintain books of account for this registered project separate from all its other operation/s and or activity/ies. *(Production of animal feeds)*

7. The enterprise shall be entitled to the following incentives:

   Income Tax Holiday (ITH) for **four (4) years** from **July 2017** or actual start of commercial operations, whichever is earlier but in no case earlier than the date of registration.

   a.i. Only income directly attributable to revenue generated from the registered project **(Production of live hogs and pork meat, Armenia, Tarlac City)**) shall be qualified for ITH. For this purpose, the enterprise shall submit audited segregated income statements and simplified income statement form as prescribed by the Board as shown hereunder*, for this registered project. Net income from operations of the registered activity shall be certified under oath by the Chief Executive Officer (CEO) or Chief Financial Officer (CFO).

   a.ii. The enterprise shall submit the list of cost items common to all its projects/activities (whether BOI or non-BOI registered) and the methodology adopted in allocating common cost between the registered and the non-registered activity/ies.

   a.iii Interest Expense on the enterprise's liabilities shall be appropriately allocated between the registered and non-registered activity/ies.

   Date of filing: *An application should be filed with the BOI Incentives Administration Service within one (1) month from filing of the final Income Tax Return (ITR) with the Bureau of Internal Revenue (BIR) in order to validate the claim for income tax exemption.*

**Simplified Income Statement Form:*

Eligible Revenue	
Less: Cost of sales	
Gross Profit	
Less: Operating Expenses	
Other Charges/Expenses	
Net Income	
Add/Deduct: Reconciling Entries Related to Registered Activity (Net)	
Taxable Income from Registered Activity	
Tax Rate	
Tax Due/estimated ITH	*30%*

The application shall be accompanied by a certification by SSS that the enterprise is in good standing in the remittances of SSS contributions of its employees. Further, any request for extension of the reckoning date of ITH availment should be filed prior to the scheduled date or within ninety (90) days from the occurrence of fortuitous events and/or government delays.

(Continued on page 5)

The enterprise must secure a Certificate of ITH Entitlement (CoE) from the BOI Legal and Compliance Services prior to the filing of ITR with the BIR; otherwise ITH for that particular taxable year without CoE shall be forfeited.

Notwithstanding the provisions of the preceding paragraphs, the Board as a matter of national interest and for reasonable causes, reserves the right to suspend the availment of ITH.

The enterprise can avail of bonus year in each of the following cases:

- The ratio of the total imported and domestic capital equipment to the number of workers for the project does not exceed the ratio set by the Board; or
- The net foreign exchange savings or earnings amount to at least US$500,000 annually during the first three (3) years of operation;
- The average cost of indigenous raw materials used in the manufacture of the registered product must at least be fifty percent (50%) of the total cost of raw materials for the preceding years prior to the extension unless the Board prescribes a higher percentage.

Date of filing: *An application for entitlement to ITH bonus year/s should be filed with the BOI Incentives Administration Service prior to the filing with the BIR of the enterprise's final ITR, for which the bonus year will be applied.*

b. Importation of capital equipment, spare parts and accessories at zero (0) duty under Executive Order No. 22 and its Implementing Rules and Regulations. Only equipment directly needed and exclusively used in its operation shall be entitled to capital equipment incentives.

Date of filing: *An application for availment of capital equipment incentive shall be filed with the BOI Incentives Administration Service prior to the ordering of equipment.*

c. Additional deduction from taxable income of fifty percent (50%) of the wages corresponding to the increment in number of direct labor for skilled and unskilled workers in the year of availment as against the previous year, if the project meets the prescribed ratio of capital equipment to the number of workers set by the Board. This may be availed of for the first five (5) years from date of registration but not simultaneously with ITH.

Date of filing: *An application should be filed with the BOI Incentives Administration Service within one (1) month from filing of the final Income Tax Return (ITR) with the Bureau of Internal Revenue (BIR).*

d. Importation of consigned equipment for a period of ten (10) years from date of registration, subject to posting of re-export bond.

Date of filing: *Application should be filed with BOI Incentives Administration Service for endorsement to the Department of Finance (DOF).*

(Continued on page 6)

e. Tax credit equivalent to the national internal revenue taxes and duties paid on raw materials and supplies and semi-manufactured products used in producing its export product and forming part thereof for a period of ten (10) years from start of commercial operations.

   Date of filing: *An application should be filed with the Department of Finance (DOF) Tax Credit Center within one (1) year from date of exportation in case of direct exports and two (2) years in case of indirect exports.*

   Request for amendment of the date of start of commercial operation for purposes of determining the reckoning date of the ten (10) year period, shall be filed within one (1) year from date of committed start of commercial operation.

f. Exemption from wharfage dues and any export tax, duty, impost and fee for a period of ten (10) years from date of registration.

g. Employment of foreign nationals. This may be allowed in supervisory, technical or advisory positions for five (5) years from date of registration. The president, general manager and treasurer of foreign-owned registered enterprises or their equivalent shall not be subject to the foregoing limitations.

   Date of filing: *Application should be filed with the BOI Incentives Administration Service before assumption to duty of newly hired foreign national and at least one (1) month before expiration of existing employment authority for renewal of visa.*

h. Simplification of Customs procedures for the importation of equipment, spare parts, raw materials and supplies.

8. The enterprise must commit to the tenets of Good Corporate Governance.

9. The enterprise shall adopt measures intended to reduce climate change risks in support of the National Framework Strategy on Climate Change.

10. The enterprise is encouraged to secure environmental certifications based on internationally-recognized standards and participate in the Philippines' Eco-labeling Program (ELP), when applicable.

11. The enterprise shall obtain applicable certifications based on internationally-recognized standards such as Hazard Analysis and Critical Control Points (HACCP), ISO certification, quality standards (e.g. ICC, CE) or other similar certifications.

12. In the event of transfer to another Investment Promotion Agency, the enterprise shall undertake the publication of its cancellation of BOI registration in a newspaper of general circulation.

13. The enterprise shall visit the BOI website (http://www.boi.gov.ph) on a regular basis for updates on BOI rules, policies and guidelines.

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PILMICO ANIMAL NUTRITION CORPORATION

(Sto. Domingo II, Capas, Tarlac)

C.R. No. 2017-181

GENERAL TERMS AND CONDITIONS

1. The enterprise shall observe and abide by the provisions of the Omnibus Investments Code of 1987, as amended, and other related laws and their implementing rules and regulations as well as its commitments and representations made in the application for registration and take adequate measures to ensure that its obligation thereunder as well as those of its officers, employees and stockholders are faithfully discharged; provided it is understood that any misrepresentation or falsification in the documents or other supporting papers submitted to the Board shall constitute as ground for aomatic cancellation of its registration.

2. The enterprise's Address of Record shall be **Sto. Domingo II, Capas, Tarlac.** All BOI notices/communications to the firm shall be sent to this address. The firm shall be responsible for notifying BOI, in writing, of any changes in its Address of Record, within ten (10) calendar days after such change, and therefore, should it fail to do so, service of all BOI communications, notices or processes in its Address of Record shall be considered valid, complete and binding to this firm.

   In case the enterprise has an authorized representative, designated as such by virtue of a Board Resolution of the firm, duly certified by its Board Secretary, and as appearing in the records of the BOI, it shall be so indicated that notices, communications and/or processes of the latter shall be sent to said representative. The authorized representative shall be responsible for notifying BOI, in writing, of any changes in its Address of Record within ten (10) calendar days after such change, and therefore, should it fail to do so, service of all BOI communications, notices or processes in the Address of Record of such authorized representative shall be considered valid, complete and binding to this firm.

3. The enterprise shall notify the BOI before doing any of the following acts:
   (Per Board Res. No. 38-16 S'2005 dated November 22, 2005)

   a. Invest in, extend loans, or buy bonds, in substantial amount, from any enterprise either in the Philippines or abroad. This does not apply to bonds issued by the Philippine Government;
   b. Issue stock convertible into voting stocks; or
   c. Buy its own stocks.

4. The enterprise shall secure prior permission of the BOI before doing any of the following acts:

   a. Transfer ownership and /or control of the enterprise;
   i. Expand its capacity, with or without incentives; or
   j. Engage in an undertaking other than the preferred project covered by its registration

5. The enterprise shall maintain separate books of accounts for each activity, registered and unregistered with the Board. Moreover, the firm shall submit a list of direct costs attributable to each type of activity for purposes of determining the taxable income of each activity.

(Continued on page 2)

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6. The enterprise shall submit to the Board an annual report of its actual investments, taxes paid and employment in the project within one (1) month following the end of the firm's calendar/fiscal year.

7. The enterprise shall comply with environmental laws and regulations.

8. The enterprise shall comply with the Tree-Planting Program of the BOI requiring a minimum of one hundred (100) forest trees to be planted pursuant to Memorandum Circular No. 01, not later than one (1) year from date of registration. Proof of compliance must be submitted within (1) year from the first anniversary date of the firm's registration; otherwise, applications for availment of any incentive by the firm shall not be accepted by the Board.

9. The enterprise shall comply with the other conditions and representations made and accepted by the firm as embodied in its project feasibility study and confirmation letter, among others, and shall form part of this registration.

10. All the fiscal and non-fiscal incentives which do not contain a specific period for their enjoyment shall terminate after a period of not more than ten (10) years from date of registration.

11. Failure of the enterprise to file an incentive application within the prescribed date will mean imposition of fines and penalty including possible forfeiture or suspension of incentives or non-acceptance of the said application.

12. The enterprise shall submit the following reporting requirements to the BOI Legal and Compliance Service on or before respective due dates:

S1 (Annual Report of Performance)	Calendar Year – on or before April 30 Fiscal Year – 4 months after the end of Fiscal Year
Audited Financial Statement	Within thirty (30) days from the date of filing with the BIR
Annual Income Tax Return	Within thirty (30) days from the date of filing with the BIR.

The enterprise shall submit the S-1 in both soft (Excel format) and hard copies. Only one hard copy is
required, which should be notarized and duly signed by the enterprise's authorized representative. Further, the Audited Financial Statements and Income Tax Return (ITR), duly stamped by the Bureau of Internal Revenue shall be scanned and submitted in a Compact Disc.

The enterprise may submit the above reports on-line to monitor@yahoo.com.ph
For late filing and/or non-submission of reports and other requirements, the Board shall impose such fines in accordance with the schedules as set forth in the rules.

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BOARD OF INVESTMENTS
PHILIPPINES

DEPARTMENT OF TRADE & INDUSTRY
PHILIPPINES

24 June 2016

MS. MARLITA M. VILLACAMPA
Vice-President – Controller
PILMICO ANIMAL NUTRITION CORPORATION
Sto. Domingo II, Capas, Tarlac 2315

Dear Ms. Villacampa:

Congratulations! Your project is now registered with the Board of Investments as **Expanding Producer of Animal Feeds** on a **Non-Pioneer Status,** under Book 1 of E.O. 226.

The attached Certificate of Registration incorporates the agreed Terms and Conditions of your registration, including all the fiscal and non-fiscal incentives available to the registered project. Other incentives with no specific number of years of entitlement may be enjoyed for a maximum period of ten (10) years from the start of your commercial operation and/ or date of registration.

Very truly yours,

Exec. Dir. EFREN V. LEAÑO
Board Secretary

BOARD OF INVESTMENTS
PHILIPPINES

Republic of the Philippines
BOARD OF INVESTMENTS
Makati City

DEPARTMENT OF TRADE & INDUSTRY PHILIPPINES

CERTIFICATE OF REGISTRATION

No. 2016-129

TO ALL WHOM IT MAY CONCERN:

This is to certify that the Board of Investments has duly registered

PILMICO ANIMAL NUTRITION CORPORATION

Expanding Producer of Animal Feeds

in accordance with the provisions of the Omnibus Investments Code of 1987, as amended, subject to the representations and commitments set forth in its application for registration, the provisions of the above law, the rules and regulations of the Board of Investments and the terms and conditions herein prescribed.

In testimony whereof the seal of the Board of Investments and the signature of its Chairman / Vice - Chairman is hereunto affixed. Given at Makati City, Philippines, this 24th day of, June 2016.

Board Res. No. 11-05 S'2016

DR. CEFERINO S. RODOLFO
Undersecretary and BOI Managing Head

296922

Department of Trade and Industry DTI

Attested:

Exec. Dir. EFREN V. LEAÑO
Board Secretary

PILMICO ANIMAL NUTRITION CORPORATION
(Sto. Domingo II, Capas, Tarlac)

Type of Registration/Activity	:	**EXPANDING PRODUCER OF ANIMAL FEEDS**
Capacity	:	**102,000 METRIC TONS**
Status	:	**EXPANSION/NON-PIONEER**
Certificate of Registration No.	:	**2016-129**
Date	:	**JUNE 24, 2016**

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SPECIFIC TERMS AND CONDITIONS

1. The enterprise shall start commercial operations in **July 2016.** Request for amendment of timetable should be filed before the scheduled start of commercial operations. However, movement of Income Tax Holiday (ITH) period is subject to Art. 7 of E.O. 226.

2. In the grant of incentives, the extent of the project's ITH entitlement shall be based on the project's ability to contribute to the economy's development based on the following parameters: (1) net value added; (2) job generation; (3) multiplier effect; and (4) measured capacity. The Board may reduce the ITH if the project does not realize the extent of economic benefits represented by the proponent at the time of its application. The enterprise shall comply with the following representations:

   a. Net Value Added should be at least 25%

	Y1	Y2	Y3	Y4	Y5
NVA	59%	59%	59%	59%	59%

   b. Job Generation

	Y1	Y2	Y3	Y4	Y5
Number of Employees	71	71	71	71	71

(Continued on page 2)

c. Investments and Timetable:

Activity	Schedule	Related Expenses	Cost
Secure preliminary requirements – surveying services, Government licenses/permits, etc.	Jan 2015		
Master Plan and Design Development			
Site development design and evaluation	Jan – Feb 2015	Design, Engineering, Project Management	2,820,000
Engineering design and calculation	Jan – July 2015		
Bidding Process for Contractors and Suppliers	Apr – June 2015		
Project Implementation			
Awarding of Contracts and Issuance of Purchase Orders	May – June 2015		
Site grading and development	May 2015 – Apr 2016	Road Network and Perimeter Fence	6,000,000
Foundation and Civil Works	June 2015 – Apr 2016	Feedmill Building, Finished Good Warehouse, Loading Area, Liquid Tank and Piping System	153,000,000
Delivery of Machinery and Equipment	Aug – Dec 2015	Freight Cost	9,000,000
Installation of Machinery and Equipment	Aug 2015 – May 2016	Feedmill Equipments and Machinery, Electrical Power System / Control System	270,267,815
Pre-Commissioning, Commissioning and Training Working Capital	May - June 2016		50,000,000
Commercial Operations	July 2016		
TOTAL			**491,087,815**

d. Production and Sales Schedule:

Year	Production Volume (in MT)	Sales Volume (in MT)	Average Selling Price per MT (Php)	Total Sales Value (Php)
1	28,746	28,746	23,278	669,141,065
2	70,234	70,234	23,511	1,651,254,826
3	86,339	86,339	23,746	2,050,193,899
4	93,883	93,883	23,983	2,251,636,749
5	101,935	101,935	24,223	2,469,190,553

(Continued on page 3)

The basis of net income qualified for ITH shall be limited to the 110% of the projected gross revenues as represented by the firm in its application for registration.

In cases where the project's actual revenues exceed the projections in its application due to, e.g. new markets/orders, additional employment/shifts, additional investments, the Board may increase the project's ITH availment proportionately. Request/s for adjustments of projected revenue must be filed before the projected revenue is exceeded, otherwise ITH on the excess revenue (i.e. excess of 110% of the projected gross revenue) shall not be granted.

3. The enterprise should endeavor to undertake meaningful and sustainable Corporate Social Responsibility (CSR) activities in the locality where the projects are implemented.

4. Prior to availment of ITH, the enterprise shall submit copy of its Environmental Compliance Certificate (ECC) pursuant to P.D. No. 1586 (Philippine Environmental Impact Statement System) or Certificate of Non-Coverage (CNC) issued by the Environmental Management Bureau (EMB) of the Department of Environment and Natural Resources (DENR), whichever is applicable to the registered project, and other applicable clearances under relevant environmental laws.

5. The enterprise shall maintain books of account for this registered project separate from all its other operation/s and or activity/ies.

6. The enterprise shall be entitled to the following incentives:

   a. Income Tax Holiday (ITH) for **three (3) years** from **July 2016** or actual start of commercial operations of expansion project, whichever is earlier but in no case earlier than the date of registration. **The computation for Income Tax Holiday (ITH) incentive shall be subject to a base figure of 133,359 MT representing the firm's highest attained sales volume prior to application for expansion.**

      a.i. Only income directly attributable to revenue generated from the registered expansion project (**3rd Project of Animal Feeds [expansion] -Tarlac**) shall be qualified for ITH. For this purpose, the enterprise shall submit audited segregated income statements and simplified income statement form as prescribed by the Board as shown hereunder*, for this registered project. Net income from operations of the registered activity shall be certified under oath by the Chief Executive Officer (CEO) or Chief Financial Officer (CFO).

      a.ii. The enterprise shall submit the list of cost items common to all its projects/activities (whether BOI or non-BOI registered) and the methodology adopted in allocating common cost between the registered and the non-registered activity/ies.

      a.iii Interest Expense on the enterprise's liabilities shall be appropriately allocated between the registered and non-registered activity/ies.

Date of filing: *An application should be filed with the BOI Incentives Administration Service within one (1) month from filing of the final Income Tax Return (ITR) with the Bureau of Internal Revenue (BIR) in order to validate the claim for income tax exemption.*

(Continued on page 4)

**Simplified Income Statement Form:*

Eligible Revenue	
Less: Cost of sales	
Gross Profit	
Less: Operating Expenses	
Other Charges/Expenses	
Net Income	
Add/Deduct: Reconciling Entries Related to Registered Activity (Net)	
Taxable Income from Registered Activity	
Tax Rate	
Tax Due/estimated ITH	*30%*

The application shall be accompanied by a certification by SSS that the enterprise is in good standing in the remittances of SSS contributions of its employees. Further, any request for extension of the reckoning date of ITH availment should be filed prior to the scheduled date or within ninety (90) days from the occurrence of fortuitous events and/or government delays.

The enterprise must secure a Certificate of ITH Entitlement (CoE) from the BOI Legal and Compliance Services prior to the filing of ITR with the BIR; otherwise ITH for that particular taxable year without CoE shall be forfeited.

Notwithstanding the provisions of the preceding paragraphs, the Board as a matter of national interest and for reasonable causes, reserves the right to suspend the availment of ITH.

b. Importation of capital equipment, spare parts and accessories at zero (0) duty from the date of effectivity of Executive Order No. 70 and its Implementing Rules and Regulations for a period of five (5) years reckoned from the date of its registration or until the expiration of EO 70, whichever is earlier.

Date of filing: *An application for availment of capital equipment incentive shall be filed with the BOI Incentives Administration Service prior to the ordering of equipment.*

c. Additional deduction from taxable income of fifty percent (50%) of the wages corresponding to the increment in number of direct labor for skilled and unskilled workers in the year of availment as against the previous year, if the project meets the prescribed ratio of capital equipment to the number of workers set by the Board. This may be availed of for the first five (5) years from date of registration but not simultaneously with ITH.

Date of filing: *An application should be filed with the BOI Incentives Administration Service within one (1) month from filing of the final Income Tax Return (ITR) with the Bureau of Internal Revenue (BIR).*

(Continued on page 5)

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d. Importation of consigned equipment for a period of ten (10) years from date of registration, subject to posting of re-export bond.

__Date of filing:__ Application should be filed with BOI Incentives Administration Service for endorsement to the Department of Finance (DOF).

e. Employment of foreign nationals. This may be allowed in supervisory, technical or advisory positions for five (5) years from date of registration. The president, general manager and treasurer of foreign-owned registered enterprises or their equivalent shall not be subject to the foregoing limitations.

__Date of filing:__ Application should be filed with the BOI Incentives Administration Service before assumption to duty of newly hired foreign national and at least one (1) month before expiration of existing employment authority for renewal of visa.

f. Simplification of Customs procedures for the importation of equipment, spare parts, raw materials and supplies.

7. The enterprise shall submit to the BOI Legal and Compliance Services, on a semestral basis within fifteen (15) days from end of each semester, a report on actual investments, employment, sales, production costs, actual ITH availed of for each year, and other information that the Board may require at any given time, with respect to the registered project.

8. The enterprise must commit to the tenets of Good Corporate Governance.

9. The enterprise shall adopt measures intended to reduce climate change risks in support of the National Framework Strategy on Climate Change.

10. The enterprise is encouraged to secure environmental certifications based on internationally-recognized standards and participate in the Philippines' Eco-labeling Program (ELP), when applicable.

11. The enterprise shall obtain applicable certifications based on internationally-recognized standards such as Hazard Analysis and Critical Control Points (HACCP), ISO certification, quality standards (e.g. ICC, CE) or other similar certifications.

12. In the event of transfer to another Investment Promotion Agency, the enterprise shall undertake the publication of its cancellation of BOI registration in a newspaper of general circulation.

13. The enterprise shall visit the BOI website (http://www.boi.gov.ph) on a regular basis for updates on BOI rules, policies and guidelines.

14. The enterprise shall abide by the rules, policies, guidelines and regulations set forth by the Department of Agriculture (DA) and/or Bureau of Food and Drugs (BFAD) pertinent to the registered project.

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PILMICO ANIMAL NUTRITION CORPORATION
(Sto. Domingo II, Capas, Tarlac)

C.R. No. 2016-129

GENERAL TERMS AND CONDITIONS

1. The enterprise shall observe and abide by the provisions of the Omnibus Investments Code of 1987 and other related laws and their implementing rules and regulations as well as its commitments and representations made in the application for registration and take adequate measures to ensure that its obligation thereunder as well as those of its officers, employees and stockholders are faithfully discharged; provided it is understood that any misrepresentation or falsification in the documents or other supporting papers submitted to the Board shall constitute as ground for automatic cancellation of its registration.

2. The enterprise's Address of Record shall be **Aboitiz Corporate Center, Gov. Manuel A. Cuenco Avenue, Kasambagan, Cebu City**. All BOI notices/communications to the firm shall be sent to this address. The firm shall be responsible for notifying BOI, in writing, of any changes in its Address of Record, within ten (10) calendar days after such change, and therefore, should it fail to do so, service of all BOI communications, notices or processes in its Address of Record shall be considered valid, complete and binding to this enterprise.

   In case the enterprise has an authorized representative, designated as such by virtue of a Board Resolution of the firm, duly certified by its Board Secretary, and as appearing in the records of the BOI, it shall be so indicated that notices, communications and/or processes of the latter shall be sent to said representative. The authorized representative shall be responsible for notifying BOI, in writing, of any changes in its Address of Record within ten (10) calendar days after such change, and therefore, should it fail to do so, service of all BOI communications, notices or processes in the Address of Record of such authorized representative shall be considered valid, complete and binding to this enterprise.

3. The enterprise shall notify the BOI before doing any of the following acts:
   (Per Board Res. No. 38-16 S'2005 dated November 22, 2005)

   a. Invest in, extend loans, or buy bonds, in substantial amount, from any properties either in the Philippines or abroad. This does not apply to bonds issued by the Philippine Government;
   b. Issue stock convertible into voting stocks;
   c. Buy its own stocks.

4. The enterprise shall secure prior permission of the BOI before doing any of the following acts:

   a. Transfer ownership and /or control of the enterprise;
   b. Engage in an undertaking other than the preferred project covered by its registration;
   c. Expand its capacity, with or without incentives.

5. The enterprise shall maintain separate books of accounts for each activity, registered and unregistered with the Board. Moreover, the firm shall submit a list of direct costs attributable to each type of activity for purposes of determining the taxable income of each activity.

(Continued on page 2)

6. The enterprise shall submit to the Board an annual report of its actual investments, taxes paid and employment in the project within one (1) month following the end of the firm's calendar/fiscal year.

7. The enterprise shall comply with environmental laws and regulations.

8. The enterprise shall comply with the Tree-Planting Program of the BOI requiring a minimum of one hundred (100) forest trees to be planted pursuant to Memorandum Circular No. 01, not later than one (1) year from date of registration. Proof of compliance must be submitted within (1) year from the first anniversary date of the firm's registration; otherwise, applications for availment of any incentive by the firm shall not be accepted by the Board.

9. The enterprise shall comply with the other conditions and representations made and accepted by the firm as embodied in its project feasibility study and confirmation letter, among others, and shall form part of this registration.

10. All the fiscal and non-fiscal incentives which do not contain specific period for their enjoyment shall terminate after a period of not more than ten (10) years from date of registration.

11. Failure of the enterprise to file an incentive application within the prescribed date will mean imposition of fines and penalty including possible forfeiture or suspension of incentives or non-acceptance of the said application.

12. The enterprise shall submit the following reporting requirements to the BOI Legal and Compliance Service on or before respective due dates:

o Form S1-2 (Semestral Report on Actual Investments, Employment And Sales)	Thirty (30) days after the end of each semester
o S1 (Annual Report of Performance)	Calendar Year –on or before 30 April Fiscal Year – four (4) months after the End of Fiscal Year
o Annual Audited Financial Statement	One (1) month from the date of filing with BIR
o Annual Income Tax Return	Thirty (30) calendar days from the date of filing with the BIR

The enterprise may submit the above report on-line to monitordept@yahoo.com.ph

For late filing and/or non-submission of reports and other requirements, the Board shall impose such fines in accordance with the schedules as set forth in the rules.

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BOARD OF INVESTMENTS
PHILIPPINES

DEPARTMENT OF TRADE & INDUSTRY PHILIPPINES

7 April 2015

MS. MARLITA VILLACAMPA
PILMICO ANIMAL NUTRITION CORPORATION
Aboitiz Corporate Center
Gov. Manuel A. Cuenco Avenue
Kasambagan, Cebu City

Dear Ms. Villacampa:

Congratulations! Your project is now registered with the Board of Investments as **New Producer of Table Eggs and by-products (Culled Chicken and manure)** on a **Non-Pioneer Status** under Book 1 of E.O. 226.

The attached Certificate of Registration incorporates the agreed Terms and Conditions of your registration, including all the fiscal and non-fiscal incentives available to the registered project. Other incentives with no specific number of years of entitlement may be enjoyed for a maximum period of ten (10) years from the start of your commercial operation and/ or date of registration.

Very truly yours,

EXEC. DIR. EFREN V. LEAÑO
Board Secretary

BOARD OF INVESTMENTS
PHILIPPINES

Republic of the Philippines
BOARD OF INVESTMENTS
Makati City

DEPARTMENT OF TRADE & INDUSTRY PHILIPPINES

CERTIFICATE OF REGISTRATION

No. 2015-081

TO ALL WHOM IT MAY CONCERN:

This is to certify that the Board of Investments has duly registered

PILMICO ANIMAL NUTRITION CORPORATION

New Producer of Table Eggs and by-products (Culled Chicken and manure)

in accordance with the provisions of the Omnibus Investments Code of 1987, as amended, subject to the representations and commitments set forth in its application for registration, the provisions of the above law, the rules and regulations of the Board of Investments and the terms and conditions herein prescribed.

In testimony whereof the seal of the Board of Investments and the signature of its Chairman / Vice - Chairman is hereunto affixed. Given at Makati City, Philippines, this 7th day of, April 2015.

Board Res. No. 07 – 07 S'2015

ADRIAN S. CRISTOBAL JR.
Undersecretary and BOI Managing Head

284995
Department of Trade and Industry
DTI

Attested:

EXEC. DIR. EFREN V. LEAÑO
Board Secretary

PILMICO ANIMAL NUTRITION CORPORATION

Type of Registration/Activity	:	**NEW PRODUCER OF TABLE EGGS AND BY-PRODUCTS (CULLED CHICKEN AND MANURE)**
Capacity	:	**TABLE EGGS – 44,275,339 pcs.** **CULLED CHICKEN – 120,787 birds** **CHICKEN MANURE – 25,476 bags @40 kgs./bag**
	:	**NON-PIONEER**
Certificate of Registration No.	:	**2015-081**
Date	:	**APRIL 7, 2015**

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SPECIFIC TERMS AND CONDITIONS

1. The enterprise shall start commercial operations in **October 2015.** Request for amendment of timetable should be filed before the scheduled start of commercial operations. However, movement of Income Tax Holiday (ITH) period is subject to Art. 7 of E.O. 226.

2. The enterprise shall locate its project outside Metro Manila (*i.e. Armenia, Tarlac City*), as represented and that proof of such location shall be submitted prior to availment of incentives. In the event that the enterprise fails to locate its project outside Metro Manila, its entitlement to income tax holiday shall be null and void.

3. In the grant of incentives, the extent of the project's ITH entitlement shall be based on the project's ability to contribute to the economy's development based on the following parameters: (1) net value added; (2) job generation; (3) multiplier effect; and (4) measured capacity. The Board may reduce the ITH if the project does not realize the extent of economic benefits represented by the proponent at the time of its application. The enterprise shall comply with the following representations:

   a. **Net Value Added should be at least 25%**

	Y1	Y2	Y3	Y4	Y5
NVA	100%	100%	100%	100%	100%

   b. **Job Generation**

	Y1	Y2	Y3	Y4	Y5
No. of Employees	16	22	22	22	22

(Continued on page 2)

c. Investments and Timetable:

Activities	Schedule	Related Expenses	Total Cost (P)
Obtaining licenses, permits, registration with government agencies & other private firms	July 2014 to February 2015	Pre-operating	23,164,000
Land improvements and civil works Land & land improvements Plant building & other infrastructure		Land Other expenses	
Site Preparation & development • Hiring of contractors • Civil works	August 2014 to March 2015	Building construction Leasehold improvements Other expenses	77,252,831
Acquisition and installation of machinery and equipment	Jan. to May 2015	Machinery and equipment	90,412,033
Loading of Day Old Pullets Growing	May 2015 June to Sept. 2015	Working Capital	7,467,519
Start of commercial operation	**October 2015**		
Total Project Cost			**198,296,383**

d. Sales revenues:

TABLE EGGS

Year	Production/Sales Volume (pcs.)	Average selling price/pc.	Sales Value (Php'000)
1	22,928,137	4.06	93,088
2	44,275,339	4.06	179,758
3	44,275,339	4.06	179,758
4	44,275,339	4.06	179,758
5	44,275,339	4.06	179,758

(Continued on page 3)

CULLED CHICKEN

Year	Production/ Sales Volume (birds.)	Average selling price/bird	Sales Value (Php'000)
1	0	-	0
2	80,525	65	5,234
3	120,787	65	7,851
4	120,787	65	7,851
5	120,787	65	7,851

CHICKEN MANURE

Year	Production /Sales Volume (bags)	Average selling price/bag	Sales Value (Php'000)
1	13,251	40	530
2	25,476	40	1,019
3	25,476	40	1,019
4	25,476	40	1,019
5	25,476	40	1,019

1 bag = 40 kgs.

Net Income qualified for ITH availment shall not be a result of gross revenues exceeding 10% of the projected gross revenue represented by the enterprise in its application.

In cases where the project's actual revenues exceed the projections due to, e.g. new markets/orders, additional employment/shifts, additional investments, the Board may increase the project's ITH availment proportionately. Request/s for adjustments of projected revenue must be filed before the filing of application for ITH.

4. The enterprise should endeavor to undertake meaningful and sustainable Corporate Social Responsibility (CSR) activities in the locality where the projects are implemented.

5. Prior to availment of ITH, the enterprise shall submit copy of its Environmental Compliance Certificate (ECC) pursuant to P.D. No. 1586 (Philippine Environmental Impact Statement System) or Certificate of Non-Coverage (CNC) issued by the Environmental Management Bureau (EMB) of the Department of Environment and Natural Resources (DENR), whichever is applicable to the registered project, and other applicable clearances under relevant environmental laws.

(Continued on page 4)

6. The enterprise shall maintain books of account for this registered project separate from all its other operation/s and or activity/ies.

7. The enterprise shall be entitled to the following incentives:

   a. Income Tax Holiday (ITH) for **four (4) years** from **October 2015** or actual start of commercial operations, whichever is earlier but in no case earlier than the date of registration.

      a.i. Only income directly attributable to revenues generated from the registered project **(Production of table eggs and by-products, i.e., culled chicken and chicken manure)** shall be qualified for ITH. For this purpose, the enterprise shall submit audited segregated income statements and simplified income statement form as prescribe by the Board as shown hereunder*, for this registered project. Net income from operations of the registered activity shall be certified under oath by the Chief Executive Officer (CEO) or Chief Financial Officer (CFO).

      a.ii. The enterprise shall submit the list of cost items common to all its projects/activities (whether BOI or non-BOI registered) and the methodology adopted in allocating common cost between the registered and the non-registered activity/ies.

      a.iii. Interest Expense on the enterprise's liabilities shall be appropriately allocated between the registered activity/ies and non-registered activity/ies.

   Date of filing: *An application should be filed with the BOI Incentives and Administration Service within one (1) month from filing of the final Income Tax Return (ITR) with the Bureau of Internal Revenue (BIR) in order to validate the claim for income tax exemption.*

   **Simplified Income Statement Form:*

Eligible Revenue	
Less: Cost of sales	
Gross Profit	
Less: Operating Expenses	
Other Charges/Expenses	
Net Income	
Add/Deduct: Reconciling Entries Related to Registered Activity (Net)	
Taxable Income from Registered Activity	
Tax Rate	
Tax Due/estimated ITH	*30%*

   The application shall be accompanied by a certification by SSS that the enterprise is in good standing in the remittances of SSS contributions of its employees. Further, any request for extension of the reckoning date of ITH availment should be filed prior to the scheduled date or within ninety (90) days from the occurrence of fortuitous events and/or government delays.

(Continued on page 5)

The enterprise must secure a Certificate of ITH Entitlement (CoE) from the BOI Legal and Compliance Service prior to the filing of ITR with the BIR; otherwise ITH for that particular taxable year without CoE shall be forfeited.

Notwithstanding the provisions of the preceding paragraphs, the Board as a matter of national interest and for reasonable causes, reserves the right to suspend the availment of ITH.

The enterprise can avail of bonus year in each of the following cases but the aggregate ITH availment (regular and bonus years) shall not exceed eight (8) years:

- The ratio of the total imported and domestic capital equipment to the number of workers for the project does not exceed the ratio set by the Board; or
- The net foreign exchange savings or earnings amount to at least US$500,000 annually during the first three (3) years of operation; or
- The average cost of indigenous raw materials used in the manufacture of the registered product must at least be fifty percent (50%) of the total cost of raw materials for the preceding years prior to the extension unless the Board prescribes a higher percentage.

Date of filing: *An application for entitlement to ITH bonus year/s should be filed with the BOI Incentives Administration Service prior to the filing with the BIR of the enterprise's final ITR, for which the bonus year will be applied.*

b. Importation of capital equipment, spare parts and accessories at zero (0) duty from the date of effectivity of Executive Order No. 70 and its Implementing Rules and Regulations for a period of five (5) years reckoned from the date of its registration or until the expiration of EO 70, whichever is earlier.

Date of filing: *An application for availment of capital equipment incentive shall be filed with the BOI Incentives Administration Service prior to the ordering of equipment.*

c. Additional deduction from taxable income of fifty percent (50%) of the wages corresponding to the increment in number of direct labor for skilled and unskilled workers in the year of availment as against the previous year, if the project meets the prescribed ratio of capital equipment to the number of workers set by the Board. This may be availed of for the first five (5) years from date of registration but not simultaneously with ITH.

Date of filing: *An application should be filed with the BOI Incentives Administration Service within one (1) month from filing of the final Income Tax Return (ITR) with the Bureau of Internal Revenue (BIR).*

d. Importation of consigned equipment for a period of ten (10) years from date of registration, subject to posting of re-export bond.

Date of filing: *Application should be filed with BOI – Incentives Administration Service for endorsement to the Department of Finance (DOF).*

(Continued on page 6)

e. Employment of foreign nationals. This may be allowed in supervisory, technical or advisory positions for five (5) years from date of registration. The president, general manager and treasurer of foreign-owned registered enterprises or their equivalent shall not be subject to the foregoing limitations.

Date of filing: *Application should be filed with the BOI Incentives Administration Service before assumption to duty of newly hired foreign national and at least one (1) month before expiration of existing employment authority for renewal of visa.*

f. Simplification of Customs procedures for the importation of equipment, spare parts, raw materials and supplies.

8. The enterprise shall submit to the BOI Legal and Compliance Service, on a semestral basis within fifteen (15) days from end of each semester, a report on actual investments, employment, sales, production costs, actual ITH availed of for each year, and other information that the Board may require at any given time, with respect to the registered project.

9. The enterprise must commit to the tenets of Good Corporate Governance.

10. The enterprise shall adopt measures intended to reduce climate change risks in support of the National Framework Strategy on Climate Change.

11. The enterprise is encouraged to secure environmental certifications based on internationally-recognized standards and participate in the Philippines' Eco-labeling Program (ELP), when applicable.

12. The enterprise shall obtain applicable certifications based on internationally-recognized standards as Hazard Analysis and Critical Control Points (HACCP), ISO certification, quality standards or other similar certifications.

13. In the event of transfer to another Investment Promotion Agency, the enterprise shall undertake the publication of its cancellation of BOI registration in a newspaper of general circulation.

14. The enterprise shall visit the BOI website (http://www.boi.gov.ph) on a regular basis for updates on BOI rules, policies and guidelines.

15. The enterprise shall abide by the rules, policies, guidelines and regulations set forth by the Department of Agriculture (DA) pertinent to the registered project.

------Nothing follows------

PILMICO ANIMAL NUTRITION CORPORATION
C.R. No. 2015-081

GENERAL TERMS AND CONDITIONS

1. The enterprise shall observe and abide by the provisions of the Omnibus Investments Code of 1987, as amended, and other related laws and their implementing rules and regulations as well as its commitments and representations made in the application for registration and take adequate measures to ensure that its obligation thereunder as well as those of its officers, employees and stockholders are faithfully discharged; provided it is understood that any misrepresentation or falsification in the documents or other supporting papers submitted to the Board shall constitute as ground for automatic cancellation of its registration.

2. The enterprise's Address of Record shall be **Aboitiz Corporate Center, Gov. Manuel A. Cuenco Avenue, Kasambagan, Cebu City**. All BOI notices/communications to the firm shall be sent to this address. The firm shall be responsible for notifying BOI, in writing, of any changes in its Address of Record, within ten (10) calendar days after such change, and therefore, should it fail to do so, service of all BOI communications, notices or processes in its Address of Record shall be considered valid, complete and binding to this firm.

   In case the enterprise has an authorized representative, designated as such by virtue of a Board Resolution of the firm, duly certified by its Board Secretary, and as appearing in the records of the BOI, it shall be so indicated that notices, communications and/or processes of the latter shall be sent to said representative. The authorized representative shall be responsible for notifying BOI, in writing, of any changes in its Address of Record within ten (10) calendar days after such change, and therefore, should it fail to do so, service of all BOI communications, notices or processes in the Address of Record of such authorized representative shall be considered valid, complete and binding to this firm.

3. The enterprise shall notify the BOI before doing any of the following acts:
   (Per Board Res. No. 38-16 S'2005 dated November 22, 2005)

   a. Invest in, extend loans, or buy bonds, in substantial amount, from any enterprise either in the Philippines or abroad. This does not apply to bonds issued by the Philippine Government;
   b. Issue stock convertible into voting stocks; or
   c. Buy its own stocks.

4. The enterprise shall secure prior permission of the BOI before doing any of the following acts:

   a. Transfer ownership and /or control of the enterprise;
   g. Expand its capacity, with or without incentives; or
   h. Engage in an undertaking other than the preferred project covered by its registration

5. The enterprise shall maintain separate books of accounts for each activity, registered and unregistered with the Board. Moreover, the firm shall submit a list of direct costs attributable to each type of activity for purposes of determining the taxable income of each activity.

(Continued on page 2)

6. The enterprise shall submit to the Board an annual report of its actual investments, taxes paid and employment in the project within one (1) month following the end of the firm's calendar/fiscal year.

7. The enterprise shall comply with environmental laws and regulations.

8. The enterprise shall comply with the Tree-Planting Program of the BOI requiring a minimum of one hundred (100) forest trees to be planted pursuant to Memorandum Circular No. 01, not later than one (1) year from date of registration. Proof of compliance must be submitted within (1) year from the first anniversary date of the firm's registration; otherwise, applications for availment of any incentive by the firm shall not be accepted by the Board.

9. The enterprise shall comply with the other conditions and representations made and accepted by the firm as embodied in its project feasibility study and confirmation letter, among others, and shall form part of this registration.

10. All the fiscal and non-fiscal incentives which do not contain a specific period for their enjoyment shall terminate after a period of not more than ten (10) years from date of registration.

11. Failure of the enterprise to file an incentive application within the prescribed date will mean imposition of fines and penalty including possible forfeiture or suspension of incentives or non-acceptance of the said application.

12. The enterprise shall submit the following reporting requirements to the **BOI Legal and Compliance Service** on or before their respective due dates:

• S1 (Annual Report of Performance)	Calendar year - May 15 Fiscal year – 4 ½ months after the end of Fiscal Year
• Annual Audited Financial Statement	One (1) month from the date of filing with the BIR
• Annual Income Tax Return	Thirty (30) calendar days from the date of filing with the BIR

The enterprise may submit the above report **on-line** to SMD@boi.gov.ph
For late filing and/or non-submission of reports and other requirements, the Board shall impose such fines in accordance with the schedules as set forth in the rules.

---nothing follows ----

BOARD OF INVESTMENTS
PHILIPPINES

Republic of the Philippines
BOARD OF INVESTMENTS
Makati City

DEPARTMENT OF TRADE & INDUSTRY
PHILIPPINES

CERTIFICATE OF REGISTRATION

No. ***2018-081***

TO ALL WHOM IT MAY CONCERN:

This is to certify that the Board of Investments has duly registered

APO AGUA INFRASTRUCTURA, INC.

New Operator of Bulk Water Supply
(Davao City Bulk Water Supply Project)

in accordance with the provisions of the Omnibus Investments Code of 1987, as amended, subject to the representations and commitments set forth in its application for registration, the provisions of the above law, the rules and regulations of the Board of Investments and the terms and conditions herein prescribed.

In testimony whereof the seal of the Board of Investments and the signature of its Chairman / Vice - Chairman is hereunto affixed. Given at Makati City, Philippines, this ***12th*** *day of,* ***April 2018***.

Management Committee Res. No. 03-07, S'2018
Board Resolution No. 03-03, S'2018

DR. CEFERINO S. RODOLFO
Undersecretary and BOI Managing Head

319134
Department of Trade and Industry

Attested:

Atty. MARJORIE O. RAMOS SAMANIEGO
Board Secretary

BOARD OF INVESTMENTS
PHILIPPINES

DEPARTMENT OF TRADE & INDUSTRY
PHILIPPINES

15 July 2011

MR. ERRAMON I. ABOITIZ
President
THERMA SOUTH, INC.
Aboitiz Corporate Center, Gov. Manuel A. Cuenco Avenue,
Kasambagan, Cebu City

Dear Mr. Aboitiz:

Congratulations! Your project is now registered with the Board of Investments as **New Operator of a 300 MW Coal-Fired Power Plant (Brgy. Inawayan, Sta. Cruz, Davao del Sur and Brgy. Binugao, Toril, Davao City))** on a **Non-Pioneer** status under the Omnibus Investments Code of 1987 (Executive Order No. 226).

The attached Certificate of Registration incorporates the agreed Terms and Conditions of your registration, including all the fiscal and non-fiscal incentives available to the registered project. Other incentives with no specific number of years of entitlement may be enjoyed for a maximum period of ten (10) years from the start of your commercial operation and/ or date of registration.

Very truly yours,

BOBBY G. FONDEVILLA
Board Secretary

Industry & Investments Building, 385 Sen. Gil J. Puyat Avenue, Makati City, Philippines
Trunkline: 897 6682, (IPG) 896-9212, (MSG) 896-5167, (PAG) 895 3983
(ISG) 890-3056, (FASD) 890-9325
Website: http://www.boi.gov.ph P.O. Box 1872 Makati City

Republic of the Philippines
BOARD OF INVESTMENTS
Makati City

CERTIFICATE OF REGISTRATION

No. 2011-150

TO ALL WHOM IT MAY CONCERN:

This is to certify that the Board of Investments has duly registered

THERMA SOUTH, INC.

New Operator o[illegible]al-Fired Powe[illegible]Plant
(Brgy. Inaway[illegible]o del Sur a[illegible]
Brgy[illegible]ao City)

in accordance wi[illegible] the provisi[illegible]s Investme[illegible] Code of 1987, as amended, subjec[illegible] to the repre[illegible]d commitme[illegible] set forth in its application for [illegible]istrati[illegible] above [illegible]aw, the rules and regulations of t[illegible] Bo[illegible] a[illegible] conditions herein prescribed.

[illegible]y [illegible]eal [illegible]f the Board of Inve[illegible] and the [illegible]ature o[illegible] its Chairman / Vice-Chairman is hereunto a[illegible]ixed. Given at Makati City, Philippines, this 15th day of, July 2011

Board Res. No. 17 13 S'2011

USEC. CRISTINO L. PANLILIO
Vice-Chairman and Managing Head

Attested:

BOBBY G. FONDEVILLA
Board Secretary

THERMA SOUTH, INC.

Type of Registration/Activity	:	**NEW OPERATOR OF A 300 MW COAL-FIRED POWER PLANT (BRGY. INAWAYAN, STA. CRUZ, DAVAO DEL SUR AND BRGY. BINUGAO, TORIL DAVAO CITY)**
Capacity	:	**300 MW**
Status	:	**NON-PIONEER**
Certificate of Registration No	:	**2011-150**
Date	:	**JULY 15, 2011**

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SPECIFIC TERMS AND CONDITIONS

1. The enterprise shall start commercial operations in **June 2015**. Request for amendment of timetable should be filed before the scheduled start of commercial operations.

2. The enterprise shall secure a Certificate of Compliance from Energy Regulation Commission (ERC) prior to start of commercial operation subject to the condition that in the event that ERC denies the said COC, registration shall be subject to automatic cancellation procedure for non-compliance of the post registration requirement.

3. The enterprise shall increase its stockholders equity (authorized, subscribed and paid-up capital) to **at least PhP 6.311 Billion** equivalent to 25% of the total project cost and shall submit proof of compliance before availment of Income Tax Holiday incentives. Equity shall include paid up capital stock, additional paid-in capital and unrestricted retained earnings and restricted retained earnings provided that such is intended for the project. Appraisal surplus and treasury stock should not be included as part of stockholders equity for this purpose.

4. The grant of any sovereign guarantee or guaranteed rate of return on this project shall cause the automatic withdrawal of the ITH granted under # 8 (a) hereof and any ITH availed of shall be refunded by the firm.

5. The enterprise shall undertake Corporate Social Responsibility (CSR) duly identified by the Board. For this purpose, the enterprise shall submit proof of compliance thereof prior to availment of Income Tax Holiday.

Arb (Continued on page 2)

6. The enterprise shall submit an undertaking that the incentives availed of shall translate to the benefit of consumers in terms of lower power rates. Semi-annual report shall be submitted to the BOI reflecting compliance to this condition.

7. The enterprise shall observe the following production and sales schedule:

Year	Sales Volume (kWh)	Electricity Selling Price (PHP/kWh)	Sales Value (PhP '000)
1	2,212,272	4.732	10,470,377
2	2,195,280	4.849	10,645,992
3	2,164,273	4.970	10,758,141
4	2,140,633	5.096	10,910,666
5	2,168,662	5.228	11,338,038

8. The enterprise shall observe the following project timetable:

Activity	Date	Related Expenses	Cost (PhP '000)
Obtained appropriate license/ agreement/ permit from the government (including consultancy fees)	Completed	Pre-operating	7,000
Site Acquisition	Completed		364,000
Site preparation/construction/ Installation of equipment/Commissioning	Sept. 2011 to Dec. 2014	Building/ construction, hiring of contractors, installation of equipment	3,069,000
Acquisition of equipment	May 2011 to Oct. 2014	Power plant equipment	19,673,443
Start of commercial operation	June 2015	Working capital (3 months)	1,831,750
	TOTAL		**24,945,193**

Ard (Continued on page 3)

9. The enterprise shall be entitled to the following incentives:

   a) Income Tax Holiday (ITH) for **four (4) years** from **June 2015** or actual start of commercial operations, whichever is earlier but in no case earlier than the date of registration. **The ITH incentives shall be limited to the income generated from the sales of electricity based on approved contracts by the Energy Regulatory Commission (ERC) of the 300 MW Coal-Fired Power Plant (Sta Cruz, Davao del Sur).**

   Date of Filing: An application shall be filed with the BOI Incentives Department within one (1) month from the filing of the final ITR with the BIR in order to validate claim for income tax exemption. The application shall be accompanied by a certification by SSS that the enterprise is in good standing in the remittance of SSS contributions of its employees. Any request for extension of the reckoning date of ITH availment shall be filed prior to the scheduled date or within 90 days from the occurrence of fortuitous events and/or government delays.

   The enterprise shall secure from SMD, a certificate of ITH Entitlement prior to filing of income tax return with BIR, otherwise, ITH for that particular taxable year without COE will be forfeited.

   The firm can avail of bonus year in each of the following cases but the aggregate ITH availment (basic and bonus years) shall not exceed eight (8) years;

   - The ratio of the total imported and domestic capital equipment to the number of workers for the project does not exceed US$10,000 to one (1) worker; or
   - The net foreign exchange savings or earnings amount to at least US$500,000 annually during the first three (3) years of operation; and
   - The indigenous raw materials used in the manufacture of the registered product must at least be fifty percent (50%) of the total cost of raw materials for the preceding years prior to the extension unless the Board prescribes a higher percentage.

   The enterprise shall submit the list of cost items common to all its projects/activities (whether BOI or non-BOI registered) and the methodology adopted in allocating common cost. The methodology to be adopted in accounting for fixed assets particularly the Plant, Property and Equipment account shall be <u>the Straight Line depreciation method</u>."

(Continued on page 4)

Notwithstanding the provision of the preceding paragraph, the Board as a matter of national interest and for reasonable causes, reserves the right to suspend the availment of ITH incentives.

b) For the first five (5) years from date of registration, the registered firm shall be allowed an additional deduction from taxable income of fifty percent (50) of the wages corresponding to the increment in the number of direct labor for skilled and unskilled workers in the year of availment as against the previous year if the project meets the prescribed ratio of capital equipment to the number of workers set by the Board of $10,000 to one worker and provided that this incentive shall not be availed of simultaneously with the Income Tax Holiday.

Date of filing: An application shall be filed with the BOI Incentives Department within one (1) month from filing of the final ITR with the BIR.

c) Employment of foreign nationals. This may be allowed in supervisory, technical or advisory positions for five (5) years from date of registration. The president, general manager and treasurer of foreign-owned registered firms or their equivalent shall not be subject to the foregoing limitations.

Date of filing: Application shall be filed with the BOI Incentives Department before assumption to duty of newly hired foreign nationals and at least one (1) month before expiration of existing employment for renewal of visa.

d) Importation of consigned equipment for a period of ten (10) years from date of registration, subject to the posting of re-export bond.

Date of filing: Apply with the BOI Incentives Department for endorsement to Department of Finance before loading on board of the equipment.

* 10. The enterprise may qualify to import capital equipment, spare parts and accessories at zero (0) percent duty from date of registration up to 16 June 2011 pursuant to EO 528 and its implementing rules and regulations.

11. The enterprise shall submit to the BOI Supervision and Monitoring Department, on a quarterly basis within fifteen (15) days from the end of each quarter, a report on Actual Investments, Employment, Sales, Production Costs and other information that the Board may require anytime with respect to the registered project starting on date of registration.

(Continued on page 5)

*Please see "Annex A" YNCH 17 July 12

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12. The enterprise shall visit the BOI website (http://www.boi.gov.ph) on a regular basis for updates on BOI rules, policies, and guidelines, and citation and recognition to a particular BOI registered firms for exemplary performance, as well as notice to particular firms regarding specific violation(s) of the terms and conditions

13. The enterprise shall be subject to the provisions of Revenue Regulations 1-2010 Amending further Section 3 of Revenue Regulations (RR) No. 9-2001, as last amended by RR No. 10-2007, Expanding the Coverage of Taxpayers Required to File Returns and Pay Taxes Through Electronic Filing and Payment System (EFPS) of the Bureau of Internal Revenue.

14. The enterprise must abide by the principles of Good Governance. It must likewise accomplish the self-rating Governance Scorecard to be provided by BOI every year as a requirement for ITH availment.

15. The enterprise is encouraged to contribute to any of the measures listed under Item XV (Support to the National Framework Strategy on Climate Change) of Part II (General Policies) of the 2010 IPP.

16. The enterprise is encouraged to acquire international certification such as ISO 9000 Certification, Quality Standards (QS) or other similar certifications to improve efficiency and global competitiveness.

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THERMA SOUTH, INC.
C.R.NO. 2011-150
GENERAL TERMS AND CONDITIONS

1. The enterprise shall observe and abide by the provisions of the Omnibus Investments Code of 1987 and other related laws and their implementing rules and regulations as well as its commitments and representations made in the application for registration and take adequate measures to ensure that its obligation thereunder as well as those of its officers, employees and stockholders are faithfully discharged; provided it is understood that any misrepresentation or falsification in the documents or other supporting papers submitted to the Board shall constitute as ground for automatic cancellation of its registration.

2. The enterprise's Address of Record shall be at **Aboitiz Corporate Center, Gov. Manuel A. Cuenco Avenue, Kasambagan, Cebu City**. All BOI notices/ communications to the firm shall be sent to this address. The firm shall be responsible for notifying BOI, in writing, of any changes in its Address of Record, within ten (10) calendar days after such change, and therefore, should it fail to do so, service of all BOI communications, notices or processes in its Address of Record shall be considered valid, complete and binding to this firm.

   In case the enterprise has an authorized representative, designated as such by virtue of a Board Resolution of the firm, duly certified by its Board Secretary, and as appearing in the records of the BOI, it shall be so indicated that notices, communications and/or processes of the latter shall be sent to said representative. The authorized representative shall be responsible for notifying BOI, in writing, of any changes in its Address of Record within ten (10) calendar days after such change, and therefore, should it fail to do so, service of all BOI communications, notices or processes in the Address of Record of such authorized representative shall be considered valid, complete and binding to this firm.

3. The enterprise shall notify the BOI of the following acts:
   (Per Board Res. No. 38-16 S'2005 dated November 22, 2005)

   a. Invest in, extend loans, or buy bonds, in substantial amount, from any enterprise either in the Philippines or abroad. This does not apply to bonds issued by the Philippine Government;
   b. Issue stock convertible into voting stocks;
   c. Buy its own stocks
   d. Expand its capacity, with or without incentives;
   e. Appointment or replacement of its general manager.

4. The enterprise shall secure prior permission of the BOI before doing any of the following acts:

   a. Transfer ownership and/or control of the firm;
   b. Engage in an undertaking other than the preferred project covered by its registration.

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5. The enterprise shall maintain separate books of accounts for each activity, registered and unregistered with the Board. Moreover, the firm shall submit a list of direct costs attributable to each type of activity for purposes of determining the taxable income of each activity

6. The enterprise shall submit to the Board an annual report of its actual investments, taxes paid and employment in the project within one (1) month following the end of the firm's calendar/fiscal year.

7. The enterprise shall comply with environmental laws and regulations.

8. The enterprise shall comply with the Tree Planting Program of the BOI requiring a minimum of one hundred (100) forest trees to be planted pursuant to Memorandum Circular No. 01 not later than one (1) year from date of registration. Proof of compliance must be submitted within one (1) year from the first anniversary date of the firm's registration; otherwise, application for availment of any incentive by the firm shall not be accepted by the Board.

9. The enterprise shall comply with the other conditions and representations made and accepted by the firm as embodied in its project feasibility study, confirmation letter, among others, and these shall form part of this registration.

10. All the fiscal and non-fiscal incentives which do not contain specific period for their enjoyment shall terminate after a period of not more than ten (10) years from start up of operation.

11. Failure of the enterprise to file the incentive application within the prescribed date shall mean imposition of fines and penalty including possible forfeiture or suspension of incentives or non-acceptance of the said application.

12. The enterprise shall submit the following reporting requirement to **Supervision and Monitoring Department** on or before their respective due dates:

Report	Due Date
SI (Annual Report of Performance)	Calendar year May 15 Fiscal year 4 ½ months after the end of fiscal year
Annual Audited Financial Statements	One (1) month from the date of filing with the BIR
Annual Income Tax Return	Thirty (30) calendar days from the date of filing with the BIR

You may submit the above report **on-line** to SMD@boi.gov.ph.
For late filing and/or non-submission of reports and other requirements, the Board shall impose such fines in accordance with the schedule as set forth in the rules.

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THERMA SOUTH, INC.
C. R. No. 2011-150

ANNEX "A"

*** Specific Term and Condition No. 10 is hereby amended to read as follows:**

10. The enterprise may qualify to import capital equipment, spare parts and accessories at zero (0) duty from the date of effectivity of Executive Order No. 70 and its implementing rules and Regulations **for a period of five (5) years reckoned from the date of its registration or until the expiration of E.O. 70, whichever is earlier; Provided, however that during the interim period of June 17, 2011 to May 9, 2012, any importation of capital equipment, spare parts and accessories shall not be covered.** NCHO 11July12

(Per BOI SMD letter dated 14 June 2012, Board Resolution No. 19 – 8 S'2012)

Board of Investments

Republic of the Philippines
BOARD OF INVESTMENTS
Makati City

DEPARTMENT OF TRADE & INDUSTRY PHILIPPINES

CERTIFICATE OF REGISTRATION

No. 2009-083

TO ALL WHOM IT MAY CONCERN:

This is to certify that the Board of Investments has duly registered

AP RENEWABLES, INC.

New Operator of the 458.5 MW Makban Geothermal Power Plant

(Mt. Makiling, Makban, Laguna)

in accordance with the provisions of the Omnibus Investments Code of 1987, as amended, subject to the representations and commitments set forth in its application for registration, the provisions of the above law, the rules and regulations of the Board of Investments and the terms and conditions herein prescribed.

In testimony whereof the seal of the Board of Investments and the signature of its Chairman / Vice-Chairman is hereunto affixed. Given at Makati City, Philippines, this 19th day of, June 2009.

Board Res. No. 19-11 S'2009

USEC. ELMER C. HERNANDEZ
Vice Chairman & Managing Head

6/19/09 255736
Department of Trade and Industry

Attested:

BOBBY G. FONDEVILLA
Board Secretary

AP RENEWABLES, INC.

Type of Registration/Activity : **New Operator of the 458.5 MW Makban Geothermal Power Plant (Mt. Makiling, Makban, Laguna**
Capacity : **458.5 MW**
Status : **PIONEER**
Certificate of Registration No. : **2009-083**
Date : **JUNE 19, 2009**

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SPECIFIC TERMS AND CONDITIONS

1. The enterprise shall start commercial operations in **June 2009.** Request for amendment of timetable should be filed before the scheduled start of commercial operations.

2. The enterprise shall increase its authorized, subscribed and paid-up capital stock to ***at least PhP3.3 Billion*** and shall submit proof of compliance prior to availment of Income Tax Holiday Incentives.

3. The enterprise shall submit an undertaking that the incentives availed of shall translate to the benefits of end-users in terms of reduced price of electricity. Semi-annual report shall be submitted to the BOI reflecting the compliance to this condition

4. The enterprise shall secure a Certificate of Compliance from Energy Regulation Commission (ERC) prior to start of commercial operation subject to the condition that in the event that ERC denies the said COC, registration shall be subject to automatic cancellation procedure for non-compliance of the post registration requirement.

5. The enterprise is enjoined to undertake Corporate Social Responsibility (CSR) Projects/ Activities. A report on completed/on-going CSR projects/activities shall be submitted to the Board prior to availment of Income Tax Holiday. For its CSR project, the firm may choose from the list of act activities identified by the National Anti-Poverty Commission (NAPC).

6. The enterprise shall observe the following production and sales schedule:

	1	2	3	4	5
Sales Volume (Energy Sold) MWh	1,281,999	2,930,296	2,776,425	2,823,425	2,816,282
Selling Price (Price/PhP per kWh)*	3.51	3.51	3.54	3.68	4.38
Sales Value (Revenue)-PHP 000's	4,504,059	10,284,570	9,839,673	10,397,286	12,335,372

***Upon Approval by ERC**

(Continued on page 2)

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7. The enterprise shall observe the following project timetable:

Activity	Date	Cost (In '000 PhP)
1. Obtain appropriate license/agreements/permits from government agencies.	Ongoing	5,000
2. Site acquisition and Purchase of existing plant equipment and inventory	Completed	12,200,000
3. Site preparation and development Acquisition of Equipment (Placing of purchase orders or Opening of Letters of Credits) - Installation of Equipment	May 2009 to May 2012	845,000
4. Start of Commercial Operation	**June 2009**	125,000
Total Project Cost		**13,175,000**

8. The firm shall be entitled to the following incentives:

   a) Income Tax Holiday (ITH) for six (6) years from **June 2009** or actual start of commercial operations/selling, whichever is earlier but in no case earlier than the date of registration. **The ITH shall be limited only to the sales/revenue generated from the sales of electricity of the 458.5 MW Makban Geothermal Power Plant Project. Revenues generated from the sales of carbon emission reduction credits are also entitled to ITH.**

   Date of filing: An application should be filed with the BOI Incentives Department within one (1) month from the filing of the final ITR with BIR in order to validate the claim for income tax exemption. The application shall be accompanied by a certification by SSS that the firm is in good standing in the remittance of SSS contributions of its employees. Any request for extension of the reckoning date of ITH availment should be filed prior to the scheduled date or within 90 days from the occurrence of fortuitous events and/or government delays.

   The firm must secure a Certificate of ITH entitlement (CoE) from the Supervision and Monitoring Department (SMD) of BOI prior to filing the Income Tax Return with the BIR, otherwise ITH for that particular taxable year without CoE shall be forfeited.

   Notwithstanding the provisions of the preceding paragraph, the Board, as matter of national interest, reserves the right to suspend the availment of ITH incentive.

   The firm can avail of bonus year in each of the following cases but the aggregate ITH availment (basic and bonus years) shall not exceed eight (8) years:

   - The ratio of the total imported and domestic capital equipment to the number of workers for the project does not exceed US$10,000 to one (1) worker; or
   - The net foreign exchange savings or earnings amount to at least US$500,000 annually during the first three (3) years of operation; and

(Continued on page 3) rrar

- The indigenous raw materials used in the manufacture of the registered product must at least be fifty percent (50%) of the total cost of raw materials for the preceding years prior to the extension unless the Board prescribes a higher percentage.

Date of filing: An application shall be filed with the BOI Incentives Department prior to the filing with BIR of the firm's final ITR, for which the bonus years will be applied.

b) For the first five (5) years from date of registration, the registered firm shall be allowed an additional deduction from taxable income of fifty percent (50) of the wages corresponding to the increment in the number of direct labor for skilled and unskilled workers in the year of availment as against the previous year if the project meets the prescribed ratio of capital equipment to the number of workers set by the Board of $10,000 to one worker and provided that this incentive shall not be availed of simultaneously with the Income Tax Holiday.

Date of filing: An application shall be filed with the BOI Incentives Department within one (1) month from filing of the final ITR with the BIR.

c) Employment of foreign nationals. This may be allowed in supervisory, technical or advisory positions for five (5) years from date of registration. The president, general manager and treasurer of foreign-owed registered firms or their equivalent shall not be subject to the foregoing limitations.

Date of filing: Application filed at BOI Incentives Department before assumption of duty of newly hired foreign nationals and at least one (1) month before expiration of existing employment for renewal of visa.

d) Importation of consigned equipment for a period a period of ten (10) years from date of registration, subject to the posting of re-export bond.

Date of filing: Apply with the BOI-Incentives Department for endorsement to Department of Finance before loading on board of the equipment.

* 9. The enterprise may qualify to import capital equipment, spare parts and accessories at zero (0%) duty rate from date of registration to 16 June 2011 pursuant to Executive Order No. 528 and its Implementing Rules and Regulations.

10. The enterprise shall submit to the BOI Supervision and Monitoring Department, on a quarterly basis within fifteen (15) days from the end of each quarter, a report on **Actual Investments, Employment, Sales, Production Costs and other information that the Board may require anytime with respect to the registered project** starting on date of registration.

11. The enterprise shall visit the BOI website (http://www.boi.gov.ph) on a regular basis for updates on BOI rules, policies, and guidelines, and citation and recognition to a particular BOI registered firms for exemplary performance, as well as notice to particular firms regarding specific violation(s) of the terms and conditions

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* Please see **ANNEX "A"** Amalia olizndo

AP RENEWABLES, INC.
C.R. No. 2009-083

GENERAL TERMS AND CONDITIONS

1. The enterprise shall observe and abide by the provisions of the Omnibus Investments Code of 1987 and other related laws and their implementing rules and regulations as well as its commitments and representations made in the application for registration and take adequate measures to ensure that its obligation thereunder as well as those of its officers, employees and stockholders are faithfully discharged; provided it is understood that any misrepresentation or falsification in the documents or other supporting papers submitted to the Board shall constitute as ground for automatic cancellation of its registration.

2. The enterprise's registered activity shall be subject to periodic testing, at least once a year, by any independent agency whenever the BOI so requires, such test to be conducted at the expense of the registered enterprise.

3. The enterprise's Address of Record shall be at **110 Legaspi Street Legaspi Village, Makati City.** All BOI notices/ communications to the firm shall be sent to this address. The firm shall be responsible for notifying BOI, in writing, of any changes in its Address of Record, within ten (10) calendar days after such change, and therefore, should it fail to do so, service of all BOI communications, notices or processes in its Address of Record shall be considered valid, complete and binding to this firm.

   In case the enterprise has an authorized representative, designated as such by virtue of a Board Resolution of the firm, duly certified by its Board Secretary, and as appearing in the records of the BOI, it shall be so indicated that notices, communications and/or processes of the latter shall be sent to said representative. The authorized representative shall be responsible for notifying BOI, in writing, of any changes in its Address of Record within ten (10) calendar days after such change, and therefore, should it fail to do so, service of all BOI communications, notices or processes in the Address of Record of such authorized representative shall be considered valid, complete and binding to this firm.

4. The enterprise shall notify the BOI of the following acts:

   a. Invest in, extend loans, or buy bonds, in substantial amount, from any enterprise either in the Philippines or abroad. This does not apply to bonds issued by the Philippine Government;
   b. Issue stock convertible into voting stocks;
   c. Buy its own stocks
   d. Expand its capacity, with or without incentives;
   e. Appointment or replacement of its general manager.

5. The enterprise shall secure prior permission of the BOI before doing any of the following acts:

   a. Transfer ownership and/or control of the firm;
   b. Engage in an undertaking other than the preferred project covered by its registration.

(Continued on page 2) 6/24.09

6. The enterprise shall maintain separate books of accounts for each activity, registered and unregistered with the Board. Moreover, the firm shall submit a list of direct costs attributable to each type of activity for purposes of determining the taxable income of each activity.

7. The enterprise shall submit to the Board an annual report of its actual investments, taxes paid and employment in the project within one (1) month following the end of its calendar/fiscal year.

8. The enterprise shall comply with all environmental laws and regulations.

9. The enterprise shall comply with the Tree Planting Program of the BOI requiring a minimum of one hundred (100) forest trees to be planted pursuant to Memorandum Circular No. 01 not later than one (1) year from date of registration. Proof of compliance must be submitted within one (1) year from the first anniversary date of the firm's registration; otherwise, application for availment of any incentive by the firm shall not be accepted by the Board.

10. The enterprise shall comply with the other conditions and representations made and accepted by the firm as embodied in its project feasibility study, confirmation letter, among others, and these shall form part of this registration.

11. All the fiscal and non-fiscal incentives which do not contain specific period for their enjoyment shall terminate after a period of not more than ten (10) years from start up of operation.

12. Failure of the enterprise to file the incentive application within the prescribed date shall mean imposition of fines and penalty including possible forfeiture or suspension of incentives or non-acceptance of the said application.

13. The firm shall submit the following reporting requirement to **Supervision and Monitoring Department** on or before their respective due dates:

Report	**Due Date**
S1 (Annual Report of Performance)	Calendar year – May 15 Fiscal year – 4 ½ months after the end of fiscal year
Annual Audited Financial Statements	One (1) month from the date of filing with the BIR
Annual Income Tax Return	Thirty (30) calendar days from the date of filing with the BIR

You may submit the above report **on-line** to SMD@boi.gov.ph.
For late filing and/or non-submission of reports and other requirements, the Board shall impose such fines in accordance with the schedule as set forth in the rules.

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AP RENEWABLES, INC.
C.R. No. 2009-083
Specific Terms and Conditions

ANNEX "A"

* Specific Terms and Conditions No. 9. is hereby amended to read as follows:

9. The enterprise may qualify to import capital equipment, spare parts and accessories at zero (0) duty from the date of effectivity of Executive Order No. 70 and its Implementing Rules and Regulations **for a period of five (5) years reckoned from the date of its registration or until the expiration of E.O. 70, whichever is earlier; Provided, however, that during the interim period of June 17, 2011 to May 9, 2012, any importation of capital equipment, spare parts and accessories shall not be covered.**

(Per BOI SMD letter dated 9 July 2012)

BOARD OF INVESTMENTS

DEPARTMENT OF TRADE & INDUSTRY PHILIPPINES

19 June 2009

MR. MANUEL LOZANO
Chief Financial Officer
A P RENEWABLES, INC.
110 Legaspi Street, Legaspi Village
Makati City

Dear Mr. Lozano:

Congratulations! The project is now registered with the Board of Investments as **New Operator of 458.5 MW Makban Geothermal Power Plant (Mt. Makiling, Makban, Laguna)** on a **Pioneer Status** under the Omnibus Investments Code of 1987 (E.O. 226).

The attached Certificate of Registration incorporates the agreed Terms and Conditions of your registration, including all the fiscal and non-fiscal incentives available to the registered project. Other incentives with no specific number of years of entitlement may be enjoyed for a maximum period of ten (10) years from the start of your commercial operation and/ or date of registration.

Very truly yours,

BOBBY G. FONDEVILLA
Board Secretary

Board of Investments

Republic of the Philippines
BOARD OF INVESTMENTS
Makati City

DEPARTMENT OF TRADE & INDUSTRY PHILIPPINES

CERTIFICATE OF REGISTRATION

No. 2009-084

TO ALL WHOM IT MAY CONCERN:

This is to certify that the Board of Investments has duly registered

AP RENEWABLES, INC.

New Operator of the 289 MW Tiwi Geothermal Power Plant

(Tiwi, Albay)

in accordance with the provisions of the Omnibus Investments Code of 1987, as amended, subject to the representations and commitments set forth in its application for registration, the provisions of the above law, the rules and regulations of the Board of Investments and the terms and conditions herein prescribed.

In testimony whereof the seal of the Board of Investments and the signature of its Chairman / Vice-Chairman is hereunto affixed. Given at Makati City, Philippines, this 19th day of, June 2009.

Board Res. No. 19-10 S'2009

USEC. ELMER C. HERNANDEZ
Vice Chairman & Managing Head

4/8/09 255737

Department of Trade and Industry

Attested:

BOBBY G. FONDEVILLA
Board Secretary

AP RENEWABLES, INC.

Type of Registration/Activity	:	**New Operator of 289 MW Tiwi Geothermal Power Plant (Tiwi, Albay)**
Capacity	:	**289 MW**
Status	:	**PIONEER**
Certificate of Registration No.	:	**2009-084**
Date	:	**JUNE 19, 2009**

x---x

SPECIFIC TERMS AND CONDITIONS

1. The enterprise shall start commercial operations in **June 2009.** Request for amendment of timetable should be filed before the scheduled start of commercial operations.

2. The enterprise shall increase its authorized, subscribed and paid-up capital stock to ***at least PhP2.4 Billion*** and shall submit proof of compliance prior to availment of Income Tax Holiday Incentives.

3. The enterprise shall submit an undertaking that the incentives availed of shall translate to the benefits of end-users in terms of reduced price of electricity. Semi-annual report shall be submitted to the BOI reflecting the compliance to this condition

4. The enterprise shall secure a Certificate of Compliance from Energy Regulation Commission (ERC) prior to start of commercial operation subject to the condition that in the event that ERC denies the said COC, registration shall be subject to automatic cancellation procedure for non-compliance of the post registration requirement.

5. The enterprise is enjoined to undertake Corporate Social Responsibility (CSR) Projects/ Activities. A report on completed/on-going CSR projects/activities shall be submitted to the Board prior to availment of Income Tax Holiday. For its CSR project, the firm may choose from the list of act activities identified by the National Anti-Poverty Commission (NAPC).

6. The enterprise shall observe the following production and sales schedule:

	1	2	3	4	5
Sales Volume (Energy Sold) MWh	725,496	1,441,946	1,423,074	1,435,097	1,282,750
Selling Price (Price/PhP per kWh)*	3.19	3.26	3.26	3.38	4.21
Sales Value (Revenue)-PHP 000's	2,317,838	4,693,704	4,643,373	4,846,829	5,406,357

***Upon approval by ERC**

(Continued on page 2) 6/24.09

7. The enterprise shall observe the following project timetable:

Activity	Date	Cost (In '000 PhP)
1. Obtain appropriate license/agreements/permits from government agencies.	Ongoing	5,000
2. Site acquisition and Purchase of existing plant equipment and inventory	Completed	8,700,000
3. Site preparation and development Acquisition of Equipment (Placing of purchase orders or Opening of Letters of Credits) - Installation of Equipment	May 2009 to May 2012	600,000
4. Start of Commercial Operation	**June 2009**	233,000
Total Project Cost		**9,538,000**

8. The firm shall be entitled to the following incentives:

a) Income Tax Holiday (ITH) for **six (6) years** from **June 2009** or actual start of commercial operations/selling, whichever is earlier but in no case earlier than the date of registration. **The ITH shall be limited only to the sales/revenue generated from the sales of electricity of the 289 MW TIWI Geothermal Power Plant Project. Revenues generated from the sales of carbon emission reduction credits are also entitled to ITH.**

Date of filing: An application should be filed with the BOI Incentives Department within one (1) month from the filing of the final ITR with BIR in order to validate the claim for income tax exemption. The application shall be accompanied by a certification by SSS that the firm is in good standing in the remittance of SSS contributions of its employees. Any request for extension of the reckoning date of ITH availment should be filed prior to the scheduled date or within 90 days from the occurrence of fortuitous events and/or government delays.

The firm must secure a Certificate of ITH entitlement (CoE) from the Supervision and Monitoring Department (SMD) of BOI prior to filing the Income Tax Return with the BIR, otherwise ITH for that particular taxable year without CoE shall be forfeited.

Notwithstanding the provisions of the preceding paragraph, the Board, as matter of national interest, reserves the right to suspend the availment of ITH incentive.

The firm can avail of bonus year in each of the following cases but the aggregate ITH availment (basic and bonus years) shall not exceed eight (8) years:

- The ratio of the total imported and domestic capital equipment to the number of workers for the project does not exceed US$10,000 to one (1) worker; or
- The net foreign exchange savings or earnings amount to at least US$500,000 annually during the first three (3) years of operation; and

(Continued on page 3) maa

- The indigenous raw materials used in the manufacture of the registered product must at least be fifty percent (50%) of the total cost of raw materials for the preceding years prior to the extension unless the Board prescribes a higher percentage.

Date of filing: An application shall be filed with the BOI Incentives Department prior to the filing with BIR of the firm's final ITR, for which the bonus years will be applied.

b) For the first five (5) years from date of registration, the registered firm shall be allowed an additional deduction from taxable income of fifty percent (50) of the wages corresponding to the increment in the number of direct labor for skilled and unskilled workers in the year of availment as against the previous year if the project meets the prescribed ratio of capital equipment to the number of workers set by the Board of $10,000 to one worker and provided that this incentive shall not be availed of simultaneously with the Income Tax Holiday.

Date of filing: An application shall be filed with the BOI Incentives Department within one (1) month from filing of the final ITR with the BIR.

c) Employment of foreign nationals. This may be allowed in supervisory, technical or advisory positions for five (5) years from date of registration. The president, general manager and treasurer of foreign-owed registered firms or their equivalent shall not be subject to the foregoing limitations.

Date of filing: Application filed at BOI Incentives Department before assumption of duty of newly hired foreign nationals and at least one (1) month before expiration of existing employment for renewal of visa.

d) Importation of consigned equipment for a period a period of ten (10) years from date of registration, subject to the posting of re-export bond.

Date of filing: Apply with the BOI-Incentives Department for endorsement to Department of Finance before loading on board of the equipment.

*9. The enterprise may qualify to import capital equipment, spare parts and accessories at zero (0%) duty rate from date of registration to 16 June 2011 pursuant to Executive Order No. 528 and its Implementing Rules and Regulations.

10. The enterprise shall submit to the BOI Supervision and Monitoring Department, on a quarterly basis within fifteen (15) days from the end of each quarter, a report on **Actual Investments, Employment, Sales, Production Costs and other information that the Board may require anytime with respect to the registered project** starting on date of registration.

11. The enterprise shall visit the BOI website (http://www.boi.gov.ph) on a regular basis for updates on BOI rules, policies, and guidelines, and citation and recognition to a particular BOI registered firms for exemplary performance, as well as notice to particular firms regarding specific violation(s) of the terms and conditions

—nothing follows—

* Please see **ANNEX "A"**

AP RENEWABLES, INC.

C.R. No. 2009-084

GENERAL TERMS AND CONDITIONS

1. The enterprise shall observe and abide by the provisions of the Omnibus Investments Code of 1987 and other related laws and their implementing rules and regulations as well as its commitments and representations made in the application for registration and take adequate measures to ensure that its obligation thereunder as well as those of its officers, employees and stockholders are faithfully discharged; provided it is understood that any misrepresentation or falsification in the documents or other supporting papers submitted to the Board shall constitute as ground for automatic cancellation of its registration.

2. The enterprise's registered activity shall be subject to periodic testing, at least once a year, by any independent agency whenever the BOI so requires, such test to be conducted at the expense of the registered enterprise.

3. The enterprise's Address of Record shall be at **110 Legaspi Street Legaspi Village, Makati City.** All BOI notices/ communications to the firm shall be sent to this address. The firm shall be responsible for notifying BOI, in writing, of any changes in its Address of Record, within ten (10) calendar days after such change, and therefore, should it fail to do so, service of all BOI communications, notices or processes in its Address of Record shall be considered valid, complete and binding to this firm.

   In case the enterprise has an authorized representative, designated as such by virtue of a Board Resolution of the firm, duly certified by its Board Secretary, and as appearing in the records of the BOI, it shall be so indicated that notices, communications and/or processes of the latter shall be sent to said representative. The authorized representative shall be responsible for notifying BOI, in writing, of any changes in its Address of Record within ten (10) calendar days after such change, and therefore, should it fail to do so, service of all BOI communications, notices or processes in the Address of Record of such authorized representative shall be considered valid, complete and binding to this firm.

4. The enterprise shall notify the BOI of the following acts:

   a. Invest in, extend loans, or buy bonds, in substantial amount, from any enterprise either in the Philippines or abroad. This does not apply to bonds issued by the Philippine Government;
   b. Issue stock convertible into voting stocks;
   c. Buy its own stocks
   d. Expand its capacity, with or without incentives;
   e. Appointment or replacement of its general manager.

5. The enterprise shall secure prior permission of the BOI before doing any of the following acts:

   a. Transfer ownership and/or control of the firm;
   b. Engage in an undertaking other than the preferred project covered by its registration.

(Continued on page 2) naa 6/24.09

6. The enterprise shall maintain separate books of accounts for each activity, registered and unregistered with the Board. Moreover, the firm shall submit a list of direct costs attributable to each type of activity for purposes of determining the taxable income of each activity.

7. The enterprise shall submit to the Board an annual report of its actual investments, taxes paid and employment in the project within one (1) month following the end of its calendar/fiscal year.

8. The enterprise shall comply with all environmental laws and regulations.

9. The enterprise shall comply with the Tree Planting Program of the BOI requiring a minimum of one hundred (100) forest trees to be planted pursuant to Memorandum Circular No. 01 not later than one (1) year from date of registration. Proof of compliance must be submitted within one (1) year from the first anniversary date of the firm's registration; otherwise, application for availment of any incentive by the firm shall not be accepted by the Board.

10. The enterprise shall comply with the other conditions and representations made and accepted by the firm as embodied in its project feasibility study, confirmation letter, among others, and these shall form part of this registration.

11. All the fiscal and non-fiscal incentives which do not contain specific period for their enjoyment shall terminate after a period of not more than ten (10) years from start up of operation.

12. Failure of the enterprise to file the incentive application within the prescribed date shall mean imposition of fines and penalty including possible forfeiture or suspension of incentives or non-acceptance of the said application.

13. The firm shall submit the following reporting requirement to **Supervision and Monitoring Department** on or before their respective due dates:

Report	**Due Date**
S1 (Annual Report of Performance)	Calendar year – May 15 Fiscal year – 4 ½ months after the end of fiscal year
Annual Audited Financial Statements	One (1) month from the date of filing with the BIR
Annual Income Tax Return	Thirty (30) calendar days from the date of filing with the BIR

You may submit the above report **on-line** to SMD@boi.gov.ph.
For late filing and/or non-submission of reports and other requirements, the Board shall impose such fines in accordance with the schedule as set forth in the rules.

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AP RENEWABLES, INC.
C.R. No. 2009-084
Specific Terms and Conditions

ANNEX "A"

* Specific Terms and Conditions No. 9. is hereby amended to read as follows:

9. The enterprise may qualify to import capital equipment, spare parts and accessories at zero (0) duty from the date of effectivity of Executive Order No. 70 and its Implementing Rules and Regulations **for a period of five (5) years reckoned from the date of its registration or until the expiration of E.O. 70, whichever is earlier; Provided, however, that during the interim period of June 17, 2011 to May 9, 2012, any importation of capital equipment, spare parts and accessories shall not be covered.**

(Per BOI SMD letter dated 9 July 2012)

BOARD OF INVESTMENTS

DEPARTMENT OF TRADE & INDUSTRY PHILIPPINES

19 June 2009

MR. MANUEL LOZANO
Chief Financial Officer
A P RENEWABLES, INC.
110 Legaspi Street, Legaspi Village
Makati City

Dear Mr. Lozano:

Congratulations! The project is now registered with the Board of Investments as **New Operator of 289 MW Tiwi Geothermal Power Plant (Tiwi, Albay)** on a **Pioneer Status** under the Omnibus Investments Code of 1987 (E.O. 226).

The attached Certificate of Registration incorporates the agreed Terms and Conditions of your registration, including all the fiscal and non-fiscal incentives available to the registered project. Other incentives with no specific number of years of entitlement may be enjoyed for a maximum period of ten (10) years from the start of your commercial operation and/ or date of registration.

Very truly yours,

BOBBY G. FONDEVILLA
Board Secretary

BOARD OF INVESTMENTS

DEPARTMENT OF TRADE & INDUSTRY PHILIPPINES

10 December 2009

GNPower Mariveles Coal Plant Ltd. Co
1905 Orient Square Bldg.,
Don Francisco Ortigas, Jr. Road
Ortigas Center, Pasig City

Attention: **Mr. John A. Becker**
President and COO

Gentlemen:

Please be informed that the Board, in its meeting of December 9, 2009, granted GNPower Mariveles Coal Plant Ltd. Co's request for the movement of the start of its commercial operation and ITH reckoning date from June 2012 to **July 2013** covered by BOI Certificate of Registration No. 2006-140 dated 15 November 2005.

Please be informed further that the period of ITH availment shall in no case be further amended.

In this regard, please surrender the original BOI Certificate of Registration No. 2005-140 to the Project Evaluation and Registration Department for annotation purposes, and pay the amount of P1,500 as amendment fee.

Please be guided accordingly.

Very truly yours,

GUILLERMO S. LAQUINDANUM
Director
Supervision and Monitoring Department

LPP/lly

Cc: Project Evaluation and Registration Department
Incentives Department
Investments Aftercare Service Department

BOARD OF INVESTMENTS
PROJ EVALUATION & REGISTRATION DEPT.
RECEIVED
By: ALDRIN
Date: DEC 28 2009 Time: 3:02 PM

Republic of the Philippines
BOARD OF INVESTMENTS
Makati City

CERTIFICATE OF REGISTRATION

No. ***2006-140***

TO ALL WHOM IT MAY CONCERN:

This is to certify that the Board of Investments has duly registered

GNPOWER MARIVELES COAL PLANT LTD. CO.
*(**GNPOWER LTD. CO.**)

New Operator of 600 MW Coal Fired Power Plant

in accordance with the provisions of the Omnibus Investments Code of 1987 subject to the representations and commitments set forth in its application for registration, the provisions of the above law, the rules and regulations of the Board of Investments and the terms and conditions herein prescribed.

In testimony whereof the seal of the Board of Investments and the signature of its Chairman / Vice - Chairman is hereunto affixed. Given at Makati City, Philippines, this 15th day of, November, 2006.

USEC. ELMER C. HERNANDEZ
Vice Chairman & Managing Head

242846
Department of Trade and Industry

Attested:

BOBBY G. FONDEVILLA
Board Secretary
Board Res.No. 33-14 S'2006

*See page 1 of the Specific Terms and Conditions for amendment.

8-07-07

GNPOWER MARIVELES COAL PLANT LTD. CO.
*(GNPOWER LTD. CO.)

Type of Registration/Activity : **NEW OPERATOR OF SIX HUNDRED (600) MEGAWATTS COAL FIRED POWER PLANT**
Status : **PIONEER**
Certificate of Registration No. : **2006-140**
Date : **NOVEMBER 15, 2006**

x---x

SPECIFIC TERMS AND CONDITIONS

*** 1. The firm shall start commercial operations in **December 2010**. Request for amendment of timetable shall be filed before the scheduled start of commercial operations.

2. The firm shall increase its Partner's capital **to at least P10.976 Billion** and shall submit proof of compliance prior to availment of Income Tax Holiday incentives.

3. The firm shall secure a Certificate of Compliance (COC) from Energy Regulatory Commission (ERC) prior to start of commercial operation subject to the condition that in the event that ERC denies the said COC, registration shall be subject to automatic cancellation procedure for non-compliance of the post registration requirement.

4. **The firm shall submit an undertaking that the incentives availed of shall translate to the benefits of the end-users. Semi-annual report shall be submitted to the BOI reflecting the compliance to this condition.**

5. The firm shall observe the following project timetable:

Activity	Schedule	Related Expenses	Cost (P Million)
Obtained appropriate license/ agreement/permit from relevant government agencies	2006-2007	Pre-operating cost	1,118
Site preparation and development	2007	Development and Start up Cost	3,622
Acquisition of equipment	2007-2009	Property, Plant & Equipment VAT Coal Reserve Debt-Service Reserve IDC, PRI, Financing and other fees	29,930 3,314 518 4,524 877
Start up/Commissioning	2010		
Start of Commercial Operation	December 2010		
TOTAL PROJECT COST			**43,903**

6. The firm shall be entitled to the following incentives:

   a. Income Tax Holiday (ITH) for a period of six (6) years from **December 2010** or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration. **The ITH incentives shall be limited only to the sales/revenue generated from the sales of electricity.**

(Continued on page 2) ADP 11-15-06

* Registration transferred to **GNPOWER MARIVELES COAL PLANT LTD. CO.**, subject to the following conditions:

a. The transfer of registration shall be without prejudice to the tax implication arising therefrom.
b. Such other registration requirements/conditions as may be imposed by the Board.

(Per Board Minutes dated May 23, 2007) ADP 6-07-07

Date of filing : An application shall be filed with the BOI Incentives Department within one (1) month from the filing of the final ITR with the BIR in order to validate claim for income tax exemption. **The application shall be accompanied by a certification by SSS that the firm is in good standing in the remittance of SSS contributions of its employees.** Any request for extension of the reckoning date of ITH availment shall be filed prior to the scheduled date or within 90 days from the occurrence of fortuitous events and/or government delays.

The firm can avail of bonus year in each of the following cases but the aggregate ITH availment (basic and bonus years) shall not exceed eight (8) years;

- The ratio of the total imported and domestic capital equipment to the number of workers for the project does not exceed US$10,000 to one (1) worker; or
- The net foreign exchange savings or earnings amount to at least US$500,000 annually during the first three (3) years of operation; and
- The indigenous raw materials used in the manufacture of the registered product must at least be fifty percent (50%) of the total cost of raw materials for the preceding years prior to the extension unless the Board prescribes a higher percentage.

Date of filing : An application shall be filed with the BOI Incentives Department prior to the filing with BIR of the firm's final ITR, for which the bonus years will be applied.

b. For the first five (5) years from the date of registration, the firm shall be allowed an additional deduction from taxable income of fifty percent (50%) of the wages corresponding to the increment in number of direct labor for skilled and unskilled workers in the year of availment as against the previous year if the project meets the prescribed ratio of capital equipment to the number of workers set by the Board of US$10,000 to one (1) worker and provided that this incentive shall not be availed of simultaneously with the income tax holiday.
Date of filing: An application shall be filed with the BOI Incentives Department within one (1) month from filing of final ITR with the BIR.

c. Employment of foreign nationals. This may be allowed in supervisory, technical or advisory positions for five (5) years from date of registration. The president, general manager and treasurer of foreign-owned registered firms or their equivalent shall not be subject to the foregoing limitations.
Date of filing: Application shall be filed with the BOI Incentives Department before assumption to duty of newly hired foreign nationals and at least one (1) month before expiration of existing employment for renewal of visa.

d. Importation of consigned equipment for a period of ten (10) years from date of registration, subject to the posting of re-export bond.
Date of filing: Apply with the BOI Incentives Department for endorsement to the Department of Finance (DOF) before loading on board of the equipment.

(Continued on page 3)

ATP 11-15-06

***The start of commercial operation and ITH reckoning date amended from June 2012 to July 2013.
(Per Board Minutes dated December 09, 2009) 01/07.10

** The start of commercial operation and ITH reckoning date amended from December 2010 to June 2012.
(Per Board Minutes dated June 19, 2008)

7. The firm may qualify to import capital equipment, spare parts and accessories at zero duty from date of registration up to June 16, 2011 pursuant to Executive Order No. 528 and its Implementing Rules and Regulations.

8. The firm shall submit to the Supervision and Monitoring Department of BOI, a quarterly report on Actual Investments, Employment and Sales pertaining to the registered project. This report shall be due within fifteen (15) days after the end of each quarter, starting on the date of registration.

9. The firm shall visit the BOI website (http://www.boi.gov.ph), on a regular basis, for updates on BOI rules, policies and guidelines, and citation and recognition to particular BOI-registered firms for exemplary performance, as well as notice to particular firms regarding specific violation(s) of the terms and conditions of the registration.

-------o0o--------- 11-15-06

GNPOWER MARIVELES COAL PLANT LTD. CO.
GNPOWER LTD. CO.
C.R. No. 2006-140
GENERAL TERMS AND CONDITIONS

1. The firm shall observe and abide by the provisions of the Omnibus Investments Code of 1987 and other related laws and their implementing rules and regulations as well as its commitments and representations made in the application for registration and take adequate measures to ensure that its obligation thereunder as well as those of its officers, employees and stockholders are faithfully discharged; provided it is understood that any misrepresentation or falsification in the documents or other supporting papers submitted to the Board shall constitute as ground for automatic cancellation of its registration.

2. The firm's registered product/s shall be subject to periodic testing, at least once a year, by any independent agency whenever the BOI so requires, such test to be conducted at the expense of the registered enterprise.

3. The firm's Address of Record shall be at **1905 Orient Square Building, Ortigas Center, Pasig City.** All BOI notices/ communications to the firm shall be sent to this address. The firm shall be responsible for notifying BOI, in writing, of any changes in its Address of Record, within ten (10) calendar days after such change, and therefore, should it fail to do so, service of all BOI communications, notices or processes in its Address of Record shall be considered valid, complete and binding to this firm.

   In case the firm has an authorized representative, designated as such by virtue of a Board Resolution of the firm, duly certified by its Board Secretary, and as appearing in the records of the BOI, it shall be so indicated that notices, communications and/or processes of the latter shall be sent to said representative. The authorized representative shall be responsible for notifying BOI, in writing, of any changes in its Address of Record within ten (10) calendar days after such change, and therefore, should it fail to do so, service of all BOI communications, notices or processes in the Address of Record of such authorized representative shall be considered valid, complete and binding to this firm.

4. The firm shall notify the BOI of the following acts:

   a. Invest in, extend loans, or buy bonds, in substantial amount, from any enterprise either in the Philippines or abroad. This does not apply to bonds issued by the Philippine Government;
   b. Issue stock convertible into voting stocks;
   c. Buy its own stocks;
   d. Appointment or replacement of its general manager.

5. The firm shall secure prior permission of the BOI before doing any of the following acts:

   a. Expand its capacity, with or without incentives;
   b. Transfer ownership and/or control of the firm;
   c. Engage in an undertaking other than the preferred project covered by its registration.

6. The firm shall maintain separate books of accounts for each activity, registered and unregistered with the Board. Moreover, the firm shall submit a list of direct costs attributable to each type of activity for purposes of determining the taxable income of each activity.

(Continued on page 2) APP 11-15-06

7. The firm shall submit to the Board an annual report of its actual investments, taxes paid and employment in the project within one (1) month following the end of its calendar/fiscal year.

8. The firm shall comply with all environmental laws and regulations.

9. The firm shall comply with the Tree Planting Program of the BOI requiring a minimum of one hundred (100) forest trees to be planted pursuant to Memorandum Circular No. 01 not later than one (1) year from date of registration. Proof of compliance must be submitted within one (1) year from the first anniversary date of the firm's registration; otherwise, application for availment of any incentive by the firm shall not be accepted by the Board.

10. The firm shall comply with the other conditions and representations made and accepted by the firm as embodied in its project feasibility study, confirmation letter, among others, and these shall form part of this registration.

11. All the fiscal and non-fiscal incentives which do not contain specific period for their enjoyment shall terminate after a period of not more than ten (10) years from start up of operation.

12. Failure of the firm to file the incentive application within the prescribed date shall mean imposition of fines and penalty including possible forfeiture or suspension of incentives or non-acceptance of the said application.

13. The firm shall submit the following reporting requirement to **Supervision and Monitoring Department** on or before their respective due dates:

Report	**Due Date**
S1 (Annual Report of Performance)	Calendar year – May 15 Fiscal year – 4 ½ months after the end of fiscal year
Annual Audited Financial Statements	One (1) month from the date of filing with the BIR
Annual Income Tax Return	Thirty (30) calendar days from the date of filing with the BIR

You may submit the above report **on-line** to SMD@boi.gov.ph.

For late filing and/or non-submission of reports and other requirements, the Board shall impose such fines in accordance with the schedule as set forth in the rules.

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ЯТP 11-15-06

BOARD OF INVESTMENTS
PHILIPPINES

DEPARTMENT OF TRADE & INDUSTRY
PHILIPPINES

25 July 2016

MR. FELINO M. BERNARDO
President & COO
AP RENEWABLES INC.
NAC Tower, 32ND Street
Bonifacio Global City, Taguig 1634

Dear Mr. Bernardo,

Congratulations! Your project is now registered with the Board of Investments as **Renewable Energy Developer of Geothermal Energy Resources (Rehabilitation of 6 MW APRI Makban Binary No. 1 Power Plant – Additional Investment)** under the Renewable Energy Act of 2008 (R.A 9513).

The attached Certificate of Registration incorporates the agreed Terms and Conditions of your registration, including all the fiscal and non-fiscal incentives available to the registered project. Other incentives with no specific number of years of entitlement may be enjoyed for a maximum period of ten (10) years from the start of your commercial operation and/ or date of registration.

Very truly yours,

Exec. Dir. EFREN V. LEAÑO
Board Secretary

Republic of the Philippines
BOARD OF INVESTMENTS
Makati City

CERTIFICATE OF REGISTRATION

No. 2016-152

TO ALL WHOM IT MAY CONCERN:

This is to certify that the Board of Investments has duly registered

AP RENEWABLES INC.

Renewable Energy Developer of Geothermal Energy Resources
(Rehabilitation of 6 MW APRI Makban Binary No. 1 Power Plant-Additional Investment)

in accordance with the provisions of the Omnibus Investments Code of 1987, as amended, subject to the representations and commitments set forth in its application for registration, the provisions of the above law, the rules and regulations of the Board of Investments and the terms and conditions herein prescribed.

In testimony whereof the seal of the Board of Investments and the signature of its Chairman / Vice - Chairman is hereunto affixed. Given at Makati City, Philippines, this 25th day of, July 2016.

Board Res. No. 16-06 S'2016

DR. CEFERINO S. RODOLFO
Undersecretary and BOI Managing Head

296946
Department of Trade and Industry
DTI

Attested:

Exec. Dir. EFREN V. LEAÑO
Board Secretary

AP RENEWABLES INC.
(Mt. Makiling, Banahaw, Laguna)

Type of Registration/Activity	:	**RENEWABLE ENERGY DEVELOPER OF GEOTHERMAL ENERGY RESOURCES (REHABILITATION OF APRI MAKBAN BINARY NO. 1 POWER PLANT – ADDITIONAL INVESTMENT)**
Capacity	:	**6 MW**
Status	:	**N/A; UNDER R.A. 9513**
Certificate of Registration No.	:	**2016-152**
Date	:	**JULY 25, 2016**

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SPECIFIC TERMS AND CONDITIONS

1. The enterprise shall secure a Certificate of Compliance (COC) from the Energy Regulatory Commission (ERC) prior to the start of commercial operations subject to the condition that in the event that ERC denies the said COC, the registration shall be subject to the automatic cancellation procedure.

2. The enterprise shall observe the following project timetable:

Activity	Schedule	Related Expenses	Cost (in PhP)
Obtaining licenses, permits, registration	May - June 2016	Pre-operating expense	521,060
Project site preparation and development • Hiring of contractors • Civil works	June 2015 to June 2016	Parts replacement, materials, labor and services	130,706,617
Acquisition and installation of machinery & equipment	Sept 2015 to June 2016		
Trial Run	May 2016		
Start of commercial operation	**June 2016**		
		Total Project Cost	**131,227,677**

3. The enterprise shall observe the following production schedule:

Year	No. of Generators	Production/ Sales (kWh)	Selling Price (PhP /kWh)	Sales Value (PhP)
	A	B	C	D=BxC
Y1	2	23,653,450	2.54	60,079,763
Y2	2	39,682,700	1.93	76,587,611
Y3	2	39,682,700	1.80	71,428,860
Y4	2	39,682,700	1.89	75,000,303
Y5	2	39,799,100	1.80	71,638,380

Notes:
- *1MW=1,000kW=1,000,000 W*
- *Total Rated Capacity = No. of Generators (i.e.,2) x Capacity per Unit (i.e., 3MW) = 6 MW = 6,000 kW*
- *Formula for the Production (kWh)=Net Generation = (6,000 kW Gross Capacity – 1,000 kW Station Service) * 97% Availability Factor * Operating Hours (i.e. Y1-4,877; Y2 toY4-8,182; Y5-8,206)*
- *Formula for the Sales (kWh): Net Sales = Net Generation*

(Continued on page 2) ǂ-*

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4. The enterprise may avail of the following incentives under the administration of the BOI:

   a) **Income Tax Holiday for Seven (7) Years** from date of actual commercial operation reckoned from the state at which the RE Plant generated the first kilowatt-hour of energy after commissioning or testing or two (2) months from the date of such commissioning or testing, whichever comes earlier, as certified by the Department of Energy (DOE) but availment of ITH shall in no case earlier than date of BOI registration.

   a.i The ITH shall be limited only to revenues derived from power generated and sold to the grid, other entities and/or communities. For this purpose, the enterprise shall submit audited segregated income statements and simplified income statement form as prescribed by the Board, as shown hereunder* for this registered project. Net income from operation of the registered activity shall be certified under oath by the Chief Executive Officer (CEO) or Chief Financial Officer (CFO).

   a.ii The enterprise shall submit the list of cost items common to all its projects/activities (whether BOI or non-BOI registered) and the methodology adopted in allocating common cost between the registered and non-registered activity/ies.

   a.iii. Interest Expense on the enterprise's liabilities shall be appropriately allocated between the registered and non-registered activity/ies.

Notwithstanding the provisions of the preceding paragraphs, the Board, as a matter of national interest and for reasonable causes, reserves the right to suspend the availment of ITH.

The enterprise shall secure the following:

i. From the DOE-REMB, a Certificate of Endorsement that the enterprise is in good standing for availment of the ITH incentive prior to filing of application for issuance of the certificate of ITH entitlement with the BOI; and

ii. From the BOI Legal and Compliance Service, a Certificate of ITH Entitlement prior to filing of Income Tax Return (ITR) with BIR, otherwise, ITH for that particular taxable year shall be forfeited.

Date of filing: *An application should be filed with the BOI Incentives Administration Service within one (1) month from filing of the final Income Tax Return (ITR) with the Bureau of Internal Revenue (BIR) in order to validate the claim for income tax exemption.*

****SIMPLIFIED INCOME STATEMENT FORM:***

Eligible Revenue	
Less: Cost of Sales	
Gross Profit	
Less: Operating Expenses	
Other Charges/Expenses	
Net Income	
Add/Deduct: Reconciling Entries Related to Registered Activity (Net)	
Taxable Income from Registered Activity	
Tax Rate	
Tax Due/ Estimated ITH	

(Continued on page 3)

The application shall be accompanied by a certification by SSS that the enterprise is in good standing in the remittances of SSS contributions of its employees.

b) **Duty-Free Importation of RE Machinery, Equipment and Materials including control and communication equipment,** within the first ten (10) years from the issuance of the DOE Certificate of Registration.

The enterprise shall secure from the DOE-REMB a Certificate of Endorsement that the enterprise is in good standing for availment of this incentive. The Endorsement shall be on a per transaction basis. "Per transaction" means per application of incentives.

c) **Tax exemption of Carbon Credits** - all proceeds from the sale of carbon emission credits including the expected value of the CER in the future (discounted at an acceptable rate) shall be exempt from any and all taxes.

5. The enterprise may also avail of the following incentives under R.A. 9513 to be administered by appropriate government agencies subject to the Rules and Regulations of the respective administering government agencies.

a) Special Realty Tax Rates on Equipment and Machinery

Realty and other taxes on civil works, equipment, machinery, and other improvements of a registered enterprise actually and exclusively used for RE facilities shall not exceed one and a half percent (1.5%) of the original cost less accumulated normal depreciation or net book value.

b) Net Operating Loss Carry-Over (NOLCO)

The NOLCO during the first three years from the start of commercial operation shall be carried over as a deduction from the gross income as defined in the National Internal Revenue Code of 1997 (NIRC) for the next seven consecutive taxable years immediately following the year of such loss.

c) Corporate Tax Rate

After availment of the ITH, the enterprise shall pay a corporate tax of ten percent (10%) on its taxable income as defined in the NIRC, provided that it shall pass on the savings to the end users in the form of lower rates.

The enterprise shall submit an undertaking that the incentives availed of shall translate to the benefits of the end-users in terms of reduced price of electricity. Semi-annual report shall be submitted to the BOI reflecting compliance to this condition.

d) Accelerated Depreciation

The plant, machinery, and equipment that are reasonably needed and actually used for the exploration, development and utilization of RE resources may be depreciated using a rate not exceeding twice the rate which would have been used had the annual allowance been computed in accordance with the rules and regulations prescribed by the Department of Finance and the provisions of the NIRC.

(Continued on page 4)

The enterprise that applies for accelerated depreciation shall no longer be eligible to avail of the ITH.

e) **Zero-Percent Value-Added Tax Rate**

The sale of fuel or power generated by the enterprise from renewable sources of energy such as biomass, as well as its purchases of local supply of goods, properties and services needed for the development, construction and installation of its plant facilities and the whole process of exploration and development of RE sources up to its conversion into power shall be subject to zero percent value-added tax pursuant to the NIRC.

f) **Cash Incentive of Renewable Energy Developers for Missionary Electrification**

The enterprise may be entitled to a cash generation-based incentive per kilowatt-hour rate generated, equivalent to fifty percent (50%) of the universal charge for power needed to service missionary areas, chargeable against the universal charge for missionary electrification.

g) **Tax Credit on Domestic Capital Equipment and Services**

A tax credit equivalent to one hundred percent (100%) of the value of the value-added tax and custom duties that would have been paid on the RE machinery, equipment, materials and parts had these items been imported shall be given to the enterprise that purchases machinery, equipment, materials and parts from a domestic manufacturer.

6. The enterprise should endeavour to undertake meaningful and sustainable Corporate Social Responsibility (CSR) activities in the locality where the project is implemented.

7. The enterprise shall maintain books of account for this registered project separate from all its other operation/s and/or activity/ies.

8. The enterprise shall submit to the BOI Legal and Compliance Service, on a semestral basis, within fifteen (15) days from end of each semester, a report on actual investments, employment, sales, production costs, actual ITH availed of for each year, and other information that the Board may require at any given time with respect to the registered project.

9. The enterprise must commit to the tenets of Good Corporate Governance.

10. The enterprise shall adopt measures intended to reduce climate change risks in support of the National Framework Strategy on Climate Change.

11. The enterprise is encouraged to secure environmental certifications based on internationally-recognized standards.

12. The enterprise shall obtain applicable certifications based on internationally-recognized standards such as ISO certification or other similar certifications.

13. In the event of transfer to another Investment Promotion Agency, the enterprise shall undertake the publication of its cancellation of BOI registration in a newspaper of general circulation.

14. The enterprise shall visit the BOI website (http://www.boi.gov.ph) on a regular basis for updates on BOI rules, policies and guidelines.

15. The enterprise shall abide by the rules, policies, guidelines and regulations set forth by the Department of Energy (DOE) pertinent to the registered project.

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AP RENEWABLES INC.
RE Developer of Geothermal Energy Resources
(Rehabilitation of 6 MW APRI Makban Binary
No. 1 Power Plant – Additional Investment)

C.R. No. 2016-152

GENERAL TERMS AND CONDITIONS

1. The enterprise shall observe and abide by the provisions of the Omnibus Investments Code of 1987 and other related laws and their implementing rules and regulations as well as its commitments and representations made in the application for registration and take adequate measures to ensure that its obligation thereunder as well as those of its officers, employees and stockholders are faithfully discharged; provided it is understood that any misrepresentation or falsification in the documents or other supporting papers submitted to the Board shall constitute as ground for automatic cancellation of its registration.

2. The enterprise's Address of Record shall be **NAC tower, 32nd Street, Bonifacio Global City, Taguig 1634.** All BOI notices/communications to the firm shall be sent to this address. The firm shall be responsible for notifying BOI, in writing, of any changes in its Address of Record, within ten (10) calendar days after such change, and therefore, should it fail to do so, service of all BOI communications, notices or processes in its Address of Record shall be considered valid, complete and binding to this enterprise.

   In case the enterprise has an authorized representative, designated as such by virtue of a Board Resolution of the firm, duly certified by its Board Secretary, and as appearing in the records of the BOI, it shall be so indicated that notices, communications and/or processes of the latter shall be sent to said representative. The authorized representative shall be responsible for notifying BOI, in writing, of any changes in its Address of Record within ten (10) calendar days after such change, and therefore, should it fail to do so, service of all BOI communications, notices or processes in the Address of Record of such authorized representative shall be considered valid, complete and binding to this enterprise.

3. The enterprise shall notify the BOI before doing any of the following acts:
   (Per Board Res. No. 38-16 S'2005 dated November 22, 2005)

   a. Invest in, extend loans, or buy bonds, in substantial amount, from any properties either in the Philippines or abroad. This does not apply to bonds issued by the Philippine Government;
   b. Issue stock convertible into voting stocks;
   c. Buy its own stocks.

4. The enterprise shall secure prior permission of the BOI before doing any of the following acts:

   a. Transfer ownership and /or control of the enterprise;
   b. Engage in an undertaking other than the preferred project covered by its registration;
   c. Expand its capacity, with or without incentives.

5. The enterprise shall maintain separate books of accounts for each activity, registered and unregistered with the Board. Moreover, the firm shall submit a list of direct costs attributable to each type of activity for purposes of determining the taxable income of each activity.

(Continued on page 2)

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6. The enterprise shall submit to the Board an annual report of its actual investments, taxes paid and employment in the project within one (1) month following the end of the firm's calendar/fiscal year.

7. The enterprise shall comply with environmental laws and regulations.

8. The enterprise shall comply with the Tree-Planting Program of the BOI requiring a minimum of one hundred (100) forest trees to be planted pursuant to Memorandum Circular No. 01, not later than one (1) year from date of registration. Proof of compliance must be submitted within (1) year from the first anniversary date of the firm's registration; otherwise, applications for availment of any incentive by the firm shall not be accepted by the Board.

9. The enterprise shall comply with the other conditions and representations made and accepted by the firm as embodied in its project feasibility study and confirmation letter, among others, and shall form part of this registration.

10. All the fiscal and non-fiscal incentives which do not contain specific period for their enjoyment shall terminate after a period of not more than ten (10) years from date of registration.

11. Failure of the enterprise to file an incentive application within the prescribed date will mean imposition of fines and penalty including possible forfeiture or suspension of incentives or non-acceptance of the said application.

12. The enterprise shall submit the following reporting requirements to the BOI Legal and Compliance Service on or before respective due dates:

o Form S1-2 (Semestral Report on Actual Investments, Employment And Sales)	Thirty (30) days after the end of each semester
o S1 (Annual Report of Performance)	Calendar Year – on or before 30 April Fiscal Year – four (4) months after the End of Fiscal Year
o Annual Audited Financial Statement	One (1) month from the date of filing with BIR
o Annual Income Tax Return	Thirty (30) calendar days from the date of filing with the BIR

The enterprise may submit the above report on-line to monitordept@yahoo.com.ph

For late filing and/or non-submission of reports and other requirements, the Board shall impose such fines in accordance with the schedules as set forth in the rules.

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BOC
Form no.

REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF FINANCE
BUREAU OF CUSTOMS
MANILA

CERTIFICATE OF REGISTRATION

By issuance of this certificate, the application signifies agreement to the following conditions:

1. Compliance to CMO ___ (CMO) subsequent issuance governing Client Registration Application Processing
2. Non-repudiation of any declaration filed through the VASP
3. Recognition of TWM system information duly certified by its Administrator as valid and/or correct.

CCN : **1M0006998232**

Registration Date: **2018-04-12**

Expiry Date: **2019-04-12**

TIN No.	: **008828101000**
Business Name	: **SAN CARLOS SUN POWER INC**
Business Address	: **EMERALD ARCADE FC LEDESMA ST., SAN CARLOS CITY OCCIDENTAL SAN CARLOS CITY 6127 PHILIPPINES**
Nature of Business	: **Other Business Activities, N.E.C.**
Type of Business Entity	: **Corporation**

This is to certify that the information provided herein is true and correct. Further, agreement to the conditions from the approval of this Application as noted above is hereby affirmed.

BOC Designated Registration Office

15 July 2011

MR. ERRAMON I. ABOITIZ
President
THERMA SOUTH, INC.
Aboitiz Corporate Center, Gov. Manuel A. Cuenco Avenue,
Kasambagan, Cebu City

Dear Mr. Aboitiz:

Congratulations! Your project is now registered with the Board of Investments as **New Operator of a 300 MW Coal-Fired Power Plant (Brgy. Inawayan, Sta. Cruz, Davao del Sur and Brgy. Binugao, Toril, Davao City))** on a **Non-Pioneer** status under the Omnibus Investments Code of 1987 (Executive Order No. 226).

The attached Certificate of Registration incorporates the agreed Terms and Conditions of your registration, including all the fiscal and non-fiscal incentives available to the registered project. Other incentives with no specific number of years of entitlement may be enjoyed for a maximum period of ten (10) years from the start of your commercial operation and/ or date of registration.

Very truly yours,

BOBBY G. FONDEVILLA
Board Secretary

Board of Investments

Republic of the Philippines
BOARD OF INVESTMENTS
Makati City

DEPARTMENT OF TRADE & INDUSTRY PHILIPPINES

CERTIFICATE OF REGISTRATION

No. ***2011-150***

TO ALL WHOM IT MAY CONCERN:

This is to certify that the Board of Investments has duly registered

THERMA SOUTH, INC.

New Operator of a 300 MW Coal-Fired Power Plant
(Brgy. Inawayan, Sta. Cruz, Davao del Sur and
Brgy. Binugao, Toril, Davao City)

in accordance with the provisions of the Omnibus Investments Code of 1987, as amended, subject to the representations and commitments set forth in its application for registration, the provisions of the above law, the rules and regulations of the Board of Investments and the terms and conditions herein prescribed.

In testimony whereof the seal of the Board of Investments and the signature of its Chairman / Vice-Chairman is hereunto affixed. Given at Makati City, Philippines, this *15th* *day of,* *July 2011*.
Board Res. No. 17 – 13 S'2011

USEC. CRISTINO L. PANLILIO
Vice-Chairman and Managing Head

266143

k9/27/11

Department of Trade and Industry DTI

Attested:

BOBBY G. FONDEVILLA
Board Secretary

THERMA SOUTH, INC.

Type of Registration/Activity	:	**NEW OPERATOR OF A 300 MW COAL-FIRED POWER PLANT (BRGY. INAWAYAN, STA. CRUZ, DAVAO DEL SUR AND BRGY. BINUGAO, TORIL DAVAO CITY)**
Capacity	:	**300 MW**
Status	:	**NON-PIONEER**
Certificate of Registration No	:	**2011-150**
Date	:	**JULY 15, 2011**

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SPECIFIC TERMS AND CONDITIONS

*1. The enterprise shall start commercial operations in **June 2015**. Request for amendment of timetable should be filed before the scheduled start of commercial operations.

2. The enterprise shall secure a Certificate of Compliance from Energy Regulation Commission (ERC) prior to start of commercial operation subject to the condition that in the event that ERC denies the said COC, registration shall be subject to automatic cancellation procedure for non-compliance of the post registration requirement.

3. The enterprise shall increase its stockholders equity (authorized, subscribed and paid-up capital) to **at least PhP 6.311 Billion** equivalent to 25% of the total project cost and shall submit proof of compliance before availment of Income Tax Holiday incentives. Equity shall include paid up capital stock, additional paid-in capital and unrestricted retained earnings and restricted retained earnings provided that such is intended for the project. Appraisal surplus and treasury stock should not be included as part of stockholders equity for this purpose.

4. The grant of any sovereign guarantee or guaranteed rate of return on this project shall cause the automatic withdrawal of the ITH granted under # 8 (a) hereof and any ITH availed of shall be refunded by the firm.

5. The enterprise shall undertake Corporate Social Responsibility (CSR) duly identified by the Board. For this purpose, the enterprise shall submit proof of compliance thereof prior to availment of Income Tax Holiday.

(Continued on page 2)

*The enterprise shall start commercial operation of its ***two (2) generating units, Unit 1 and Unit 2, in June 2015 and July 2016, respectively***. Per Legal and Compliance Service letter dated 04 September 2015.

6. The enterprise shall submit an undertaking that the incentives availed of shall translate to the benefit of consumers in terms of lower power rates. Semi-annual report shall be submitted to the BOI reflecting compliance to this condition.

7. The enterprise shall observe the following production and sales schedule:

Year	Electricity		
	Sales Volume (kWh)	**Selling Price (PHP/kWh)**	**Sales Value (PhP '000)**
1	2,212,272	4.732	10,470,377
2	2,195,280	4.849	10,645,992
3	2,164,273	4.970	10,758,141
4	2,140,633	5.096	10,910,666
5	2,168,662	5.228	11,338,038

*8. The enterprise shall observe the following project timetable:

Activity	Date	Related Expenses	Cost (PhP '000)
Obtained appropriate license/ agreement/ permit from the government (including consultancy fees)	Completed	Pre-operating	7,000
Site Acquisition	Completed		364,000
Site preparation/construction/ Installation of equipment/Commissioning	Sept. 2011 to Dec. 2014	Building/ construction, hiring of contractors, installation of equipment	3,069,000
Acquisition of equipment	May 2011 to Oct. 2014	Power plant equipment	19,673,443
Start of commercial operation	June 2015	Working capital (3 months)	1,831,750
TOTAL			**24,945,193**

Am8 (Continued on page 3)

*Please see Annex 'B'

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9. The enterprise shall be entitled to the following incentives:

* a) Income Tax Holiday (ITH) for **four (4) years** from **June 2015** or actual start of commercial operations, whichever is earlier but in no case earlier than the date of registration. **The ITH incentives shall be limited to the income generated from the sales of electricity based on approved contracts by the Energy Regulatory Commission (ERC) of the 300 MW Coal-Fired Power Plant (Sta Cruz, Davao del Sur).**

Date of Filing: An application shall be filed with the BOI Incentives Department within one (1) month from the filing of the final ITR with the BIR in order to validate claim for income tax exemption. The application shall be accompanied by a certification by SSS that the enterprise is in good standing in the remittance of SSS contributions of its employees. Any request for extension of the reckoning date of ITH availment shall be filed prior to the scheduled date or within 90 days from the occurrence of fortuitous events and/or government delays.

The enterprise shall secure from SMD, a certificate of ITH Entitlement prior to filing of income tax return with BIR, otherwise, ITH for that particular taxable year without COE will be forfeited.

The firm can avail of bonus year in each of the following cases but the aggregate ITH availment (basic and bonus years) shall not exceed eight (8) years;

- The ratio of the total imported and domestic capital equipment to the number of workers for the project does not exceed US$10,000 to one (1) worker; or
- The net foreign exchange savings or earnings amount to at least US$500,000 annually during the first three (3) years of operation; and
- The indigenous raw materials used in the manufacture of the registered product must at least be fifty percent (50%) of the total cost of raw materials for the preceding years prior to the extension unless the Board prescribes a higher percentage.

The enterprise shall submit the list of cost items common to all its projects/activities (whether BOI or non-BOI registered) and the methodology adopted in allocating common cost. The methodology to be adopted in accounting for fixed assets particularly the Plant, Property and Equipment account shall be <u>the Straight Line depreciation method</u>."

(Continued on page 4)

*Income Tax Holiday (ITH) for four (4) years from ***June 2015 and July 2016 for Unit 1 and Unit 2, respectively***, or actual start of commercial operations, whichever is earlier but in no case earlier than the date of registration. xxx. Per Legal and Compliance Service letter dated 04 September 2015

<u>Notwithstanding the provision of the preceding paragraph, the Board as a matter of national interest and for reasonable causes, reserves the right to suspend the availment of ITH incentives.</u>

b) For the first five (5) years from date of registration, the registered firm shall be allowed an additional deduction from taxable income of fifty percent (50) of the wages corresponding to the increment in the number of direct labor for skilled and unskilled workers in the year of availment as against the previous year if the project meets the prescribed ratio of capital equipment to the number of workers set by the Board of $10,000 to one worker and provided that this incentive shall not be availed of simultaneously with the Income Tax Holiday.

Date of filing: An application shall be filed with the BOI Incentives Department within one (1) month from filing of the final ITR with the BIR.

c) Employment of foreign nationals. This may be allowed in supervisory, technical or advisory positions for five (5) years from date of registration. The president, general manager and treasurer of foreign-owned registered firms or their equivalent shall not be subject to the foregoing limitations.

Date of filing: Application shall be filed with the BOI Incentives Department before assumption to duty of newly hired foreign nationals and at least one (1) month before expiration of existing employment for renewal of visa.

d) Importation of consigned equipment for a period of ten (10) years from date of registration, subject to the posting of re-export bond.

Date of filing: Apply with the BOI Incentives Department for endorsement to Department of Finance before loading on board of the equipment.

*10. The enterprise may qualify to import capital equipment, spare parts and accessories at zero (0) percent duty from date of registration up to 16 June 2011 pursuant to EO 528 and its implementing rules and regulations.

11. The enterprise shall submit to the BOI Supervision and Monitoring Department, on a quarterly basis within fifteen (15) days from the end of each quarter, a report on Actual Investments, Employment, Sales, Production Costs and other information that the Board may require anytime with respect to the registered project starting on date of registration.

(Continued on page 5)

*Please see "Annex A"

THERMA SOUTH, INC.
C.R.NO. 2011-150
GENERAL TERMS AND CONDITIONS

1. The enterprise shall observe and abide by the provisions of the Omnibus Investments Code of 1987 and other related laws and their implementing rules and regulations as well as its commitments and representations made in the application for registration and take adequate measures to ensure that its obligation thereunder as well as those of its officers, employees and stockholders are faithfully discharged; provided it is understood that any misrepresentation or falsification in the documents or other supporting papers submitted to the Board shall constitute as ground for automatic cancellation of its registration.

2. The enterprise's Address of Record shall be at **Aboitiz Corporate Center, Gov. Manuel A. Cuenco Avenue, Kasambagan, Cebu City** . All BOI notices/ communications to the firm shall be sent to this address. The firm shall be responsible for notifying BOI, in writing, of any changes in its Address of Record, within ten (10) calendar days after such change, and therefore, should it fail to do so, service of all BOI communications, notices or processes in its Address of Record shall be considered valid, complete and binding to this firm.

   In case the enterprise has an authorized representative, designated as such by virtue of a Board Resolution of the firm, duly certified by its Board Secretary, and as appearing in the records of the BOI, it shall be so indicated that notices, communications and/or processes of the latter shall be sent to said representative. The authorized representative shall be responsible for notifying BOI, in writing, of any changes in its Address of Record within ten (10) calendar days after such change, and therefore, should it fail to do so, service of all BOI communications, notices or processes in the Address of Record of such authorized representative shall be considered valid, complete and binding to this firm.

3. The enterprise shall notify the BOI of the following acts:
   (Per Board Res. No. 38-16 S'2005 dated November 22, 2005)

   a. Invest in, extend loans, or buy bonds, in substantial amount, from any enterprise either in the Philippines or abroad. This does not apply to bonds issued by the Philippine Government;
   b. Issue stock convertible into voting stocks;
   c. Buy its own stocks
   d. Expand its capacity, with or without incentives;
   e. Appointment or replacement of its general manager.

4. The enterprise shall secure prior permission of the BOI before doing any of the following acts:

   a. Transfer ownership and/or control of the firm;
   b. Engage in an undertaking other than the preferred project covered by its registration.

Arnb (Continued on page 2)

* Change in Address of Record from Aboitiz Corporate Center, Gov. Manuel A. Cuenco Avenue, Kasambagan, Cebu City to **Barangay Binugao, Toril District, Davao City.** Per Legal and Compliance Service letter dated 23 November 2015. ply 10/27/16 Arnb

THERMA SOUTH, INC.
C. R. No. 2011-150

ANNEX "A"

* **Specific Term and Condition No. 10 is hereby amended to read as follows:**

10. The enterprise may qualify to import capital equipment, spare parts and accessories at zero (0) duty from the date of effectivity of Executive Order No. 70 and its implementing rules and Regulations **for a period of five (5) years reckoned from the date of its registration or until the expiration of E.O. 70, whichever is earlier; Provided, however that during the interim period of June 17, 2011 to May 9, 2012, any importation of capital equipment, spare parts and accessories shall not be covered.** MCH 11July12

(Per BOI SMD letter dated 14 June 2012, Board Resolution No. 19 – 8 S'2012)

THERMA SOUTH, INC.
C.R. No. 2011-150
Dated 15 July 2011

Annex "B"

Amended STC #8 The enterprise shall observe the following timetable:

Activity	Date	Related Expenses	Cost (PhP'000)
Obtain appropriate license/agreements/permit from the government (including consultancy fees)	Completed	Permits, clearances, and licenses Consultancy service	7,000
Site Acquisition	Completed	Land (Site and Ash Management Facitiliy	364,000
Site preparation and development	Sept. 2011 to Dec. 2014	General Requirements/Embankment works/earth works/buildings/Facilities/ Miscellaneous cost	3,069,000
Acquisition of equipment	May 2011 to October 2014	Capital Equipment (including design, supervision and installation	19,673,443
Start of commercial operations Unit 1 Unit 2	 June 2015 July 2016	Working capital (3 months)	1,831
TOTAL PROJECT COST			13,344,689

Per Legal and Compliance Service letter dated 04 September 2015

BOARD OF INVESTMENTS
PHILIPPINES

Republic of the Philippines
BOARD OF INVESTMENTS
Makati City

DEPARTMENT OF TRADE & INDUSTRY
PHILIPPINES

CERTIFICATE OF REGISTRATION

No. 2012-176

TO ALL WHOM IT MAY CONCERN:

This is to certify that the Board of Investments has duly registered

THERMA VISAYAS, INC.

* ***New Operator of 210 MW Coal-Fired Power Plant***

in accordance with the provisions of the Omnibus Investments Code of 1987, as amended, subject to the representations and commitments set forth in its application for registration, the provisions of the above law, the rules and regulations of the Board of Investments and the terms and conditions herein prescribed.

In testimony whereof the seal of the Board of Investments and the signature of its Chairman / Vice - Chairman is hereunto affixed. Given at Makati City, Philippines, this 28th day of, August 2012.

Board Res. No. 23 - 8 S'2012

ADRIAN S. CRISTOBAL JR.
Undersecretary and BOI Managing Head

273909
Department of Trade and Industry DTI

Attested:

BOBBY G. FONDEVILLA
Board Secretary

*Upward amendment of registered capacity from 210 MW to **300 MW** and then to **450 MW**, per Legal and Compliance Service letters dated 25 November 2013 and 26 August 2015, respectively.

In the determination of the enterprise's compliance with the required job generation, both organic and outsourced employment shall be considered.

****c. **Investments and Timetable**

Activity	Date	Related Expenses	Cost in PhP Millions
1. Site acquisition and development	Completed	Capital Gains Tax, Documentary Stamp Tax, Transfer of Titles	180.00
2. Obtained appropriate licenses / permit from the government, etc.	February 2011 to June 2013	Environmental Compliance Certificate, ERC Certificate of Compliance, Community Tax Certificate, Mayor's Permit, VAT Registration, etc.	60.50
3. Engineering, procurement and commissioning of plant	June 2013 to December 2016	Site Evaluation, Design & Engineering, Pre-Operating Expenses, Project Management and Administration, Financing Costs	25,327.50
4. Start of commercial operation	**January 2017**	Working capital	752.00
TOTAL PROJECT COST			**26,320.00**

****
** d. **Sales Revenues**

YEAR	1	2	3	4	5
Capacity (MW)	210	210	210	210	210
Capacity (KW)	210,000	210,000	210,000	210,000	210,000
Capacity Utilization	64%	55%	55%	55%	50%
Net Generation KWh	1,442,976,000	1,446,682,000	1442,976,000	1,442,976,000	1,313,208,000
Selling Rate	6.69	6.83	7.00	7.16	7.75
Revenues in PhP'000	9,653,823	9,879,391	10,090,862	10,325,970	10,177,362

<u>Income qualified for ITH availment</u> shall not exceed by more than 10% of the **<u>projected income</u>** represented by the enterprise in its application provided the project's actual investments and employment match the enterprise's representations in its application. In cases where the project's actual revenues exceed the projections in its application by more than 10%, the Board may increase the project's ITH availment proportionately for reasons such as but not limited to (a) additional investments; (b) new markets/ orders; (c) additional employment and/or increase in number of working shifts. Request/s for adjustment of projected income may be submitted to the Board within the ITH entitlement period.

4. The enterprise is encouraged to undertake Corporate Social Responsibility (CSR) activities duly identified by the Board as follows, to the extent possible, in accordance with the development plans of the community where the registered project is located:

- Construction of public school classrooms, through donations/contributions to BOI-accredited Non-government organizations (NGO);
- Habitat for Humanity projects;

(Continued on page 3)

*Start of commercial operation amended from January 2017 to **October 2017**. However, the firm's Income Tax Holiday (ITH) incentive availment shall still be reckoned from the original date of commercial operation i.e. January 2017.

** Upward amendment of registered capacity from 210 MW to **300 MW**
(Per Supervision and Monitoring Department letter dated 25 November 2013) MCHQ 20/08/14

****See Annex "A".

- Gawad Kalinga projects and other similarly situated housing projects;
- Putting up of public health centers;
- Significant tree-planting projects in urban areas, national toll roads/highways and/or in denuded forest areas/national parks/watershed areas;
- Major cleaning projects of esteros, rivers and drainage systems;
- Beautification and maintenance of center islands/rotundas and the like in the thoroughfares in Metro Manila and other urban centers in the country;
- Donation of police outposts in major intersections In Metro Manila and other major urban centers in the country;
- Donation and maintenance of waiting sheds within Metro Manila and other major urban centers in the country;
- Adoption and support for the protection of mangrove areas as identified by the DENR and LGUs;
- Active participation in the protection of endangered animal and plant species to substantial donation to government and non-government organizations undertaking such activities;
- Projects/activities identified by the National Anti-Poverty Commission; and
- Such other projects that the registered enterprise may recommend subject to the approval by the BOI.

5. Prior to availment of Income Tax Holiday, the enterprise shall submit copy of its Environmental Compliance Certificate pursuant to P.D. No. 1586 (Philippine Environmental Impact Statement System) or Certificate of Non-Coverage (CNC) issued by the Environmental Management Bureau (EMB), whichever is applicable to the registered project, and other applicable clearances under relevant environmental laws.

6. The enterprise shall be entitled to the following incentives:

* a. Income Tax Holiday (ITH) for **four (4)** years from **January 2017** or actual start of commercial operations, whichever is earlier but in no case earlier than the date of registration.

a.i The entitlement to ITH incentive is subject to the condition that the ERC-approved generation rate takes into account the ITH such that the income tax due on the revenues derived from power generated is not included in the total generation costs submitted by the enterprise to the ERC in the application for approval of its Power Supply Contract.

For this purpose, the enterprise shall submit a sworn statement to the effect that the ITH incentive has been taken into consideration deriving its ERC approved generation.

a.ii The ITH shall be limited only to the revenues generated from the sales of electricity of the 210 MW Coal-Fired Power Plant. Only revenues derived from power generated and sold to the grid, other entities and/or communities shall be entitled to ITH. For this purpose, the enterprise shall submit audited segregated income statements for this registered. Net income from operations of the registered activity shall be certified under oath by CEO or CFO.

(Continued on page 4) raa

*Start of commercial operation amended from January 2017 to **October 2017**. However, the firm's Income Tax Holiday (ITH) incentive availment shall still be reckoned from the original date of commercial operation i.e. January 2017. (Per Supervision and Monitoring Department letter dated 25 November 2013) 20 Jan 14 a.iii The enterprise shall submit the list of cost items common to all its projects/activities (whether BOI or non-BOI registered) and the methodology adopted in allocating common cost between the registered activity/ies and the non-registered activity/ies. The methodology to be adopted in depreciation for Fixed Assets particularly the Plant. Property and Equipment account shall be the Straight Line depreciation method.

a.iv Furthermore, the Interest Expense on the enterprise's liabilities shall be appropriately allocated between the registered activity/ies and the non-registered activity/ies.

Date of filing: *An application should be filed with the BOI Incentives Department within one (1) month from filing of the final Income Tax Return (ITR) with the Bureau of Internal Revenue (BIR) in order to validate the claim for income tax exemption.* ***The application shall be accompanied by a certification by SSS that the enterprise is in good standing in the remittances of SSS contributions of its employees.*** *Any request for extension of the reckoning date of ITH availment should be filed prior to the scheduled date or within ninety (90) days from the occurrence of fortuitous events and/or government delays.*

The enterprise must secure a Certificate of ITH Entitlement (CoE) from the BOI Supervision and Monitoring Department (SMD) prior to filing of Income Tax Return (ITR) with the Bureau of Internal Revenue (BIR); otherwise ITH for that particular taxable year without CoE shall be forfeited.

Notwithstanding the provisions of the preceding paragraphs, the Board as a matter of national interest and for reasonable causes, reserves the right to suspend the availment of ITH incentive

The enterprise can avail of bonus year in each of the following cases but the aggregate ITH availment (regular and bonus years) shall not exceed eight (8) years:

- The ratio of the total imported and domestic capital equipment to the number of workers for the project does not exceed the ratio set by the Board; or,
- The net foreign exchange savings or earnings amount to at least US$500,000 annually during the first three (3) years of operation; and,
- The average cost of indigenous raw materials used in the manufacture of the registered product must at least be fifty percent (50%) of the total cost of raw materials for the preceding years prior to the extension unless the Board prescribes a higher percentage.

Date of filing: *An application for entitlement to ITH bonus year/s should be filed with the BOI Incentives Department prior to the filing with the BIR of the enterprise's final ITR, for which the bonus year will be applied.*

b. For the first five (5) years from date of registration, the enterprise shall be allowed an additional deduction from taxable income of **fifty percent (50%)** of the wages corresponding to the increment in number of direct labor for skilled and unskilled workers in the year of availment as against the previous year if the project meets the prescribed ratio of capital equipment to the number of workers set by the Board and provided that this incentive shall not be availed of simultaneously with the Income Tax Holiday (ITH).

(Continued on page 5)

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THERMA VISAYAS, INC.
(Bgy. Bato, Toledo City)

**** **Type of Registration/Activity**	:	**NEW OPERATOR OF COAL-FIRED POWER PLANT**
*** **Capacity**	:	**210 MW**
Status	:	**NON-PIONEER**
Certificate of Registration No.	:	**2012-176**
Date	:	**AUGUST 28, 2012**

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SPECIFIC TERMS AND CONDITIONS

*1. The enterprise shall start commercial operations in **January 2017**. Request for amendment of timetable should be filed before the scheduled start of commercial operations. However, movement of Income Tax Holiday (ITH) period is subject to Art. 7 of E.O. 226.

*******2. The enterprise shall increase its stockholders equity to at least **P 6.580 Billion** equivalent to 25% of the total project cost and shall submit proof of compliance before availment of Income Tax Holiday (ITH). Equity shall include paid-up capital stock, additional paid-in capital and unrestricted retained earnings, and restricted retained earnings provided that such is intended for the project. Appraisal surplus and treasury stock should not be included as part of stockholders equity for this purpose.

The 25% equity requirement shall be based on the annual capital requirement of the project; Provided that the total equity requirement of 25% is complied with on the first year of ITH availment.

3. In the grant of incentives, the extent of the project's ITH entitlement shall be based on the project's ability to contribute to the economy's development based on the following parameters in this order of importance: (1) project's net value added (2) job generation (3) multiplier effect and (4) measured capacity. In the event that the registered enterprise fails to implement the project as represented in its project application, the Board may reduce the project's ITH entitlement proportionate to the actual performance of the enterprise. The project's entitlement to incentives shall be based on the following:

a. Net Value Added should be at least 25%:

	Y1	Y2	Y3	Y4	Y5
Total Generation Cost, (000 PhP)	9,654,000	9,879,000	10,091,000	10,326,000	10,177,000
Fuel & other material cost (000 PhP)	3,359,000	3,539,000	3,705,000	3,893,000	3,645,000
NVA	**65%**	**64%**	**63%**	**62%**	**64%**

b. Job Generation:

	Y1	Y2	Y3	Y4	Y5
Direct	55	55	55	55	55
Indirect	35	35	35	35	35
Administrative	31	31	31	31	31
Total	**121**	**121**	**121**	**121**	**121**

*****The enterprise shall increase its stockholders' equity to **at least P10.954 Billion** equivalent to 25% of the total project cost and shall submit proof of compliance before availment of Income Tax Holiday (ITH). xxx" Per Legal and Compliance Service letter dated 26 August 2015.

(Continued on page 2)

*Start of commercial operation amended from January 2017 to **October 2017**. However, the firm's Income Tax Holiday (ITH) incentive availment shall still be reckoned from the original date of commercial operation i.e. January 2017.

** Increase of stockholder's equity **to at least P7.512 Billion.**

***Upward amendment of registered capacity from 210 MW to **300 MW**
(Per Supervision and Monitoring Department letter dated 25 November 2013)

****Upward amendment of registered capacity from 300 MW to **450 MW**, per Legal and Compliance Service letter dated 26 August 2015.

Date of filing: *An application should be filed with the BOI Incentives Department within one (1) month from filing of the final Income Tax Return (ITR) with the Bureau of Internal Revenue (BIR).*

c. Importation of consigned equipment for a period of ten (10) years from date of registration, subject to posting of re-export bond.

Date of filing: *Application should be filed with BOI – Incentives Department for endorsement to the Department of Finance (DOF).*

d. Employment of foreign nationals. This may be allowed in supervisory, technical or advisory positions for five (5) years from date of registration. The president, general manager and treasurer of foreign-owned registered enterprises or their equivalent shall not be subject to the foregoing limitations.

Date of filing: *Application should be filed with the BOI Incentives Department before assumption to duty of newly hired foreign national and at least one (1) month before expiration of existing employment authority for renewal of visa.*

e. Simplification of Customs procedures for the importation of equipment, spare parts, raw materials and supplies.

7. The enterprise may qualify to import capital equipment, spare parts and accessories at zero (0) duty from the date of effectivity of Executive Order No. 70 (EO 70) and its Implementing Rules and Regulations **for a period of five (5) years reckoned from the date of its registration or until the expiration of EO 70, whichever is earlier.**

8. The enterprise shall secure a Certificate of Compliance from the Energy Regulation Commission (ERC) prior to the start of commercial operation subject to the condition that in the event that ERC denies the said COC, registration shall be subject to automatic cancellation procedure for non-compliance of the post-registration requirement.

9. The enterprise shall submit to the BOI Supervision and Monitoring Department, on a semestral basis within fifteen (15) days from end of each semester, a report on actual investments, employment, sales, production costs and other information that the Board may require at any given time, with respect to the registered project.

10. In the event of transfer to another Investment Promotion Agency, the enterprise shall undertake publication of its cancellation of BOI registration in a newspaper of general circulation.

11. The enterprise shall visit the BOI website (http://www.boi.gov.ph) on a regular basis, for updates on BOI rules, policies and guidelines.

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12. The enterprise shall be subject to the provisions of Revenue Regulations (RR) 1-2010 Amending further Section 3 of RR No. 9-2001, as last amended by RR No.10-2007, Expanding the Coverage of Taxpayers Required to File Returns and Pay Taxes Through the Electronic Filing and Payment System (EFPS) of the Bureau of Internal Revenue.

13. The enterprise must abide by the principles of Good Corporate Governance. It must likewise accomplish the BOI form on self-rating Governance Scorecard every year as a requirement for ITH availment.

14. The enterprise shall adopt measures intended to reduce climate change risks in support of the National Framework Strategy on Climate Change.

15. The enterprise is encouraged to participate in the Philippines' Eco-labeling Program (ELP), when applicable.

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THERMA VISAYAS, INC.

(Bgy. Bato, Toledo City)
C.R. No. 2012-176
GENERAL TERMS AND CONDITIONS

1. The enterprise shall observe and abide by the provisions of the Omnibus Investments Code of 1987, as amended, and other related laws and their implementing rules and regulations as well as its commitments and representations made in the application for registration and take adequate measures to ensure that its obligation there under as well as those of its officers, employees and stockholders are faithfully discharged; provided it is understood that any misrepresentation or falsification in the documents or other supporting papers submitted to the Board shall constitute as ground for automatic cancellation of its registration.

2. The enterprise's Address of Record shall be at **Aboitiz Corporate Center, Gov. Manuel A. Cuenco Ave., Kasambagan, Cebu City.** All BOI notices/communications to the enterprise shall be sent to this address. The enterprise shall be responsible for notifying BOI, in writing, of any changes in its Address of Record, within ten (10) calendar days after such change, and therefore, should it fail to do so, service of all BOI communications, notices or processes in its Address of Record shall be considered valid, complete and binding to this enterprise.

   In case the enterprise has an authorized representative, designated as such by virtue of a Board Resolution of the enterprise, duly certified by its Board Secretary, and as appearing in the records of the BOI, it shall be so indicated that notices, communications and/or processes of the latter shall be sent to said representative. The authorized representative shall be responsible for notifying BOI, in writing, of any changes in its Address of Record within ten (10) calendar days after such change, and therefore, should it fail to do so, service of all BOI communications, notices or processes in the Address of Record of such authorized representative shall be considered valid, complete and binding to this enterprise.

3. The enterprise shall notify the BOI before doing any of the following acts:
   (Per Board Res. No. 38-16 S'2005 dated November 22, 2005)

   a. Invest in, extend loans, or buy bonds, in substantial amount, from any properties either in the Philippines or abroad. This does not apply to bonds issued by the Philippine Government;
   b. Issue stock convertible into voting stocks; or
   c. Buy its own stocks;

4. The enterprise shall secure prior permission of the BOI before doing any of the following acts:
   a. Transfer ownership and /or control of the enterprises;
   b. Expand its capacity, with or without incentives; or
   c. Engage in an undertaking other than the preferred project covered by its registration.

5. The enterprise shall maintain separate books of accounts for each activity, registered and unregistered with the Board. Moreover, the enterprise shall submit a list of direct costs attribute to each type of activity for purposes of determining the taxable income of each activity.

6. The enterprise shall submit to the Board an annual report of its actual investments, taxes paid and employment in the project within one (1) month following the end of the enterprise's calendar/fiscal year.

(Continued on page 2) paa

7. The enterprise shall comply with environmental laws and regulations.

8. The enterprise shall comply with the tree-planting program of the BOI requiring a minimum of one hundred (100) forest trees to be planted pursuant to Memorandum Circular No. 01, not later than one (1) year from date of registration. Proof of compliance must be submitted within (1) year from the first anniversary date of the enterprise's registration; otherwise, applications for availment of any incentive by the enterprise shall not be accepted by the Board.

9. The enterprise shall comply with the other conditions and representations made and accepted by the enterprise as embodied in its project feasibility study and confirmation letter, among others, and shall form part of this registration.

10. All the fiscal and non-fiscal incentives which do not contain a specific period for their enjoyment shall terminate after a period of not more than ten (10) years from date of registration.

11. Failure of the enterprise to file an incentive application within the prescribed date will mean imposition of fines and penalty including possible forfeiture or suspension of incentives or non-acceptance of the said application.

12. The enterprise shall submit the following reporting requirements to the Supervision and Monitoring Department on or before their respective due dates:

S1 (Annual Report of Performance)	Calendar year - May 15 Fiscal year – 4 ½ months after the end of fiscal year
Annual Audited Financial Statement	One (1) month from date of filing with BIR
Annual Income Tax Return	Thirty (30) days from the filing thereof.

The enterprise may submit the above report **on-line** to SMD@boi.gov.ph
For late filing and/or non-submission of reports and other requirements, the Board shall impose such fines in accordance with the schedules as set forth in the rules.

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THERMA VISAYAS, INC.
C.R. NO. 2012-176
Dated 28 August 2012

ANNEX "A"

Amended Specific Term and Condition No. 3(c): Investments and Timetable

Phase I – 300MW

Activity	Date	Related Expenses	Cost in Php Millions
1. Site acquisition and development	Completed	Capital Gains Tax, Documentary Stamp Tax, Transfer of Titles	180.00
2. Obtain appropriate licenses/permit from the government, etc.	February 2011 to June 2013	Environmental Compliance Certificate, ERC Certificate of Compliance, Community Tax Certificate, Mayor's Permit, VAT Registration, etc.	60.50
3. Engineering, Procurement, and Commissioning of Plant	June 2013 to December 2016	Site Evaluation, Design & Engineering, Pre-Operating Expenses, Project Management and Administration, Financing Costs	24,123.00
Start of Commercial Operation	October 2017	Working Capital	5,684.50
Total Project Cost			**30,048.00**

Phase II – 150MW

Activity	Date	Related Expenses	Cost in Php Millions
1. Site acquisition and development	None	Capital Gains Tax, Documentary Stamp Tax, Transfer of Titles	50.00
2. Obtain appropriate licenses/permit from the government, etc.	Dec 2015	Environmental Compliance Certificate, ERC Certificate of Compliance, Community Tax Certificate, Mayor's Permit, VAT Registration, etc.	370.00
3. Obtain appropriate licenses/permit from the government, etc.	Dec 2015	Environmental Compliance Certificate, ERC Certificate of Compliance, Community Tax Certificate, Mayor's Permit, VAT Registration, etc.	370.00
4. Engineering, Procurement, and Commissioning of Plant	Dec 2015	Site Evaluation, Design & Engineering, Pre-Operating Expenses, Project Management and Administration, Financing Costs	12,600.00
Start of Commercial Operation	October 2017	Working Capital	747.00
Total Project Cost			**13,767.00**

NOTE: Both Phase I and Phase II shall reflect October 2017 as the start of commercial operation and the reckoning date of Income Tax Holiday entitlement, which is the date approved by the Board for its original project per Legal and Compliance Service letter dated 26 August 2015.

Amended Specific Term and Condition No. 3 (d): Sales Revenue

Year	2017	2018	2019	2020	2021
Capacity (MW)	300	300	450	450	450
Capacity (KW)	300,000	300,000	1,014	1,014	1,014
Operating Hours per Year	78%	78%	7,536	7,536	7,536
Sales (kWh)	1,792,908,000	1,792,908,000	3,391,200,000	3,391,200,000	3,391,200,000
Selling Price (Php/kWh)	7.38	7.38	4.80	4.80	4.80
Sales Value (Php)	13,230,000,00	13,230,000,00	16,277,760,000	16,277,760,000	16,277,760,000

Per Legal and Compliance Service letter dated 26 August 2015.

BOARD OF INVESTMENTS

07 September 2017

MR. EMMANUEL V. RUBIO
Executive Vice-President, Chief Operating Officer
HEDCOR, INC.
214 Ambuclao Road, Obulan, Beckel, La Trinidad, Benguet
Telephone Nos.: 074 424 4763 / 02 886 2773
Fax No.: 02 886 2322

Dear Mr. Rubio:

Congratulations! Your project is now registered with the Board of Investments as **Renewable Energy Developer of Hydropower Resources (0.3 MW Talomo 2b Hydroelectric Power Project)** under the Renewable Energy Act of 2008 (R.A 9513).

The attached Certificate of Registration incorporates the agreed Terms and Conditions of your registration, including all the fiscal and non-fiscal incentives available to the registered project. Other incentives with no specific number of years of entitlement may be enjoyed for a maximum period of ten (10) years from the start of your commercial operation and/ or date of registration.

Very truly yours,

Atty. MARJORIE O. RAMOS-SAMANIEGO
Board Secretary

BOARD OF INVESTMENTS
PHILIPPINES

Republic of the Philippines
BOARD OF INVESTMENTS
Makati City

DEPARTMENT OF TRADE & INDUSTRY PHILIPPINES

CERTIFICATE OF REGISTRATION

No. 2017-252

TO ALL WHOM IT MAY CONCERN:

This is to certify that the Board of Investments has duly registered

HEDCOR, INC.

Renewable Energy Developer of Hydropower Resources
(0.3 MW Talomo 2b Hydroelectric Power Project)

in accordance with the provisions of the Omnibus Investments Code of 1987, as amended, subject to the representations and commitments set forth in its application for registration, the provisions of the above law, the rules and regulations of the Board of Investments and the terms and conditions herein prescribed.

In testimony whereof the seal of the Board of Investments and the signature of its Chairman / Vice - Chairman is hereunto affixed. Given at Makati City, Philippines, this 7th day of,

September 2017

Management Committee Res. No. 29-02 S'2017
Board Resolution No. 21-04 S'2017

DR. CEFERINO S. RODOLFO
Undersecretary and BOI Managing Head

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Attested:

Atty. ***MARJORIE O. RAMOS SAMANIEGO***
Board Secretary

Department of Trade and Industry

DTI

HEDCOR, INC.
(Tugbok, Davao City)

Type of Registration/Activity	:	**RENEWABLE ENERGY DEVELOPER OF HYDROPOWER RESOURCES (TALOMO 2b HYDROELECTRIC POWER PROJECT)**
Capacity	:	**0.3 MW**
Status	:	**N/A; UNDER R.A. 9513**
Certificate of Registration No.	:	**2017-252**
Date	:	**SEPTEMBER 07, 2017**

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SPECIFIC TERMS AND CONDITIONS

1. The enterprise shall observe the following production schedule:

Year	No of Generator s	Total Capacity (MW)	Capacity Factor	Production Volume (kWh)
	A	B	C	D
Y1	1	0.3	88%	2,312,640
Y2	1	0.3	88%	2,312,640
Y3	1	0.3	88%	2,312,640
Y4	1	0.3	88%	2,312,640
Y5	1	0.3	88%	2,312,640

- *Total Rated Capacity (Bn) = No. of Generator x Capacity per Generator (i.e. 1 x 0.3 MW) = 0.3 MW or 300 kW*
- *Production Volume (kWh) = Total Rated Capacity (kW) x Operating Hours per Year (i.e., 8,760 hours) x Capacity Factor*

2. The enterprise may avail of the following incentives under the administration of the BOI:

   a) **Duty-Free Importation of RE Machinery, Equipment and Materials including control and communication equipment,** within the first ten (10) years from the issuance of the DOE Certificate of Registration.

   The enterprise shall secure from the DOE-REMB a Certificate of Endorsement that the enterprise is in good standing for availment of this incentive. The Endorsement shall be on a per transaction basis. "Per transaction" means per application of incentives.

   b) **Tax exemption of Carbon Credits** - all proceeds from the sale of carbon emission credits including the expected value of the CER in the future (discounted at an acceptable rate) shall be exempt from any and all taxes.

(Continued on page 2) Ɓ

3. The enterprise may also avail of the following incentives under R.A. 9513 to be administered by appropriate government agencies subject to the Rules and Regulations of the respective administering government agencies.

   a) Special Realty Tax Rates on Equipment and Machinery

   Realty and other taxes on civil works, equipment, machinery, and other improvements of a registered enterprise actually and exclusively used for RE facilities shall not exceed one and a half percent (1.5%) of the original cost less accumulated normal depreciation or net book value.

   b) Net Operating Loss Carry-Over (NOLCO)

   The NOLCO during the first three years from the start of commercial operation shall be carried over as a deduction from the gross income as defined in the National Internal Revenue Code of 1997 (NIRC) for the next seven consecutive taxable years immediately following the year of such loss.

   c) Corporate Tax Rate

   The enterprise shall pay a corporate tax of ten percent (10%) on its taxable income as defined in the NIRC, provided that it shall pass on the savings to the end users in the form of lower rates.

   The implementation of the power rate reduction must be consistent with the mechanism determined by the Energy Regulatory Commission in coordination with the Department of Energy.

   d) Accelerated Depreciation

   The plant, machinery, and equipment that are reasonably needed and actually used for the exploration, development and utilization of RE resources may be depreciated using a rate not exceeding twice the rate which would have been used had the annual allowance been computed in accordance with the rules and regulations prescribed by the Department of Finance and the provisions of the NIRC.

   e) Zero-Percent Value-Added Tax Rate

   The sale of power generated by the enterprise as well as its purchases of local supply of goods, properties and services needed for the development, construction and installation of its plant facilities and the whole process of exploration and development of RE sources up to its conversion into power shall be subject to zero percent value-added tax pursuant to the NIRC.

(Continued on page 3)

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f) **Cash Incentive of Renewable Energy Developers for Missionary Electrification**

The enterprise may be entitled to a cash generation-based incentive per kilowatt-hour rate generated, equivalent to fifty percent (50%) of the universal charge for power needed to service missionary areas, chargeable against the universal charge for missionary electrification.

g) **Tax Credit on Domestic Capital Equipment and Services**

A tax credit equivalent to one hundred percent (100%) of the value of the value-added tax and custom duties that would have been paid on the RE machinery, equipment, materials and parts had these items been imported shall be given to the enterprise that purchases machinery, equipment, materials and parts from a domestic manufacturer.

4. The enterprise should endeavour to undertake meaningful and sustainable Corporate Social Responsibility (CSR) activities in the locality where the project is implemented.

5. The enterprise shall maintain books of account for this registered project separate from all its other operation/s and/or activity/ies.

6. The enterprise must commit to the tenets of Good Corporate Governance.

7. The enterprise shall adopt measures intended to reduce climate change risks in support of the National Framework Strategy on Climate Change.

8. The enterprise is encouraged to secure environmental certifications based on internationally-recognized standards.

9. The enterprise shall obtain applicable certifications based on internationally-recognized standards such as ISO certification or other similar certifications.

10. In the event of transfer to another Investment Promotion Agency, the enterprise shall undertake the publication of its cancellation of BOI registration in a newspaper of general circulation.

11. The enterprise shall visit the BOI website (http://www.boi.gov.ph) on a regular basis for updates on BOI rules, policies and guidelines.

12. The enterprise shall abide by the rules, policies, guidelines and regulations set forth by the Department of Energy (DOE) pertinent to the registered project.

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HEDCOR, INC.
(Tugbok, Davao City)

Renewable Energy Developer of Hydropower Resources
(0.3 MW Talomo 2b Hydroelectric Power Project)

C.R. No. 2017-252

GENERAL TERMS AND CONDITIONS

1. The enterprise shall observe and abide by the provisions of the Omnibus Investments Code of 1987 and other related laws and their implementing rules and regulations as well as its commitments and representations made in the application for registration and take adequate measures to ensure that its obligation thereunder as well as those of its officers, employees and stockholders are faithfully discharged: provided it is understood that any misrepresentation or falsification in the documents or other supporting papers submitted to the Board shall constitute as ground for automatic cancellation of its registration.

2. The enterprise's Address of Record shall be **214 Ambuclao Road, Obulan, Beckel, La Trinidad, Benguet.** All BOI notices/communications to the firm shall be sent to this address. The firm shall be responsible for notifying BOI, in writing, of any changes in its Address of Record, within ten (10) calendar days after such change, and therefore, should it fail to do so, service of all BOI communications, notices or processes in its Address of Record shall be considered valid, complete and binding to this enterprise.

   In case the enterprise has an authorized representative, designated as such by virtue of a Board Resolution of the firm, duly certified by its Board Secretary, and as appearing in the records of the BOI, it shall be so indicated that notices, communications and/or processes of the latter shall be sent to said representative. The authorized representative shall be responsible for notifying BOI, in writing, of any changes in its Address of Record within ten (10) calendar days after such change, and therefore, should it fail to do so, service of all BOI communications, notices or processes in the Address of Record of such authorized representative shall be considered valid, complete and binding to this enterprise.

3. The enterprise shall notify the BOI before doing any of the following acts:
   (Per Board Res. No. 38-16 S'2005 dated November 22, 2005)

   a. Invest in, extend loans, or buy bonds, in substantial amount, from any properties either in the Philippines or abroad. This does not apply to bonds issued by the Philippine Government;
   b. Issue stock convertible into voting stocks;
   c. Buy its own stocks.

4. The enterprise shall secure prior permission of the BOI before doing any of the following acts:

   a. Transfer ownership and /or control of the enterprise;
   b. Engage in an undertaking other than the preferred project covered by its registration;
   c. Expand its capacity, with or without incentives.

5. The enterprise shall maintain separate books of accounts for each activity, registered and unregistered with the Board. Moreover, the firm shall submit a list of direct costs attributable to each type of activity for purposes of determining the taxable income of each activity.

(Continued on page 2)

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6. The enterprise shall submit to the Board an annual report of its actual investments, taxes paid and employment in the project within one (1) month following the end of the firm's calendar/fiscal year.

7. The enterprise shall comply with environmental laws and regulations.

8. The enterprise shall comply with the Tree-Planting Program of the BOI requiring a minimum of one hundred (100) forest trees to be planted pursuant to Memorandum Circular No. 01, not later than one (1) year from date of registration. Proof of compliance must be submitted within (1) year from the first anniversary date of the firm's registration; otherwise, applications for availment of any incentive by the firm shall not be accepted by the Board.

9. The enterprise shall comply with the other conditions and representations made and accepted by the firm as embodied in its project feasibility study and confirmation letter, among others, and shall form part of this registration.

10. All the fiscal and non-fiscal incentives which do not contain specific period for their enjoyment shall terminate after a period of not more than ten (10) years from date of registration.

11. Failure of the enterprise to file an incentive application within the prescribed date will mean imposition of fines and penalty including possible forfeiture or suspension of incentives or non-acceptance of the said application.

12. The enterprise shall submit the following reporting requirements to the BOI Legal and Compliance Service on or before their respective due dates:

• S1 (Annual Report of Performance)	Calendar Year on or before 30 April Fiscal Year – four (4) months after the end of Fiscal Year
• Annual Audited Financial Statement	One(1) month from the date of filing with the BIR
• Annual Income Tax Return	Thirty (30) calendar days from the date of filing with the BIR

The enterprise shall submit the S-1 in both soft (Excel format) and hard copies. Only one hard copy is required, which should be notarized and duly signed by the enterprise's authorized representative. Further, the Audited Financial Statements and Income Tax Return (ITR), duly stamped by the Bureau of Internal Revenue shall be scanned and submitted in a Compact Disc.

The enterprise may submit the above report on-line to monitor@yahoo.com.ph
For late filing and/or non-submission of reports and other requirements, the Board shall impose such fines in accordance with the schedules as set forth in the rules.

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BOARD OF INVESTMENTS

07 September 2017

MR. EMMANUEL V. RUBIO
Executive Vice-President, Chief Operating Officer
HEDCOR, INC.
214 Ambuclao Road, Obulan, Beckel, La Trinidad, Benguet
Telephone Nos.: 074 424 4763 / 02 886 2773
Fax No.: 02 886 2322

Dear Mr. Rubio:

Congratulations! Your project is now registered with the Board of Investments as **Renewable Energy Developer of Hydropower Resources (0.6 MW Talomo 2 Hydroelectric Power Project)** under the Renewable Energy Act of 2008 (R.A 9513).

The attached Certificate of Registration incorporates the agreed Terms and Conditions of your registration, including all the fiscal and non-fiscal incentives available to the registered project. Other incentives with no specific number of years of entitlement may be enjoyed for a maximum period of ten (10) years from the start of your commercial operation and/ or date of registration.

Very truly yours,

Atty. MARJORIE O. RAMOS-SAMANIEGO
Board Secretary

BOARD OF INVESTMENTS

Republic of the Philippines
BOARD OF INVESTMENTS
Makati City

DEPARTMENT OF TRADE & INDUSTRY PHILIPPINES

CERTIFICATE OF REGISTRATION

No. 2017-257

TO ALL WHOM IT MAY CONCERN:

This is to certify that the Board of Investments has duly registered

HEDCOR, INC.

Renewable Energy Developer of Hydropower Resources
(0.6 MW Talomo 2 Hydroelectric Power Project)

in accordance with the provisions of the Omnibus Investments Code of 1987, as amended, subject to the representations and commitments set forth in its application for registration, the provisions of the above law, the rules and regulations of the Board of Investments and the terms and conditions herein prescribed.

In testimony whereof the seal of the Board of Investments and the signature of its Chairman / Vice - Chairman is hereunto affixed. Given at Makati City, Philippines, this 7th day of, September 2017

Management Committee Res. No. 29-02 S'2017
Board Resolution No. 21-04 S'2017

DR. CEFERINO S. RODOLFO
Undersecretary and BOI Managing Head

312834

Attested:

Atty. MARJORIE O. RAMOS SAMANIEGO
Board Secretary

Department of Trade and Industry

DTI

HEDCOR, INC.
(Tugbok, Davao City)

Type of Registration/Activity	:	**RENEWABLE ENERGY DEVELOPER OF HYDROPOWER RESOURCES (TALOMO 2 HYDROELECTRIC POWER PROJECT)**
Capacity	:	**0.6 MW**
Status	:	**N/A; UNDER R.A. 9513**
Certificate of Registration No.	:	**2017-257**
Date	:	**SEPTEMBER 07, 2017**

x - x

SPECIFIC TERMS AND CONDITIONS

1. The enterprise shall observe the following production schedule:

Year	No of Generator/s	Total Capacity (MW)	Capacity Factor	Production Volume (kWh)
	A	B	C	D
Y1	3	0.6	88%	4,625,280
Y2	3	0.6	88%	4,625,280
Y3	3	0.6	88%	4,625,280
Y4	3	0.6	88%	4,625,280
Y5	3	0.6	88%	4,625,280

- *Total Rated Capacity (kW) = No. of Generator/s x Capacity per Generator (i.e. 3 x 0.2 MW) = 0.6 MW or 600 kW*
- *Production Volume (kWh) = Total Rated Capacity (kW) x Operating Hours per Year (i.e. 8,760 hours) x Capacity Factor (i.e. 88%)*

2. The enterprise may avail of the following incentives under the administration of the BOI:

   a) **Duty-Free Importation of RE Machinery, Equipment and Materials including control and communication equipment**, within the first ten (10) years from the issuance of the DOE Certificate of Registration.

   The enterprise shall secure from the DOE-REMB a Certificate of Endorsement that the enterprise is in good standing for availment of this incentive. The Endorsement shall be on a per transaction basis. "Per transaction" means per application of incentives.

   b) **Tax exemption of Carbon Credits** – all proceeds from the sale of carbon emission credits including the expected value of the CER in the future (discounted at an acceptable rate) shall be exempt from any and all taxes.

(Continued on page 2) [initials]

3. The enterprise may also avail of the following incentives under R.A. 9513 to be administered by appropriate government agencies subject to the Rules and Regulations of the respective administering government agencies.

   a) Special Realty Tax Rates on Equipment and Machinery

   Realty and other taxes on civil works, equipment, machinery, and other improvements of a registered enterprise actually and exclusively used for RE facilities shall not exceed one and a half percent (1.5%) of the original cost less accumulated normal depreciation or net book value.

   b) Net Operating Loss Carry-Over (NOLCO)

   The NOLCO during the first three years from the start of commercial operation shall be carried over as a deduction from the gross income as defined in the National Internal Revenue Code of 1997 (NIRC) for the next seven consecutive taxable years immediately following the year of such loss.

   c) Corporate Tax Rate

   The enterprise shall pay a corporate tax of ten percent (10%) on its taxable income as defined in the NIRC, provided that it shall pass on the savings to the end users in the form of lower rates.

   The implementation of the power rate reduction must be consistent with the mechanism determined by the Energy Regulatory Commission in coordination with the Department of Energy.

   d) Accelerated Depreciation

   The plant, machinery, and equipment that are reasonably needed and actually used for the exploration, development and utilization of RE resources may be depreciated using a rate not exceeding twice the rate which would have been used had the annual allowance been computed in accordance with the rules and regulations prescribed by the Department of Finance and the provisions of the NIRC.

   e) Zero-Percent Value-Added Tax Rate

   The sale of power generated by the enterprise as well as its purchases of local supply of goods, properties and services needed for the development, construction and installation of its plant facilities and the whole process of exploration and development of RE sources up to its conversion into power shall be subject to zero percent value-added tax pursuant to the NIRC.

(Continued on page 3)

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f) **Cash Incentive of Renewable Energy Developers for Missionary Electrification**

The enterprise may be entitled to a cash generation-based incentive per kilowatt-hour rate generated, equivalent to fifty percent (50%) of the universal charge for power needed to service missionary areas, chargeable against the universal charge for missionary electrification.

g) **Tax Credit on Domestic Capital Equipment and Services**

A tax credit equivalent to one hundred percent (100%) of the value of the value-added tax and custom duties that would have been paid on the RE machinery, equipment, materials and parts had these items been imported shall be given to the enterprise that purchases machinery, equipment, materials and parts from a domestic manufacturer.

4. The enterprise should endeavour to undertake meaningful and sustainable Corporate Social Responsibility (CSR) activities in the locality where the project is implemented.

5. The enterprise shall maintain books of account for this registered project separate from all its other operation/s and/or activity/ies.

6. The enterprise must commit to the tenets of Good Corporate Governance.

7. The enterprise shall adopt measures intended to reduce climate change risks in support of the National Framework Strategy on Climate Change.

8. The enterprise is encouraged to secure environmental certifications based on internationally recognized standards.

9. The enterprise shall obtain applicable certifications based on internationally-recognized standards such as ISO certification or other similar certifications.

10. In the event of transfer to another Investment Promotion Agency, the enterprise shall undertake the publication of its cancellation of BOI registration in a newspaper of general circulation.

11. The enterprise shall visit the BOI website (http://www.boi.gov.ph) on a regular basis for updates on BOI rules, policies and guidelines.

12. The enterprise shall abide by the rules, policies, guidelines and regulations set forth by the Department of Energy (DOE) pertinent to the registered project.

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HEDCOR, INC.

Renewable Energy Developer of Hydropower Resources
(0.6 MW Talomo 2 Hydroelectric Power Project)

C.R. No. 2017-257

GENERAL TERMS AND CONDITIONS

1. The enterprise shall observe and abide by the provisions of the Omnibus Investments Code of 1987 and other related laws and their implementing rules and regulations as well as its commitments and representations made in the application for registration and take adequate measures to ensure that its obligation thereunder as well as those of its officers, employees and stockholders are faithfully discharged; provided it is understood that any misrepresentation or falsification in the documents or other supporting papers submitted to the Board shall constitute as ground for automatic cancellation of its registration.

2. The enterprise's Address of Record shall be **214 Ambuclao Road, Obulan, Beckel, La Trinidad, Benguet**. All BOI notices/communications to the firm shall be sent to this address. The firm shall be responsible for notifying BOI, in writing, of any changes in its Address of Record, within ten (10) calendar days after such change, and therefore, should it fail to do so, service of all BOI communications, notices or processes in its Address of Record shall be considered valid, complete and binding to this enterprise.

   In case the enterprise has an authorized representative, designated as such by virtue of a Board Resolution of the firm, duly certified by its Board Secretary, and as appearing in the records of the BOI, it shall be so indicated that notices, communications and/or processes of the latter shall be sent to said representative. The authorized representative shall be responsible for notifying BOI, in writing, of any changes in its Address of Record within ten (10) calendar days after such change, and therefore, should it fail to do so, service of all BOI communications, notices or processes in the Address of Record of such authorized representative shall be considered valid, complete and binding to this enterprise.

3. The enterprise shall notify the BOI before doing any of the following acts:
   (Per Board Res. No. 38-16 S'2005 dated November 22, 2005)

   a. Invest in, extend loans, or buy bonds, in substantial amount, from any properties either in the Philippines or abroad. This does not apply to bonds issued by the Philippine Government;
   b. Issue stock convertible into voting stocks;
   c. Buy its own stocks.

4. The enterprise shall secure prior permission of the BOI before doing any of the following acts:

   a. Transfer ownership and /or control of the enterprise;
   b. Engage in an undertaking other than the preferred project covered by its registration;
   c. Expand its capacity, with or without incentives.

5. The enterprise shall maintain separate books of accounts for each activity, registered and unregistered with the Board. Moreover, the firm shall submit a list of direct costs attributable to each type of activity for purposes of determining the taxable income of each activity.

(Continued on page 2) Amo

6. The enterprise shall submit to the Board an annual report of its actual investments, taxes paid and employment in the project within one (1) month following the end of the firm's calendar/fiscal year.

7. The enterprise shall comply with environmental laws and regulations.

8. The enterprise shall comply with the Tree-Planting Program of the BOI requiring a minimum of one hundred (100) forest trees to be planted pursuant to Memorandum Circular No. 01, not later than one (1) year from date of registration. Proof of compliance must be submitted within (1) year from the first anniversary date of the firm's registration; otherwise, applications for availment of any incentive by the firm shall not be accepted by the Board.

9. The enterprise shall comply with the other conditions and representations made and accepted by the firm as embodied in its project feasibility study and confirmation letter, among others, and shall form part of this registration.

10. All the fiscal and non-fiscal incentives which do not contain specific period for their enjoyment shall terminate after a period of not more than ten (10) years from date of registration.

11. Failure of the enterprise to file an incentive application within the prescribed date will mean imposition of fines and penalty including possible forfeiture or suspension of incentives or non-acceptance of the said application.

12. The enterprise shall submit the following reporting requirements to the BOI Legal and Compliance Service on or before their respective due dates:

• S1 (Annual Report of Performance)	Calendar Year on or before 30 April Fiscal Year – four (4) months after the end of Fiscal Year
• Annual Audited Financial Statement	One(1) month from the date of filing with the BIR
• Annual Income Tax Return	Thirty (30) calendar days from the date of filing with the BIR

The enterprise shall submit the S-1 in both soft (Excel format) and hard copies. Only one hard copy is required, which should be notarized and duly signed by the enterprise's authorized representative. Further, the Audited Financial Statements and Income Tax Return (ITR), duly stamped by the Bureau of Internal Revenue shall be scanned and submitted in a Compact Disc.

The enterprise may submit the above report on-line to monitor@yahoo.com.ph
For late filing and/or non-submission of reports and other requirements, the Board shall impose such fines in accordance with the schedules as set forth in the rules.

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BOARD OF INVESTMENTS

07 September 2017

MR. EMMANUEL V. RUBIO
Executive Vice-President, Chief Operating Officer
HEDCOR, INC.
214 Ambuclao Road, Obulan, Beckel, La Trinidad, Benguet
Telephone Nos.: 074 424 4763 / 02 886 2773
Fax No.: 02 886 2322

Dear Mr. Rubio:

Congratulations! Your project is now registered with the Board of Investments as **Renewable Energy Developer of Hydropower Resources (0.65 MW Talomo 2a Hydroelectric Power Project)** under the Renewable Energy Act of 2008 (R.A 9513).

The attached Certificate of Registration incorporates the agreed Terms and Conditions of your registration, including all the fiscal and non-fiscal incentives available to the registered project. Other incentives with no specific number of years of entitlement may be enjoyed for a maximum period of ten (10) years from the start of your commercial operation and/ or date of registration.

Very truly yours,

Atty. MARJORIE O. RAMOS-SAMANIEGO
Board Secretary

BOARD OF INVESTMENTS

Republic of the Philippines
BOARD OF INVESTMENTS
Makati City

DEPARTMENT OF TRADE & INDUSTRY

CERTIFICATE OF REGISTRATION

No. 2017-253

TO ALL WHOM IT MAY CONCERN:

This is to certify that the Board of Investments has duly registered

HEDCOR, INC.

Renewable Energy Developer of Hydropower Resources
(0.65 MW Talomo 2a Hydroelectric Power Project)

in accordance with the provisions of the Omnibus Investments Code of 1987, as amended, subject to the representations and commitments set forth in its application for registration, the provisions of the above law, the rules and regulations of the Board of Investments and the terms and conditions herein prescribed.

In testimony whereof the seal of the Board of Investments and the signature of its Chairman / Vice - Chairman is hereunto affixed. Given at Makati City, Philippines, this 7th day of,

September 2017.

Management Committee Res. No. 29 62 S'2017
Board Resolution No. 21-04 S'2017

DR. CEFERINO S. RODOLFO
Undersecretary and BOI Managing Head

312830

Attested:

Atty. ***MARJORIE O. RAMOS SAMANIEGO***
Board Secretary

Department of Trade and Industry

DTI

HEDCOR, INC.
(Tugbok, Davao City)

Type of Registration/Activity	:	**RENEWABLE ENERGY DEVELOPER OF HYDROPOWER RESOURCES (TALOMO 2a HYDROELECTRIC POWER PROJECT)**
Capacity	:	**0.65 MW**
Status	:	**N/A; UNDER R.A. 9513**
Certificate of Registration No.	:	**2017-253**
Date	:	**SEPTEMBER 07, 2017**

x - x

SPECIFIC TERMS AND CONDITIONS

1. The enterprise shall observe the following production schedule:

Year	No of Generator/s	Total Capacity (MW)	Capacity Factor	Production Volume (kWh)
	A	B	C	D
Y1	2	0.65	68%	3,871,920
Y2	2	0.65	68%	3,871,920
Y3	2	0.65	68%	3,871,920
Y4	2	0.65	68%	3,871,920
Y5	2	0.65	68%	3,871,920

- *Total Rated Capacity (kW) = Capacity of Generator 1 + Capacity of Generator 2 (i.e. 0.45 MW + 0.2 MW) = 0.65 MW or 650 kW*
- *Production Volume (kWh) = Total Rated Capacity (kW) x Operating Hours per Year (i.e. 8,760 hours) x Capacity Factor (i.e. 68%)*

2. The enterprise may avail of the following incentives under the administration of the BOI:

   a) **Duty-Free Importation of RE Machinery, Equipment and Materials including control and communication equipment,** within the first ten (10) years from the issuance of the DOE Certificate of Registration.

   The enterprise shall secure from the DOE REMB a Certificate of Endorsement that the enterprise is in good standing for availment of this incentive. The Endorsement shall be on a per transaction basis. "Per transaction" means per application of incentives.

   b) **Tax exemption of Carbon Credits** - all proceeds from the sale of carbon emission credits including the expected value of the CER in the future (discounted at an acceptable rate) shall be exempt from any and all taxes.

(Continued on page 2)

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3. The enterprise may also avail of the following incentives under R.A. 9513 to be administered by appropriate government agencies subject to the Rules and Regulations of the respective administering government agencies.

   a) **Special Realty Tax Rates on Equipment and Machinery**

   Realty and other taxes on civil works, equipment, machinery, and other improvements of a registered enterprise actually and exclusively used for RE facilities shall not exceed one and a half percent (1.5%) of the original cost less accumulated normal depreciation or net book value.

   b) **Net Operating Loss Carry-Over (NOLCO)**

   The NOLCO during the first three years from the start of commercial operation shall be carried over as a deduction from the gross income as defined in the National Internal Revenue Code of 1997 (NIRC) for the next seven consecutive taxable years immediately following the year of such loss.

   c) **Corporate Tax Rate**

   The enterprise shall pay a corporate tax of ten percent (10%) on its taxable income as defined in the NIRC, provided that it shall pass on the savings to the end users in the form of lower rates.

   The implementation of the power rate reduction must be consistent with the mechanism determined by the Energy Regulatory Commission in coordination with the Department of Energy.

   d) **Accelerated Depreciation**

   The plant, machinery, and equipment that are reasonably needed and actually used for the exploration, development and utilization of RE resources may be depreciated using a rate not exceeding twice the rate which would have been used had the annual allowance been computed in accordance with the rules and regulations prescribed by the Department of Finance and the provisions of the NIRC.

   e) **Zero-Percent Value-Added Tax Rate**

   The sale of power generated by the enterprise as well as its purchases of local supply of goods, properties and services needed for the development, construction and installation of its plant facilities and the whole process of exploration and development of RE sources up to its conversion into power shall be subject to zero percent value-added tax pursuant to the NIRC.

(Continued on page 3)

f) **Cash Incentive of Renewable Energy Developers for Missionary Electrification**

The enterprise may be entitled to a cash generation-based incentive per kilowatt-hour rate generated, equivalent to fifty percent (50%) of the universal charge for power needed to service missionary areas, chargeable against the universal charge for missionary electrification.

g) **Tax Credit on Domestic Capital Equipment and Services**

A tax credit equivalent to one hundred percent (100%) of the value of the value-added tax and custom duties that would have been paid on the RE machinery, equipment, materials and parts had these items been imported shall be given to the enterprise that purchases machinery, equipment, materials and parts from a domestic manufacturer.

4. The enterprise should endeavour to undertake meaningful and sustainable Corporate Social Responsibility (CSR) activities in the locality where the project is implemented.

5. The enterprise shall maintain books of account for this registered project separate from all its other operation/s and/or activity/ies.

6. The enterprise must commit to the tenets of Good Corporate Governance.

7. The enterprise shall adopt measures intended to reduce climate change risks in support of the National Framework Strategy on Climate Change.

8. The enterprise is encouraged to secure environmental certifications based on internationally-recognized standards.

9. The enterprise shall obtain applicable certifications based on internationally-recognized standards such as ISO certification or other similar certifications.

10. In the event of transfer to another Investment Promotion Agency, the enterprise shall undertake the publication of its cancellation of BOI registration in a newspaper of general circulation.

11. The enterprise shall visit the BOI website (http://www.boi.gov.ph) on a regular basis for updates on BOI rules, policies and guidelines.

12. The enterprise shall abide by the rules, policies, guidelines and regulations set forth by the Department of Energy (DOE) pertinent to the registered project.

*****oOo*****

HEDCOR, INC.
(Tugbok, Davao City)

Renewable Energy Developer of Hydropower Resources
(0.65 MW Talomo 2a Hydroelectric Power Project)

C.R. No. 2017-253

GENERAL TERMS AND CONDITIONS

1. The enterprise shall observe and abide by the provisions of the Omnibus Investments Code of 1987 and other related laws and their implementing rules and regulations as well as its commitments and representations made in the application for registration and take adequate measures to ensure that its obligation thereunder as well as those of its officers, employees and stockholders are faithfully discharged; provided it is understood that any misrepresentation or falsification in the documents or other supporting papers submitted to the Board shall constitute as ground for automatic cancellation of its registration.

2. The enterprise's Address of Record shall be **214 Ambuclao Road, Obulan, Beckel, La Trinidad, Benguet**. All BOI notices/communications to the firm shall be sent to this address. The firm shall be responsible for notifying BOI, in writing, of any changes in its Address of Record, within ten (10) calendar days after such change, and therefore, should it fail to do so, service of all BOI communications, notices or processes in its Address of Record shall be considered valid, complete and binding to this enterprise.

   In case the enterprise has an authorized representative, designated as such by virtue of a Board Resolution of the firm, duly certified by its Board Secretary, and as appearing in the records of the BOI, it shall be so indicated that notices, communications and/or processes of the latter shall be sent to said representative. The authorized representative shall be responsible for notifying BOI, in writing, of any changes in its Address of Record within ten (10) calendar days after such change, and therefore, should it fail to do so, service of all BOI communications, notices or processes in the Address of Record of such authorized representative shall be considered valid, complete and binding to this enterprise.

3. The enterprise shall notify the BOI before doing any of the following acts:
   (Per Board Res. No. 38-16 S'2005 dated November 22, 2005)

   a. Invest in, extend loans, or buy bonds, in substantial amount, from any properties either in the Philippines or abroad. This does not apply to bonds issued by the Philippine Government;
   b. Issue stock convertible into voting stocks;
   c. Buy its own stocks.

4. The enterprise shall secure prior permission of the BOI before doing any of the following acts:

   a. Transfer ownership and /or control of the enterprise;
   b. Engage in an undertaking other than the preferred project covered by its registration;
   c. Expand its capacity, with or without incentives.

5. The enterprise shall maintain separate books of accounts for each activity, registered and unregistered with the Board. Moreover, the firm shall submit a list of direct costs attributable to each type of activity for purposes of determining the taxable income of each activity.

(Continued on page 2) Amo

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6. The enterprise shall submit to the Board an annual report of its actual investments, taxes paid and employment in the project within one (1) month following the end of the firm's calendar/fiscal year.

7. The enterprise shall comply with environmental laws and regulations.

8. The enterprise shall comply with the Tree-Planting Program of the BOI requiring a minimum of one hundred (100) forest trees to be planted pursuant to Memorandum Circular No. 01, not later than one (1) year from date of registration. Proof of compliance must be submitted within (1) year from the first anniversary date of the firm's registration; otherwise, applications for availment of any incentive by the firm shall not be accepted by the Board.

9. The enterprise shall comply with the other conditions and representations made and accepted by the firm as embodied in its project feasibility study and confirmation letter, among others, and shall form part of this registration.

10. All the fiscal and non-fiscal incentives which do not contain specific period for their enjoyment shall terminate after a period of not more than ten (10) years from date of registration.

11. Failure of the enterprise to file an incentive application within the prescribed date will mean imposition of fines and penalty including possible forfeiture or suspension of incentives or non-acceptance of the said application.

12. The enterprise shall submit the following reporting requirements to the BOI Legal and Compliance Service on or before their respective due dates:

• S1 (Annual Report of Performance)	Calendar Year on or before 30 April Fiscal Year – four (4) months after the end of Fiscal Year
• Annual Audited Financial Statement	One(1) month from the date of filing with the BIR
• Annual Income Tax Return	Thirty (30) calendar days from the date of filing with the BIR

The enterprise shall submit the S-1 in both soft (Excel format) and hard copies. Only one hard copy is required, which should be notarized and duly signed by the enterprise's authorized representative. Further, the Audited Financial Statements and Income Tax Return (ITR), duly stamped by the Bureau of Internal Revenue shall be scanned and submitted in a Compact Disc.

The enterprise may submit the above report on-line to monitor@yahoo.com.ph
For late filing and/or non-submission of reports and other requirements, the Board shall impose such fines in accordance with the schedules as set forth in the rules.

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BOARD OF INVESTMENTS

07 September 2017

MR. EMMANUEL V. RUBIO
Executive Vice-President, Chief Operating Officer
HEDCOR, INC.
214 Ambuclao Road, Obulan, Beckel, La Trinidad, Benguet
Telephone Nos.: 074 424 4763 / 02 886 2773
Fax No. : 02 886 2322

Dear Mr. Rubio:

Congratulations! Your project is now registered with the Board of Investments as **Renewable Energy Developer of Hydropower Resources (1.2 MW Irisan 3 Hydroelectric Power Project)** under the Renewable Energy Act of 2008 (R.A 9513).

The attached Certificate of Registration incorporates the agreed Terms and Conditions of your registration, including all the fiscal and non-fiscal incentives available to the registered project. Other incentives with no specific number of years of entitlement may be enjoyed for a maximum period of ten (10) years from the start of your commercial operation and/ or date of registration.

Very truly yours,

Atty. MARJORIE O. RAMOS-SAMANIEGO
Board Secretary

BOARD OF INVESTMENTS
PHILIPPINES

Republic of the Philippines
BOARD OF INVESTMENTS
Makati City

DEPARTMENT OF TRADE & INDUSTRY PHILIPPINES

CERTIFICATE OF REGISTRATION

No. *2017-251*

TO ALL WHOM IT MAY CONCERN:

This is to certify that the Board of Investments has duly registered

HEDCOR, INC.

Renewable Energy Developer of Hydropower Resources
(1.2 MW Irisan 3 Hydroelectric Power Project)

in accordance with the provisions of the Omnibus Investments Code of 1987, as amended, subject to the representations and commitments set forth in its application for registration, the provisions of the above law, the rules and regulations of the Board of Investments and the terms and conditions herein prescribed.

In testimony whereof the seal of the Board of Investments and the signature of its Chairman / Vice - Chairman is hereunto affixed. Given at Makati City, Philippines, this *7th* *day of,*
September 2017

Management Committee Res. No. 29-02 S'2017
Board Resolution No. 21-04 S'2017

DR. CEFERINO S. RODOLFO
Undersecretary and BOI Managing Head

312828

Attested:

Atty. MARJORIE O. RAMOS SAMANIEGO
Board Secretary

Department of Trade and Industry
DTI

HEDCOR, INC.
(Tuba, Benguet)

Type of Registration/Activity	:	**RENEWABLE ENERGY DEVELOPER OF HYDROPOWER RESOURCES (IRISAN 3 HYDROELECTRIC POWER PROJECT)**
Capacity	:	**1.2 MW**
Status	:	**N/A; UNDER R.A. 9513**
Certificate of Registration No.	:	**2017-251**
Date	:	**SEPTEMBER 07, 2017**

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SPECIFIC TERMS AND CONDITIONS

1. The enterprise shall observe the following production schedule:

Year	No of Generator/s	Total Capacity (MW)	Capacity Factor	Production Volume (kWh)
	A	B	C	D
Y1	3	1.2	32%	3,363,840
Y2	3	1.2	32%	3,363,840
Y3	3	1.2	32%	3,363,840
Y4	3	1.2	32%	3,363,840
Y5	3	1.2	32%	3,363,840

- *Total Rated Capacity (kW) = No of Generator/s x Capacity per Generator (i.e. 3 x 0.4 MW) = 1.2 MW or 1,200 kW*
- *Production Volume (kWh) = Total Rated Capacity (kW) x Operating Hours per Year (i.e., 8,760 hours) x Capacity Factor (i.e. 32%)*

2. The enterprise may avail of the following incentives under the administration of the BOI:

   a) **Duty-Free Importation of RE Machinery, Equipment and Materials including control and communication equipment,** within the first ten (10) years from the issuance of the DOE Certificate of Registration.

   The enterprise shall secure from the DOE-REMB a Certificate of Endorsement that the enterprise is in good standing for availment of this incentive. The Endorsement shall be on a per transaction basis. "Per transaction" means per application of incentives.

   b) **Tax exemption of Carbon Credits** - all proceeds from the sale of carbon emission credits including the expected value of the CER in the future (discounted at an acceptable rate) shall be exempt from any and all taxes.

(Continued on page 2)

3. The enterprise may also avail of the following incentives under R.A. 9513 to be administered by appropriate government agencies subject to the Rules and Regulations of the respective administering government agencies.

   a) Special Realty Tax Rates on Equipment and Machinery

   Realty and other taxes on civil works, equipment, machinery, and other improvements of a registered enterprise actually and exclusively used for RE facilities shall not exceed one and a half percent (1.5%) of the original cost less accumulated normal depreciation or net book value.

   b) Net Operating Loss Carry-Over (NOLCO)

   The NOLCO during the first three years from the start of commercial operation shall be carried over as a deduction from the gross income as defined in the National Internal Revenue Code of 1997 (NIRC) for the next seven consecutive taxable years immediately following the year of such loss.

   c) Corporate Tax Rate

   The enterprise shall pay a corporate tax of ten percent (10%) on its taxable income as defined in the NIRC, provided that it shall pass on the savings to the end users in the form of lower rates.

   The implementation of the power rate reduction must be consistent with the mechanism determined by the Energy Regulatory Commission in coordination with the Department of Energy.

   d) Accelerated Depreciation

   The plant, machinery, and equipment that are reasonably needed and actually used for the exploration, development and utilization of RE resources may be depreciated using a rate not exceeding twice the rate which would have been used had the annual allowance been computed in accordance with the rules and regulations prescribed by the Department of Finance and the provisions of the NIRC.

   e) Zero-Percent Value-Added Tax Rate

   The sale of power generated by the enterprise as well as its purchases of local supply of goods, properties and services needed for the development, construction and installation of its plant facilities and the whole process of exploration and development of RE sources up to its conversion into power shall be subject to zero percent value-added tax pursuant to the NIRC.

(Continued on page 3)

f) **Cash Incentive of Renewable Energy Developers for Missionary Electrification**

The enterprise may be entitled to a cash generation-based incentive per kilowatt-hour rate generated, equivalent to fifty percent (50%) of the universal charge for power needed to service missionary areas, chargeable against the universal charge for missionary electrification.

g) **Tax Credit on Domestic Capital Equipment and Services**

A tax credit equivalent to one hundred percent (100%) of the value of the value-added tax and custom duties that would have been paid on the RE machinery, equipment, materials and parts had these items been imported shall be given to the enterprise that purchases machinery, equipment, materials and parts from a domestic manufacturer.

4. The enterprise should endeavour to undertake meaningful and sustainable Corporate Social Responsibility (CSR) activities in the locality where the project is implemented.

5. The enterprise shall maintain books of account for this registered project separate from all its other operation/s and/or activity/ies.

6. The enterprise must commit to the tenets of Good Corporate Governance.

7. The enterprise shall adopt measures intended to reduce climate change risks in support of the National Framework Strategy on Climate Change.

8. The enterprise is encouraged to secure environmental certifications based on internationally-recognized standards.

9. The enterprise shall obtain applicable certifications based on internationally-recognized standards such as ISO certification or other similar certifications.

10. In the event of transfer to another Investment Promotion Agency, the enterprise shall undertake the publication of its cancellation of BOI registration in a newspaper of general circulation.

11. The enterprise shall visit the BOI website (http://www.boi.gov.ph) on a regular basis for updates on BOI rules, policies and guidelines.

12. The enterprise shall abide by the rules, policies, guidelines and regulations set forth by the Department of Energy (DOE) pertinent to the registered project.

*****oOo*****

HEDCOR, INC.
(Tuba, Benguet)

Renewable Energy Developer of Hydropower Resources
(1.2 MW Irisan 3 Hydroelectric Power Project)

C.R. No. 2017-251

GENERAL TERMS AND CONDITIONS

1. The enterprise shall observe and abide by the provisions of the Omnibus Investments Code of 1987 and other related laws and their implementing rules and regulations as well as its commitments and representations made in the application for registration and take adequate measures to ensure that its obligation thereunder as well as those of its officers, employees and stockholders are faithfully discharged; provided it is understood that any misrepresentation or falsification in the documents or other supporting papers submitted to the Board shall constitute as ground for automatic cancellation of its registration.

2. The enterprise's Address of Record shall be **214 Ambuclao Road, Obulan, Beckel, La Trinidad, Benguet.** All BOI notices/communications to the firm shall be sent to this address. The firm shall be responsible for notifying BOI, in writing, of any changes in its Address of Record, within ten (10) calendar days after such change, and therefore, should it fail to do so, service of all BOI communications, notices or processes in its Address of Record shall be considered valid, complete and binding to this enterprise.

   In case the enterprise has an authorized representative, designated as such by virtue of a Board Resolution of the firm, duly certified by its Board Secretary, and as appearing in the records of the BOI, it shall be so indicated that notices, communications and/or processes of the latter shall be sent to said representative. The authorized representative shall be responsible for notifying BOI, in writing, of any changes in its Address of Record within ten (10) calendar days after such change, and therefore, should it fail to do so, service of all BOI communications, notices or processes in the Address of Record of such authorized representative shall be considered valid, complete and binding to this enterprise.

3. The enterprise shall notify the BOI before doing any of the following acts:
   (Per Board Res. No. 38 16 S'2005 dated November 22, 2005)

   a. Invest in, extend loans, or buy bonds, in substantial amount, from any properties either in the Philippines or abroad. This does not apply to bonds issued by the Philippine Government;
   b. Issue stock convertible into voting stocks;
   c. Buy its own stocks.

4. The enterprise shall secure prior permission of the BOI before doing any of the following acts:

   a. Transfer ownership and /or control of the enterprise;
   b. Engage in an undertaking other than the preferred project covered by its registration;
   c. Expand its capacity, with or without incentives.

5. The enterprise shall maintain separate books of accounts for each activity, registered and unregistered with the Board. Moreover, the firm shall submit a list of direct costs attributable to each type of activity for purposes of determining the taxable income of each activity.

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6. The enterprise shall submit to the Board an annual report of its actual investments, taxes paid and employment in the project within one (1) month following the end of the firm's calendar/fiscal year.

7. The enterprise shall comply with environmental laws and regulations.

8. The enterprise shall comply with the Tree-Planting Program of the BOI requiring a minimum of one hundred (100) forest trees to be planted pursuant to Memorandum Circular No. 01, not later than one (1) year from date of registration. Proof of compliance must be submitted within (1) year from the first anniversary date of the firm's registration; otherwise, applications for availment of any incentive by the firm shall not be accepted by the Board.

9. The enterprise shall comply with the other conditions and representations made and accepted by the firm as embodied in its project feasibility study and confirmation letter, among others, and shall form part of this registration.

10. All the fiscal and non-fiscal incentives which do not contain specific period for their enjoyment shall terminate after a period of not more than ten (10) years from date of registration.

11. Failure of the enterprise to file an incentive application within the prescribed date will mean imposition of fines and penalty including possible forfeiture or suspension of incentives or non-acceptance of the said application.

12. The enterprise shall submit the following reporting requirements to the BOI Legal and Compliance Service on or before their respective due dates:

• S1 (Annual Report of Performance)	Calendar Year on or before 30 April Fiscal Year – four (4) months after the end of Fiscal Year
• Annual Audited Financial Statement	One(1) month from the date of filing with the BIR
• Annual Income Tax Return	Thirty (30) calendar days from the date of filing with the BIR

The enterprise shall submit the S-1 in both soft (Excel format) and hard copies. Only one hard copy is required, which should be notarized and duly signed by the enterprise's authorized representative. Further, the Audited Financial Statements and Income Tax Return (ITR), duly stamped by the Bureau of Internal Revenue shall be scanned and submitted in a Compact Disc.

The enterprise may submit the above report on-line to monitor@yahoo.com.ph
For late filing and/or non-submission of reports and other requirements, the Board shall impose such fines in accordance with the schedules as set forth in the rules.

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BOARD OF INVESTMENTS

07 September 2017

MR. EMMANUEL V. RUBIO
Executive Vice-President, Chief Operating Officer
HEDCOR, INC.
214 Ambuclao Road, Obulan, Beckel, La Trinidad, Benguet
Telephone Nos.: 074 424 4763 / 02 886 2773
Fax No.: 02 886 2322

Dear Mr. Rubio:

Congratulations! Your project is now registered with the Board of Investments as **Renewable Energy Developer of Hydropower Resources (1.92 MW Talomo 3 Hydroelectric Power Project)** under the Renewable Energy Act of 2008 (R.A 9513).

The attached Certificate of Registration incorporates the agreed Terms and Conditions of your registration, including all the fiscal and non-fiscal incentives available to the registered project. Other incentives with no specific number of years of entitlement may be enjoyed for a maximum period of ten (10) years from the start of your commercial operation and/ or date of registration.

Very truly yours,

Atty. MARJORIE O. RAMOS-SAMANIEGO
Board Secretary

BOARD OF INVESTMENTS
PHILIPPINES

Republic of the Philippines
BOARD OF INVESTMENTS
Makati City

DEPARTMENT OF TRADE & INDUSTRY PHILIPPINES

CERTIFICATE OF REGISTRATION

No. 2017-255

TO ALL WHOM IT MAY CONCERN:

This is to certify that the Board of Investments has duly registered

HEDCOR, INC.

Renewable Energy Developer of Hydropower Resources
(1.92 MW Talomo 3 Hydroelectric Power Project)

in accordance with the provisions of the Omnibus Investments Code of 1987, as amended, subject to the representations and commitments set forth in its application for registration, the provisions of the above law, the rules and regulations of the Board of Investments and the terms and conditions herein prescribed.

In testimony whereof the seal of the Board of Investments and the signature of its Chairman / Vice - Chairman is hereunto affixed. Given at Makati City, Philippines, this 7th day of, September 2017.

Management Committee Res. No. 29-07 S'2017
Board Resolution No. 21-04 S'2017

DR. CEFERINO S. RODOLFO
Undersecretary and BOI Managing Head

312832

Attested:

Atty. MARJORIE O. RAMOS SAMANIEGO
Board Secretary

Department of Trade and Industry

DTI

HEDCOR, INC.
(Paqueno, Davao City)

Type of Registration/Activity	:	**RENEWABLE ENERGY DEVELOPER OF HYDROPOWER RESOURCES (TALOMO 3 HYDROELECTRIC POWER PROJECT)**
Capacity	:	**1.92 MW**
Status	:	**N/A; UNDER R.A. 9513**
Certificate of Registration No.	:	**2017-255**
Date	:	**SEPTEMBER 07, 2017**

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SPECIFIC TERMS AND CONDITIONS

1. The enterprise shall observe the following production schedule:

Year	No of Generator's	Total Capacity (MW)	Capacity Factor	Production Volume (kWh)
	A	B	C	D
Y1	2	1.92	77%	12,950,784
Y2	2	1.92	77%	12,950,784
Y3	2	1.92	77%	12,950,784
Y4	2	1.92	77%	12,950,784
Y5	2	1.92	77%	12,950,784

- *Total Rated Capacity (kW) = No. of Generators x Capacity per Generator (i.e. 2 x 0.96 MW) = 1.92 MW or 1,920 kW*
- *Production and Sales Volume (kWh) = C = Total Rated Capacity (kW) x (Operating Hours per year (i.e. 8,760 hours) x Capacity Factor(i.e. 77%)*

2. The enterprise may avail of the following incentives under the administration of the BOI:

   a) **Duty-Free Importation of RE Machinery, Equipment and Materials including control and communication equipment,** within the first ten (10) years from the issuance of the DOE Certificate of Registration.

   The enterprise shall secure from the DOE-REMB a Certificate of Endorsement that the enterprise is in good standing for availment of this incentive. The Endorsement shall be on a per transaction basis. "Per transaction" means per application of incentives.

   b) **Tax exemption of Carbon Credits** - all proceeds from the sale of carbon emission credits including the expected value of the CER in the future (discounted at an acceptable rate) shall be exempt from any and all taxes.

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3. The enterprise may also avail of the following incentives under R.A. 9513 to be administered by appropriate government agencies subject to the Rules and Regulations of the respective administering government agencies.

   a) Special Realty Tax Rates on Equipment and Machinery

   Realty and other taxes on civil works, equipment, machinery, and other improvements of a registered enterprise actually and exclusively used for RE facilities shall not exceed one and a half percent (1.5%) of the original cost less accumulated normal depreciation or net book value.

   b) Net Operating Loss Carry-Over (NOLCO)

   The NOLCO during the first three years from the start of commercial operation shall be carried over as a deduction from the gross income as defined in the National Internal Revenue Code of 1997 (NIRC) for the next seven consecutive taxable years immediately following the year of such loss.

   c) Corporate Tax Rate

   The enterprise shall pay a corporate tax of ten percent (10%) on its taxable income as defined in the NIRC, provided that it shall pass on the savings to the end users in the form of lower rates.

   The implementation of the power rate reduction must be consistent with the mechanism determined by the Energy Regulatory Commission in coordination with the Department of Energy.

   d) Accelerated Depreciation

   The plant, machinery, and equipment that are reasonably needed and actually used for the exploration, development and utilization of RE resources may be depreciated using a rate not exceeding twice the rate which would have been used had the annual allowance been computed in accordance with the rules and regulations prescribed by the Department of Finance and the provisions of the NIRC.

   e) Zero-Percent Value-Added Tax Rate

   The sale of power generated by the enterprise as well as its purchases of local supply of goods, properties and services needed for the development, construction and installation of its plant facilities and the whole process of exploration and development of RE sources up to its conversion into power shall be subject to zero percent value-added tax pursuant to the NIRC.

(Continued on page 3)

3. The enterprise may also avail of the following incentives under R.A. 9513 to be administered by appropriate government agencies subject to the Rules and Regulations of the respective administering government agencies.

   a) **Special Realty Tax Rates on Equipment and Machinery**

      Realty and other taxes on civil works, equipment, machinery, and other improvements of a registered enterprise actually and exclusively used for RE facilities shall not exceed one and a half percent (1.5%) of the original cost less accumulated normal depreciation or net book value.

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      The NOLCO during the first three years from the start of commercial operation shall be carried over as a deduction from the gross income as defined in the National Internal Revenue Code of 1997 (NIRC) for the next seven consecutive taxable years immediately following the year of such loss.

   c) **Corporate Tax Rate**

      The enterprise shall pay a corporate tax of ten percent (10%) on its taxable income as defined in the NIRC, provided that it shall pass on the savings to the end users in the form of lower rates.

      The implementation of the power rate reduction must be consistent with the mechanism determined by the Energy Regulatory Commission in coordination with the Department of Energy.

   d) **Accelerated Depreciation**

      The plant, machinery, and equipment that are reasonably needed and actually used for the exploration, development and utilization of RE resources may be depreciated using a rate not exceeding twice the rate which would have been used had the annual allowance been computed in accordance with the rules and regulations prescribed by the Department of Finance and the provisions of the NIRC.

   e) **Zero-Percent Value-Added Tax Rate**

      The sale of power generated by the enterprise as well as its purchases of local supply of goods, properties and services needed for the development, construction and installation of its plant facilities and the whole process of exploration and development of RE sources up to its conversion into power shall be subject to zero percent value-added tax pursuant to the NIRC.

(Continued on page 3)

f) **Cash Incentive of Renewable Energy Developers for Missionary Electrification**

The enterprise may be entitled to a cash generation-based incentive per kilowatt-hour rate generated, equivalent to fifty percent (50%) of the universal charge for power needed to service missionary areas, chargeable against the universal charge for missionary electrification.

g) **Tax Credit on Domestic Capital Equipment and Services**

A tax credit equivalent to one hundred percent (100%) of the value of the value-added tax and custom duties that would have been paid on the RE machinery, equipment, materials and parts had these items been imported shall be given to the enterprise that purchases machinery, equipment, materials and parts from a domestic manufacturer.

4. The enterprise should endeavour to undertake meaningful and sustainable Corporate Social Responsibility (CSR) activities in the locality where the project is implemented.

5. The enterprise shall maintain books of account for this registered project separate from all its other operation/s and/or activity/ies.

6. The enterprise must commit to the tenets of Good Corporate Governance.

7. The enterprise shall adopt measures intended to reduce climate change risks in support of the National Framework Strategy on Climate Change.

8. The enterprise is encouraged to secure environmental certifications based on internationally-recognized standards.

9. The enterprise shall obtain applicable certifications based on internationally-recognized standards such as ISO certification or other similar certifications.

10. In the event of transfer to another Investment Promotion Agency, the enterprise shall undertake the publication of its cancellation of BOI registration in a newspaper of general circulation.

11. The enterprise shall visit the BOI website (http://www.boi.gov.ph) on a regular basis for updates on BOI rules, policies and guidelines.

12. The enterprise shall abide by the rules, policies, guidelines and regulations set forth by the Department of Energy (DOE) pertinent to the registered project.

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HEDCOR, INC.
(Paqueno, Davao City)

Renewable Energy Developer of Hydropower Resources
(1.92 MW Talomo 3 Hydroelectric Power Project)

C.R. No. 2017-255

GENERAL TERMS AND CONDITIONS

1. The enterprise shall observe and abide by the provisions of the Omnibus Investments Code of 1987 and other related laws and their implementing rules and regulations as well as its commitments and representations made in the application for registration and take adequate measures to ensure that its obligation thereunder as well as those of its officers, employees and stockholders are faithfully discharged; provided it is understood that any misrepresentation or falsification in the documents or other supporting papers submitted to the Board shall constitute as ground for automatic cancellation of its registration.

2. The enterprise's Address of Record shall be **214 Ambuclao Road, Obulan, Beckel, La Trinidad, Benguet**. All BOI notices/communications to the firm shall be sent to this address. The firm shall be responsible for notifying BOI, in writing, of any changes in its Address of Record, within ten (10) calendar days after such change, and therefore, should it fail to do so, service of all BOI communications, notices or processes in its Address of Record shall be considered valid, complete and binding to this enterprise.

   In case the enterprise has an authorized representative, designated as such by virtue of a Board Resolution of the firm, duly certified by its Board Secretary, and as appearing in the records of the BOI, it shall be so indicated that notices, communications and/or processes of the latter shall be sent to said representative. The authorized representative shall be responsible for notifying BOI, in writing, of any changes in its Address of Record within ten (10) calendar days after such change, and therefore, should it fail to do so, service of all BOI communications, notices or processes in the Address of Record of such authorized representative shall be considered valid, complete and binding to this enterprise.

3. The enterprise shall notify the BOI before doing any of the following acts:
   (Per Board Res. No. 38-16 S'2005 dated November 22, 2005)

   a. Invest in, extend loans, or buy bonds, in substantial amount, from any properties either in the Philippines or abroad. This does not apply to bonds issued by the Philippine Government;
   b. Issue stock convertible into voting stocks;
   c. Buy its own stocks.

4. The enterprise shall secure prior permission of the BOI before doing any of the following acts:

   a. Transfer ownership and /or control of the enterprise;
   b. Engage in an undertaking other than the preferred project covered by its registration;
   c. Expand its capacity, with or without incentives.

5. The enterprise shall maintain separate books of accounts for each activity, registered and nonregistered with the Board. Moreover, the firm shall submit a list of direct costs attributable to each type of activity for purposes of determining the taxable income of each activity.

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6. The enterprise shall submit to the Board an annual report of its actual investments, taxes paid and employment in the project within one (1) month following the end of the firm's calendar/fiscal year.

7. The enterprise shall comply with environmental laws and regulations.

8. The enterprise shall comply with the Tree-Planting Program of the BOI requiring a minimum of one hundred (100) forest trees to be planted pursuant to Memorandum Circular No. 01. not later than one (1) year from date of registration. Proof of compliance must be submitted within (1) year from the first anniversary date of the firm's registration; otherwise, applications for availment of any incentive by the firm shall not be accepted by the Board.

9. The enterprise shall comply with the other conditions and representations made and accepted by the firm as embodied in its project feasibility study and confirmation letter, among others, and shall form part of this registration.

10. All the fiscal and non-fiscal incentives which do not contain specific period for their enjoyment shall terminate after a period of not more than ten (10) years from date of registration.

11. Failure of the enterprise to file an incentive application within the prescribed date will mean imposition of fines and penalty including possible forfeiture or suspension of incentives or non-acceptance of the said application.

12. The enterprise shall submit the following reporting requirements to the BOI Legal and Compliance Service on or before their respective due dates:

• S1 (Annual Report of Performance)	Calendar Year on or before 30 April Fiscal Year -- four (4) months after the end of Fiscal Year
• Annual Audited Financial Statement	One(1) month from the date of filing with the BIR
• Annual Income Tax Return	Thirty (30) calendar days from the date of filing with the BIR

The enterprise shall submit the S-1 in both soft (Excel format) and hard copies. Only one hard copy is required, which should be notarized and duly signed by the enterprise's authorized representative. Further, the Audited Financial Statements and Income Tax Return (ITR), duly stamped by the Bureau of Internal Revenue shall be scanned and submitted in a Compact Disc.

The enterprise may submit the above report on-line to monitor@yahoo.com.ph
For late filing and/or non-submission of reports and other requirements, the Board shall impose such fines in accordance with the schedules as set forth in the rules.

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03 January 2018

MS. DARLENE C. ARGUELLES
Vice-President for Corporate and Regulatory Affairs
Executive Vice-President. Chief Operating Officer
HEDCOR, INC.
12/F NAC Tower, 32nd Street, Bonifacio Global City, Taguig, Metro Manila
Tel./Fax No. : 02 886-2773 02 886 2322
Email Address: darlene.arguelles@aboitiz.com

Dear Ms. Arguelles,

Congratulations! Your project is now registered with the Board of Investments as **Renewable Energy Developer of Hydropower Resources (1MW Talomo 1 Hydroelectric Power Plant)** under the Renewable Energy Act of 2008 (R.A 9513).

The attached Certificate of Registration incorporates the agreed Terms and Conditions of your registration, including all the fiscal and non-fiscal incentives available to the registered project. Other incentives with no specific number of years of entitlement may be enjoyed for a maximum period of ten (10) years from the start of your commercial operation and/ or date of registration.

Very truly yours,

Atty. MARJORIE O. RAMOS-SAMANIEGO
Board Secretary

BOARD OF INVESTMENTS

Republic of the Philippines
BOARD OF INVESTMENTS
Makati City

CERTIFICATE OF REGIST[illegible]RATI

No. 2018-002

TO ALL WHOM IT MAY CONCERN:

This is to certify that the Board of Investme[illegible]s has d

HEDCOR, INC.

Renewable Energy Developer of Hydropower Resou[illegible]ces
(1MW Talomo 1 Hydroelectric Power Plant)

in accordance with the provisions of the Omnibus Inves[illegible]ents Co amended, subject to the representations and commi[illegible]ents se application for registration, the provisions of the ab[illegible]ve law, t regulations of the Board of Investments and the terms [illegible] and con prescribed.

In testimony whereof [illegible]he seal o Investments and the sign[illegible]ture of i Vice - Chairman is here[illegible]nto affi Makati City, Philippines [illegible] this 3rd
January 2018.

Management Committee Resolution [illegible] No. [illegible]07 S'
Board Resolution No. 29-03 S'201[illegible]

DR. CE[illegible]RINO S. R
Undersecret[illegible]y and BOI [illegible]

Attested:

Atty. MARJORIE O. RAMOS SAMANIEGO
Board Secretary

HEDCOR, INC.
(Calinan, Davao City)

Type of Registration/Activity	:	**RENEWABLE ENERGY DEVELOPER OF HYDROPOWER RESOURCES (TALOMO I HYDROELECTRIC POWER PLANT)**
Capacity	:	**1MW**
Status	:	**N/A; UNDER R.A. 9513**
Certificate of Registration No.	:	**2018-002**
Date	:	**JANUARY 03, 2018**

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SPECIFIC TERMS AND CONDITIONS

1. The enterprise shall observe the following production schedule:

Year	Production (kWh)
Y1	5,471,496
Y2	5,471,496
Y3	5,471,496
Y4	5,471,496
Y5	5,471,496

Notes:
- *1MW = 1,000KW = 1,000,000W*
- *Total Rated Capacity = No. of Generators (i.e. 2) x Capacity per Unit (i.e. 0.5MW) = 1MW*
- *Production (kWh) = Rated Capacity (i.e. 1,000 KW) x Operating Hours per year (i.e. 8,760) x Capacity Factor (i.e. 62.46%)*

2. The enterprise may avail of the following incentives under the administration of the BOI:

   a) **Duty-Free Importation of RE Machinery, Equipment and Materials including control and communication equipment,** within the first ten (10) years from the issuance of the DOE Certificate of Registration.

   The enterprise shall secure from the DOE-REMB a Certificate of Endorsement that the enterprise is in good standing for availment of this incentive. The Endorsement shall be on a per transaction basis. "Per transaction" means per application of incentives.

   b) **Tax exemption of Carbon Credits** – all proceeds from the sale of carbon emission credits including the expected value of the CER in the future (discounted at an acceptable rate) shall be exempt from any and all taxes

(Continued on page 2)

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3. The enterprise may also avail of the following incentives under R.A. 9513 to be administered by appropriate government agencies subject to the Rules and Regulations of the respective administering government agencies.

   a) **Special Realty Tax Rates on Equipment and Machinery**

   Realty and other taxes on civil works, equipment, machinery, and other improvements of a registered enterprise actually and exclusively used for RE facilities shall not exceed one and a half percent (1.5%) of the original cost less accumulated normal depreciation or net book value.

   b) **Net Operating Loss Carry-Over (NOLCO)**

   The NOLCO during the first three years from the start of commercial operation shall be carried over as a deduction from the gross income as defined in the National Internal Revenue Code of 1997 (NIRC) for the next seven consecutive taxable years immediately following the year of such loss.

   c) **Corporate Tax Rate**

   The enterprise shall pay a corporate tax of ten percent (10%) on its taxable income as defined in the NIRC, provided that it shall pass on the savings to the end users in the form of lower rates.

   The implementation of the power rate reduction must be consistent with the mechanism determined by the Energy Regulatory Commission in coordination with the Department of Energy.

   d) **Accelerated Depreciation**

   The plant, machinery, and equipment that are reasonably needed and actually used for the exploration, development and utilization of RE resources may be depreciated using a rate not exceeding twice the rate which would have been used had the annual allowance been computed in accordance with the rules and regulations prescribed by the Department of Finance and the provisions of the NIRC.

   e) **Zero-Percent Value-Added Tax Rate**

   The sale of fuel or power generated by the enterprise from renewable sources of energy such as biomass, as well as its purchases of local supply of goods, properties and services needed for the development, construction and installation of its plant facilities and the whole process of exploration and development of RE sources up to its conversion into power shall be subject to zero percent value-added tax pursuant to the NIRC.

(Continued on page 3)

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f) **Cash Incentive of Renewable Energy Developers for Missionary Electrification**

The enterprise may be entitled to a cash generation-based incentive per kilowatt-hour rate generated, equivalent to fifty percent (50%) of the universal charge for power needed to service missionary areas, chargeable against the universal charge for missionary electrification.

g) **Tax Credit on Domestic Capital Equipment and Services**

A tax credit equivalent to one hundred percent (100%) of the value of the value-added tax and custom duties that would have been paid on the RE machinery, equipment, materials and parts had these items been imported shall be given to the enterprise that purchases machinery, equipment, materials and parts from a domestic manufacturer.

4. The enterprise should endeavor to undertake meaningful and sustainable Corporate Social Responsibility (CSR) activities in the locality where the project is implemented.

5. The enterprise shall maintain books of account for this registered project separate from all its other operation/s and/or activity/ies.

6. The enterprise must be committed to the tenets of Good Corporate Governance.

7. In the event of transfer to another Investment Promotion Agency, the enterprise shall undertake the publication of its cancellation of BOI registration in a newspaper of general circulation.

8. The enterprise shall visit the BOI website (http://www.boi.gov.ph) on a regular basis for updates on BOI rules, policies and guidelines.

9. The enterprise shall abide by the rules, policies, guidelines and regulations set forth by the Department of Energy (DOE) pertinent to the registered project.

*****oOo*****

HEDCOR, INC.
(Calinan, Davao City))
Renewable Energy Developer of Hydropower Resources
(1MW Talomo 1 Hydroelectric Power Plant)

C.R. No. 2018-002

GENERAL TERMS AND CONDITIONS

1. The enterprise shall observe and abide by the provisions of the Omnibus Investments Code of 1987 and other related laws and their implementing rules and regulations as well as its commitments and representations made in the application for registration and take adequate measures to ensure that its obligation thereunder as well as those of its officers, employees and stockholders are faithfully discharged; provided it is understood that any misrepresentation or falsification in the documents or other supporting papers submitted to the Board shall constitute as ground for automatic cancellation of its registration.

2. The enterprise's Address of Record shall be **12/F NAC Tower, 32nd Street, Bonifacio Global City, Taguig, Metro Manila**. All BOI notices/communications to the firm shall be sent to this address. The firm shall be responsible for notifying BOI, in writing, of any changes in its Address of Record, within ten (10) calendar days after such change, and therefore, should it fail to do so, service of all BOI communications, notices or processes in its Address of Record shall be considered valid, complete and binding to this enterprise.

   In case the enterprise has an authorized representative, designated as such by virtue of a Board Resolution of the firm, duly certified by its Board Secretary, and as appearing in the records of the BOI, it shall be so indicated that notices, communications and/or processes of the latter shall be sent to said representative. The authorized representative shall be responsible for notifying BOI, in writing, of any changes in its Address of Record within ten (10) calendar days after such change, and therefore, should it fail to do so, service of all BOI communications, notices or processes in the Address of Record of such authorized representative shall be considered valid, complete and binding to this enterprise.

3. The enterprise shall notify the BOI before doing any of the following acts:
   (Per Board Res. No. 38-16 S'2005 dated November 22, 2005)

   a. Invest in, extend loans, or buy bonds, in substantial amount, from any properties either in the Philippines or abroad. This does not apply to bonds issued by the Philippine Government;
   b. Issue stock convertible into voting stocks;
   c. Buy its own stocks.

4. The enterprise shall secure prior permission of the BOI before doing any of the following acts:

   a. Transfer ownership and /or control of the enterprise;
   b. Engage in an undertaking other than the preferred project covered by its registration;
   c. Expand its capacity, with or without incentives.

5. The enterprise shall maintain separate books of accounts for each activity, registered and unregistered with the Board. Moreover, the firm shall submit a list of direct costs attributable to each type of activity for purposes of determining the taxable income of each activity.

(Continued on page 2) AM

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6. The enterprise shall submit to the Board an annual report of its actual investments, taxes paid and employment in the project within one (1) month following the end of the firm's calendar/fiscal year.

7. The enterprise shall comply with environmental laws and regulations.

8. The enterprise shall comply with the Tree-Planting Program of the BOI requiring a minimum of one hundred (100) forest trees to be planted pursuant to Memorandum Circular No. 01, not later than one (1) year from date of registration. Proof of compliance must be submitted within (1) year from the first anniversary date of the firm's registration; otherwise, applications for availment of any incentive by the firm shall not be accepted by the Board.

9. The enterprise shall comply with the other conditions and representations made and accepted by the firm as embodied in its project feasibility study and confirmation letter, among others, and shall form part of this registration.

10. All the fiscal and non-fiscal incentives which do not contain specific period for their enjoyment shall terminate after a period of not more than ten (10) years from date of registration.

11. Failure of the enterprise to file an incentive application within the prescribed date will mean imposition of fines and penalty including possible forfeiture or suspension of incentives or non-acceptance of the said application.

12. The enterprise shall submit the following reporting requirements to the BOI Legal and Compliance Service on or before their respective due dates:

• S1 (Annual Report of Performance)	Calendar Year on or before 30 April Fiscal Year – four (4) months after the end of Fiscal Year
• Annual Audited Financial Statement	One(1) month from the date of filing with the BIR
• Annual Income Tax Return	Thirty (30) calendar days from the date of filing with the BIR

The enterprise shall submit the S-1 in both soft (Excel format) and hard copies. Only one hard copy is required, which should be notarized and duly signed by the enterprise's authorized representative. Further, the Audited Financial Statements and Income Tax Return (ITR), duly stamped by the Bureau of Internal Revenue shall be scanned and submitted in a Compact Disc.

The enterprise may submit the above report on-line to monitor@yahoo.com.ph
For late filing and/or non-submission of reports and other requirements, the Board shall impose such fines in accordance with the schedules as set forth in the rules.

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BOARD OF INVESTMENTS

07 September 2017

MR. EMMANUEL V. RUBIO
Executive Vice-President, Chief Operating Officer
HEDCOR, INC.
214 Ambuclao Road, Obulan, Beckel, La Trinidad, Benguet
Telephone Nos.: 074 424 4763 / 02 886 2773
Fax No. : 02 886 2322

Dear Mr. Rubio:

Congratulations! Your project is now registered with the Board of Investments as **Renewable Energy Developer of Hydropower Resources (2.4 MW Lower Labay Hydroelectric Power Project)** under the Renewable Energy Act of 2008 (R.A 9513).

The attached Certificate of Registration incorporates the agreed Terms and Conditions of your registration, including all the fiscal and non-fiscal incentives available to the registered project. Other incentives with no specific number of years of entitlement may be enjoyed for a maximum period of ten (10) years from the start of your commercial operation and/ or date of registration.

Very truly yours,

Atty. MARJORIE O. RAMOS-SAMANIEGO
Board Secretary

BOARD OF INVESTMENTS
PHILIPPINES

Republic of the Philippines
BOARD OF INVESTMENTS
Makati City

DEPARTMENT OF TRADE & INDUSTRY
PHILIPPINES

CERTIFICATE OF REGISTRATION

No. 2017-259

TO ALL WHOM IT MAY CONCERN:

This is to certify that the Board of Investments has duly registered

HEDCOR, INC.

Renewable Energy Developer of Hydropower Resources
(2.4 MW Lower Labay Hydroelectric Power Project)

in accordance with the provisions of the Omnibus Investments Code of 1987, as amended, subject to the representations and commitments set forth in its application for registration, the provisions of the above law, the rules and regulations of the Board of Investments and the terms and conditions herein prescribed.

In testimony whereof the seal of the Board of Investments and the signature of its Chairman / Vice - Chairman is hereunto affixed. Given at Makati City, Philippines, this 7th *day of,* September 2017.

Management Committee Res. No. 29-02-S'2017
Board Resolution No. 21-04-S'2017

DR. CEFERINO S. RODOLFO
Undersecretary and BOI Managing Head

312836

Attested:

Atty. MARJORIE O. RAMOS-SAMANIEGO
Board Secretary

19 Sept 17

Department of Trade and Industry

HEDCOR, INC.
(Bakun, Benguet)

Type of Registration/Activity	:	**RENEWABLE ENERGY DEVELOPER OF HYDROPOWER RESOURCES (LOWER LABAY HYDROELECTRIC POWER PROJECT)**
Capacity	:	**2.4 MW**
Status	:	**N/A; UNDER R.A. 9513**
Certificate of Registration No.	:	**2017-259**
Date	:	**SEPTEMBER 07, 2017**

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SPECIFIC TERMS AND CONDITIONS

1. The enterprise shall observe the following production schedule:

Year	No of Generator/s	Total Capacity (MW)	Capacity Factor	Production Volume (kWh)
	A	B	C	D
Y1	4	2.4	65%	13,665,600
Y2	4	2.4	65%	13,665,600
Y3	4	2.4	65%	13,665,600
Y4	4	2.4	65%	13,665,600
Y5	4	2.4	65%	13,665,600

- *Total Rated Capacity (kw) = No of Generator/s x Capacity per Generator (i.e. 4 x 0.6 MW) = 2.4 MW or 2,400 kW*
- *Production Volume (kWh) = Total Rated Capacity (kW) x Operating Hours per Year (i.e., 8,760 hours) x Capacity Factor (i.e. 65%)*

2. The enterprise may avail of the following incentives under the administration of the BOI:

   a) **Duty-Free Importation of RE Machinery, Equipment and Materials including control and communication equipment,** within the first ten (10) years from the issuance of the DOE Certificate of Registration.

   The enterprise shall secure from the DOE-REMB a Certificate of Endorsement that the enterprise is in good standing for availment of this incentive. The Endorsement shall be on a per transaction basis. "Per transaction" means per application of incentives.

   b) **Tax exemption of Carbon Credits** - all proceeds from the sale of carbon emission credits including the expected value of the CER in the future (discounted at an acceptable rate) shall be exempt from any and all taxes.

(Continued on page 2)

3. The enterprise may also avail of the following incentives under R.A. 9513 to be administered by appropriate government agencies subject to the Rules and Regulations of the respective administering government agencies.

   a) Special Realty Tax Rates on Equipment and Machinery

   Realty and other taxes on civil works, equipment, machinery, and other improvements of a registered enterprise actually and exclusively used for RE facilities shall not exceed one and a half percent (1.5%) of the original cost less accumulated normal depreciation or net book value.

   b) Net Operating Loss Carry-Over (NOLCO)

   The NOLCO during the first three years from the start of commercial operation shall be carried over as a deduction from the gross income as defined in the National Internal Revenue Code of 1997 (NIRC) for the next seven consecutive taxable years immediately following the year of such loss.

   c) Corporate Tax Rate

   The enterprise shall pay a corporate tax of ten percent (10%) on its taxable income as defined in the NIRC, provided that it shall pass on the savings to the end users in the form of lower rates.

   The implementation of the power rate reduction must be consistent with the mechanism determined by the Energy Regulatory Commission in coordination with the Department of Energy.

   d) Accelerated Depreciation

   The plant, machinery, and equipment that are reasonably needed and actually used for the exploration, development and utilization of RE resources may be depreciated using a rate not exceeding twice the rate which would have been used had the annual allowance been computed in accordance with the rules and regulations prescribed by the Department of Finance and the provisions of the NIRC.

   e) Zero-Percent Value-Added Tax Rate

   The sale of power generated by the enterprise as well as its purchases of local supply of goods, properties and services needed for the development, construction and installation of its plant facilities and the whole process of exploration and development of RE sources up to its conversion into power shall be subject to zero percent value-added tax pursuant to the NIRC.

(Continued on page 3)

f) **Cash Incentive of Renewable Energy Developers for Missionary Electrification**

The enterprise may be entitled to a cash generation-based incentive per kilowatt-hour rate generated, equivalent to fifty percent (50%) of the universal charge for power needed to service missionary areas, chargeable against the universal charge for missionary electrification.

g) **Tax Credit on Domestic Capital Equipment and Services**

A tax credit equivalent to one hundred percent (100%) of the value of the value-added tax and custom duties that would have been paid on the RE machinery, equipment, materials and parts had these items been imported shall be given to the enterprise that purchases machinery, equipment, materials and parts from a domestic manufacturer.

4. The enterprise should endeavour to undertake meaningful and sustainable Corporate Social Responsibility (CSR) activities in the locality where the project is implemented.

5. The enterprise shall maintain books of account for this registered project separate from all its other operation/s and/or activity/ies.

6. The enterprise must commit to the tenets of Good Corporate Governance.

7. The enterprise shall adopt measures intended to reduce climate change risks in support of the National Framework Strategy on Climate Change.

8. The enterprise is encouraged to secure environmental certifications based on internationally-recognized standards.

9. The enterprise shall obtain applicable certifications based on internationally-recognized standards such as ISO certification or other similar certifications.

10. In the event of transfer to another Investment Promotion Agency, the enterprise shall undertake the publication of its cancellation of BOI registration in a newspaper of general circulation.

11. The enterprise shall visit the BOI website (http://www.boi.gov.ph) on a regular basis for updates on BOI rules, policies and guidelines.

12. The enterprise shall abide by the rules, policies, guidelines and regulations set forth by the Department of Energy (DOE) pertinent to the registered project.

*****oOo*****

HEDCOR, INC.
(Bakun, Benguet)

Renewable Energy Developer of Hydropower Resources
(2.4 MW Lower Labay Hydroelectric Power Project)

C.R. No. 2017-259

GENERAL TERMS AND CONDITIONS

1. The enterprise shall observe and abide by the provisions of the Omnibus Investments Code of 1987 and other related laws and their implementing rules and regulations as well as its commitments and representations made in the application for registration and take adequate measures to ensure that its obligation thereunder as well as those of its officers, employees and stockholders are faithfully discharged; provided it is understood that any misrepresentation or falsification in the documents or other supporting papers submitted to the Board shall constitute as ground for automatic cancellation of its registration.

2. The enterprise's Address of Record shall be **214 Ambuclao Road, Obulan, Beckel, La Trinidad, Benguet**. All BOI notices/communications to the firm shall be sent to this address. The firm shall be responsible for notifying BOI, in writing, of any changes in its Address of Record, within ten (10) calendar days after such change, and therefore, should it fail to do so, service of all BOI communications, notices or processes in its Address of Record shall be considered valid, complete and binding to this enterprise.

   In case the enterprise has an authorized representative, designated as such by virtue of a Board Resolution of the firm, duly certified by its Board Secretary, and as appearing in the records of the BOI, it shall be so indicated that notices, communications and/or processes of the latter shall be sent to said representative. The authorized representative shall be responsible for notifying BOI, in writing, of any changes in its Address of Record within ten (10) calendar days after such change, and therefore, should it fail to do so, service of all BOI communications, notices or processes in the Address of Record of such authorized representative shall be considered valid, complete and binding to this enterprise.

3. The enterprise shall notify the BOI before doing any of the following acts:
   (Per Board Res. No. 38-16 S'2005 dated November 22, 2005)

   a. Invest in, extend loans, or buy bonds, in substantial amount, from any properties either in the Philippines or abroad. This does not apply to bonds issued by the Philippine Government;
   b. Issue stock convertible into voting stocks;
   c. Buy its own stocks.

4. The enterprise shall secure prior permission of the BOI before doing any of the following acts:

   a. Transfer ownership and /or control of the enterprise;
   b. Engage in an undertaking other than the preferred project covered by its registration;
   c. Expand its capacity, with or without incentives.

5. The enterprise shall maintain separate books of accounts for each activity, registered and unregistered with the Board. Moreover, the firm shall submit a list of direct costs attributable to each type of activity for purposes of determining the taxable income of each activity.

(Continued on page 2)

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6. The enterprise shall submit to the Board an annual report of its actual investments, taxes paid and employment in the project within one (1) month following the end of the firm's calendar/fiscal year.

7. The enterprise shall comply with environmental laws and regulations.

8. The enterprise shall comply with the Tree-Planting Program of the BOI requiring a minimum of one hundred (100) forest trees to be planted pursuant to Memorandum Circular No. 01, not later than one (1) year from date of registration. Proof of compliance must be submitted within (1) year from the first anniversary date of the firm's registration; otherwise, applications for availment of any incentive by the firm shall not be accepted by the Board.

9. The enterprise shall comply with the other conditions and representations made and accepted by the firm as embodied in its project feasibility study and confirmation letter, among others, and shall form part of this registration.

10. All the fiscal and non-fiscal incentives which do not contain specific period for their enjoyment shall terminate after a period of not more than ten (10) years from date of registration.

11. Failure of the enterprise to file an incentive application within the prescribed date will mean imposition of fines and penalty including possible forfeiture or suspension of incentives or non-acceptance of the said application.

12. The enterprise shall submit the following reporting requirements to the BOI Legal and Compliance Service on or before their respective due dates:

• S1 (Annual Report of Performance)	Calendar Year – on or before 30 April Fiscal Year – four (4) months after the end of Fiscal Year
• Annual Audited Financial Statement	One(1) month from the date of filing with the BIR
• Annual Income Tax Return	Thirty (30) calendar days from the date of filing with the BIR

The enterprise shall submit the S-1 in both soft (Excel format) and hard copies. Only one hard copy is required, which should be notarized and duly signed by the enterprise's authorized representative. Further, the Audited Financial Statements and Income Tax Return (ITR), duly stamped by the Bureau of Internal Revenue shall be scanned and submitted in a Compact Disc.

The enterprise may submit the above report on-line to monitor@yahoo.com.ph
For late filing and/or non-submission of reports and other requirements, the Board shall impose such fines in accordance with the schedules as set forth in the rules.

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BOARD OF INVESTMENTS

07 September 2017

MR. EMMANUEL V. RUBIO
Executive Vice-President, Chief Operating Officer
HEDCOR, INC.
214 Ambuclao Road, Obulan, Beckel, La Trinidad, Benguet
Telephone Nos.: 074 424 4763 / 02 886 2773
Fax No.: 02 886 2322

Dear Mr. Rubio:

Congratulations! Your project is now registered with the Board of Investments as **Renewable Energy Developer of Hydropower Resources (2.4 MW Sal-angan Hydroelectric Power Project)** under the Renewable Energy Act of 2008 (R.A 9513).

The attached Certificate of Registration incorporates the agreed Terms and Conditions of your registration, including all the fiscal and non-fiscal incentives available to the registered project. Other incentives with no specific number of years of entitlement may be enjoyed for a maximum period of ten (10) years from the start of your commercial operation and/ or date of registration.

Very truly yours,

Atty. MARJORIE O. RAMOS-SAMANIEGO
Board Secretary

BOARD OF INVESTMENTS

Republic of the Philippines
BOARD OF INVESTMENTS
Makati City

DEPARTMENT OF TRADE & INDUSTRY PHILIPPINES

CERTIFICATE OF REGISTRATION

No. 2017-258

TO ALL WHOM IT MAY CONCERN:

This is to certify that the Board of Investments has duly registered

HEDCOR, INC.

Renewable Energy Developer of Hydropower Resources
(2.4 MW Sal-angan Hydroelectric Power Project)

in accordance with the provisions of the Omnibus Investments Code of 1987, as amended, subject to the representations and commitments set forth in its application for registration, the provisions of the above law, the rules and regulations of the Board of Investments and the terms and conditions herein prescribed.

In testimony whereof the seal of the Board of Investments and the signature of its Chairman / Vice - Chairman is hereunto affixed. Given at Makati City, Philippines, this 7th day of, September 2017.

Management Committee Res. No. 29-02 S'2017
Board Resolution No. 21-04 S'2017

DR. CEFERINO S. RODOLFO
Undersecretary and BOI Managing Head

312835

Attested:

Atty. MARJORIE O. RAMOS SAMANIEGO
Board Secretary

Department of Trade and Industry

DTI

HEDCOR, INC.
(Itogon, Benguet)

Type of Registration/Activity	:	**RENEWABLE ENERGY DEVELOPER OF HYDROPOWER RESOURCES (SAL-ANGAN HYDROELECTRIC POWER PROJECT)**
Capacity	:	**2.4 MW**
Status	:	**N/A; UNDER R.A. 9513**
Certificate of Registration No.	:	**2017-258**
Date	:	**SEPTEMBER 07, 2017**

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SPECIFIC TERMS AND CONDITIONS

1. The enterprise shall observe the following production schedule:

Year	No of Generator/s	Total Capacity (MW)	Capacity Factor	Production Volume (kWh)
	A	B	C	D
Y1	4	2.4	35%	7,358,400
Y2	4	2.4	35%	7,358,400
Y3	4	2.4	35%	7,358,400
Y4	4	2.4	35%	7,358,400
Y5	4	2.4	35%	7,358,400

- *Total Rated Capacity (kw) = No of Generators x Capacity per Generator (i.e. 4 x 0.6 MW) = 2.4 MW or 2,400 kW*
- *Production Volume (kWh) = Total Rated Capacity (kW) x (Operating Hours per Year (i.e. 8,760 hours) x Capacity Factor (35%)*

2. The enterprise may avail of the following incentives under the administration of the BOI:

   a) **Duty-Free Importation of RE Machinery, Equipment and Materials including control and communication equipment,** within the first ten (10) years from the issuance of the DOE Certificate of Registration.

   The enterprise shall secure from the DOE-REMB a Certificate of Endorsement that the enterprise is in good standing for availment of this incentive. The Endorsement shall be on a per transaction basis. "Per transaction" means per application of incentives.

   b) **Tax exemption of Carbon Credits** – all proceeds from the sale of carbon emission credits including the expected value of the CER in the future (discounted at an acceptable rate) shall be exempt from any and all taxes.

(Continued on page 2) AMB

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3. The enterprise may also avail of the following incentives under R.A. 9513 to be administered by appropriate government agencies subject to the Rules and Regulations of the respective administering government agencies.

   a) **Special Realty Tax Rates on Equipment and Machinery**

   Realty and other taxes on civil works, equipment, machinery, and other improvements of a registered enterprise actually and exclusively used for RE facilities shall not exceed one and a half percent (1.5%) of the original cost less accumulated normal depreciation or net book value.

   b) **Net Operating Loss Carry-Over (NOLCO)**

   The NOLCO during the first three years from the start of commercial operation shall be carried over as a deduction from the gross income as defined in the National Internal Revenue Code of 1997 (NIRC) for the next seven consecutive taxable years immediately following the year of such loss.

   c) **Corporate Tax Rate**

   The enterprise shall pay a corporate tax of ten percent (10%) on its taxable income as defined in the NIRC, provided that it shall pass on the savings to the end users in the form of lower rates.

   The implementation of the power rate reduction must be consistent with the mechanism determined by the Energy Regulatory Commission in coordination with the Department of Energy.

   d) **Accelerated Depreciation**

   The plant, machinery, and equipment that are reasonably needed and actually used for the exploration, development and utilization of RE resources may be depreciated using a rate not exceeding twice the rate which would have been used had the annual allowance been computed in accordance with the rules and regulations prescribed by the Department of Finance and the provisions of the NIRC.

   e) **Zero-Percent Value-Added Tax Rate**

   The sale of power generated by the enterprise as well as its purchases of local supply of goods, properties and services needed for the development, construction and installation of its plant facilities and the whole process of exploration and development of RE sources up to its conversion into power shall be subject to zero percent value-added tax pursuant to the NIRC.

(Continued on page 3)

f) **Cash Incentive of Renewable Energy Developers for Missionary Electrification**

The enterprise may be entitled to a cash generation-based incentive per kilowatt-hour rate generated, equivalent to fifty percent (50%) of the universal charge for power needed to service missionary areas, chargeable against the universal charge for missionary electrification.

g) **Tax Credit on Domestic Capital Equipment and Services**

A tax credit equivalent to one hundred percent (100%) of the value of the value-added tax and custom duties that would have been paid on the RE machinery, equipment, materials and parts had these items been imported shall be given to the enterprise that purchases machinery, equipment, materials and parts from a domestic manufacturer.

4. The enterprise should endeavour to undertake meaningful and sustainable Corporate Social Responsibility (CSR) activities in the locality where the project is implemented.

5. The enterprise shall maintain books of account for this registered project separate from all its other operation/s and/or activity/ies.

6. The enterprise must commit to the tenets of Good Corporate Governance.

7. The enterprise shall adopt measures intended to reduce climate change risks in support of the National Framework Strategy on Climate Change.

8. The enterprise is encouraged to secure environmental certifications based on internationally-recognized standards.

9. The enterprise shall obtain applicable certifications based on internationally-recognized standards such as ISO certification or other similar certifications.

10. In the event of transfer to another Investment Promotion Agency, the enterprise shall undertake the publication of its cancellation of BOI registration in a newspaper of general circulation.

11. The enterprise shall visit the BOI website (http://www.boi.gov.ph) on a regular basis for updates on BOI rules, policies and guidelines.

12. The enterprise shall abide by the rules, policies, guidelines and regulations set forth by the Department of Energy (DOE) pertinent to the registered project.

*****oOo***** Arng

HEDCOR, INC.
(Itogon, Benguet)

Renewable Energy Developer of Hydropower Resources
(2.4 MW Sal-angan Hydroelectric Power Project)

C.R. No. 2017-258

GENERAL TERMS AND CONDITIONS

1. The enterprise shall observe and abide by the provisions of the Omnibus Investments Code of 1987 and other related laws and their implementing rules and regulations as well as its commitments and representations made in the application for registration and take adequate measures to ensure that its obligation thereunder as well as those of its officers, employees and stockholders are faithfully discharged: provided it is understood that any misrepresentation or falsification in the documents or other supporting papers submitted to the Board shall constitute as ground for automatic cancellation of its registration.

2. The enterprise's Address of Record shall be **214 Ambuclao Road, Obulan, Beckel, La Trinidad, Benguet**. All BOI notices/communications to the firm shall be sent to this address. The firm shall be responsible for notifying BOI, in writing, of any changes in its Address of Record, within ten (10) calendar days after such change, and therefore, should it fail to do so, service of all BOI communications, notices or processes in its Address of Record shall be considered valid, complete and binding to this enterprise.

   In case the enterprise has an authorized representative, designated as such by virtue of a Board Resolution of the firm, duly certified by its Board Secretary, and as appearing in the records of the BOI, it shall be so indicated that notices, communications and/or processes of the latter shall be sent to said representative. The authorized representative shall be responsible for notifying BOI, in writing, of any changes in its Address of Record within ten (10) calendar days after such change, and therefore, should it fail to do so, service of all BOI communications, notices or processes in the Address of Record of such authorized representative shall be considered valid, complete and binding to this enterprise.

3. The enterprise shall notify the BOI before doing any of the following acts:
   (Per Board Res. No. 38-16 S'2005 dated November 22, 2005)

   a. Invest in, extend loans, or buy bonds, in substantial amount, from any properties either in the Philippines or abroad. This does not apply to bonds issued by the Philippine Government;
   b. Issue stock convertible into voting stocks;
   c. Buy its own stocks.

4. The enterprise shall secure prior permission of the BOI before doing any of the following acts:

   a. Transfer ownership and /or control of the enterprise;
   b. Engage in an undertaking other than the preferred project covered by its registration;
   c. Expand its capacity, with or without incentives.

5. The enterprise shall maintain separate books of accounts for each activity, registered and unregistered with the Board. Moreover, the firm shall submit a list of direct costs attributable to each type of activity for purposes of determining the taxable income of each activity.

(Continued on page 2) Amr

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6. The enterprise shall submit to the Board an annual report of its actual investments, taxes paid and employment in the project within one (1) month following the end of the firm's calendar/fiscal year.

7. The enterprise shall comply with environmental laws and regulations.

8. The enterprise shall comply with the Tree-Planting Program of the BOI requiring a minimum of one hundred (100) forest trees to be planted pursuant to Memorandum Circular No. 01, not later than one (1) year from date of registration. Proof of compliance must be submitted within (1) year from the first anniversary date of the firm's registration; otherwise, applications for availment of any incentive by the firm shall not be accepted by the Board.

9. The enterprise shall comply with the other conditions and representations made and accepted by the firm as embodied in its project feasibility study and confirmation letter, among others, and shall form part of this registration.

10. All the fiscal and non-fiscal incentives which do not contain specific period for their enjoyment shall terminate after a period of not more than ten (10) years from date of registration.

11. Failure of the enterprise to file an incentive application within the prescribed date will mean imposition of fines and penalty including possible forfeiture or suspension of incentives or non-acceptance of the said application.

12. The enterprise shall submit the following reporting requirements to the BOI Legal and Compliance Service on or before their respective due dates:

• S1 (Annual Report of Performance)	Calendar Year - on or before 30 April Fiscal Year four (4) months after the end of Fiscal Year
• Annual Audited Financial Statement	One(1) month from the date of filing with the BIR
• Annual Income Tax Return	Thirty (30) calendar days from the date of filing with the BIR

The enterprise shall submit the S 1 in both soft (Excel format) and hard copies. Only one hard copy is required, which should be notarized and duly signed by the enterprise's authorized representative. Further, the Audited Financial Statements and Income Tax Return (ITR), duly stamped by the Bureau of Internal Revenue shall be scanned and submitted in a Compact Disc.

The enterprise may submit the above report on-line to monitor@yahoo.com.ph
For late filing and/or non-submission of reports and other requirements, the Board shall impose such fines in accordance with the schedules as set forth in the rules.

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BOARD OF INVESTMENTS

07 September 2017

MR. EMMANUEL V. RUBIO
Executive Vice-President, Chief Operating Officer
HEDCOR, INC.
214 Ambuclao Road, Obulan, Beckel, La Trinidad, Benguet
Telephone Nos.: 074 424 4763 / 02 886 2773
Fax No. : 02 886 2322

Dear Mr. Rubio:

Congratulations! Your project is now registered with the Board of Investments as **Renewable Energy Developer of Hydropower Resources (3.6 MW Lon-oy Hydroelectric Power Project)** under the Renewable Energy Act of 2008 (R.A 9513).

The attached Certificate of Registration incorporates the agreed Terms and Conditions of your registration, including all the fiscal and non-fiscal incentives available to the registered project. Other incentives with no specific number of years of entitlement may be enjoyed for a maximum period of ten (10) years from the start of your commercial operation and/ or date of registration.

Very truly yours,

Atty. MARJORIE O. RAMOS-SAMANIEGO
Board Secretary

BOARD OF INVESTMENTS

Republic of the Philippines
BOARD OF INVESTMENTS
Makati City

DEPARTMENT OF TRADE & INDUSTRY PHILIPPINES

CERTIFICATE OF REGISTRATION

No. *2017-260*

TO ALL WHOM IT MAY CONCERN:

This is to certify that the Board of Investments has duly registered

HEDCOR, INC.

Renewable Energy Developer of Hydropower Resources
(3.6 MW Lon-oy Hydroelectric Power Project)

in accordance with the provisions of the Omnibus Investments Code of 1987, as amended, subject to the representations and commitments set forth in its application for registration, the provisions of the above law, the rules and regulations of the Board of Investments and the terms and conditions herein prescribed.

In testimony whereof the seal of the Board of Investments and the signature of its Chairman / Vice - Chairman is hereunto affixed. Given at Makati City, Philippines, this 7th day of, September 2017

Management Committee Res. No. 29-02 S 2017
Board Resolution No. 21-04 S 2017

DR. CEFERINO S. RODOLFO
Undersecretary and BOI Managing Head

312837

Attested:

Atty. ***MARJORIE O. RAMOS SAMANIEGO***
Board Secretary

Department of Trade and Industry

DTI

HEDCOR, INC.

(Bakun, Benguet)

Type of Registration/Activity	:	**RENEWABLE ENERGY DEVELOPER OF HYDROPOWER RESOURCES (LON-OY HYDROELECTRIC POWER PROJECT)**
Capacity	:	**3.6 MW**
Status	:	**N/A; UNDER R.A. 9513**
Certificate of Registration No.	:	**2017-260**
Date	:	**SEPTEMBER 7, 2017**

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SPECIFIC TERMS AND CONDITIONS

1. The enterprise shall observe the following production schedule:

Year	No of Generator's	Total Capacity (MW)	Capacity Factor	Production Volume (kWh)
	A	B	C	D
Y1	4	3.6	37%	11,668,320
Y2	4	3.6	37%	11,668,320
Y3	4	3.6	37%	11,668,320
Y4	4	3.6	37%	11,668,320
Y5	4	3.6	37%	11,668,320

- *Total Rated Capacity (kW) = No of Generators x Capacity per Generator (i.e. 4 x 0.6 MW) = 2.4 MW or 2,400 kW*
- *Production Volume (kWh) = Total Rated Capacity (kW) x Operating Hours per Year (i.e., 8,760 hours) x Capacity Factor (i.e. 37%)*

2. The enterprise may avail of the following incentives under the administration of the BOI:

   a) **Duty-Free Importation of RE Machinery, Equipment and Materials including control and communication equipment,** within the first ten (10) years from the issuance of the DOE Certificate of Registration.

   The enterprise shall secure from the DOE-REMB a Certificate of Endorsement that the enterprise is in good standing for availment of this incentive. The Endorsement shall be on a per transaction basis. "Per transaction" means per application of incentives.

   b) **Tax exemption of Carbon Credits** - all proceeds from the sale of carbon emission credits including the expected value of the CER in the future (discounted at an acceptable rate) shall be exempt from any and all taxes.

(Continued on page 2)

3. The enterprise may also avail of the following incentives under R.A. 9513 to be administered by appropriate government agencies subject to the Rules and Regulations of the respective administering government agencies.

   a) Special Realty Tax Rates on Equipment and Machinery

   Realty and other taxes on civil works, equipment, machinery, and other improvements of a registered enterprise actually and exclusively used for RE facilities shall not exceed one and a half percent (1.5%) of the original cost less accumulated normal depreciation or net book value.

   b) Net Operating Loss Carry-Over (NOLCO)

   The NOLCO during the first three years from the start of commercial operation shall be carried over as a deduction from the gross income as defined in the National Internal Revenue Code of 1997 (NIRC) for the next seven consecutive taxable years immediately following the year of such loss.

   c) Corporate Tax Rate

   The enterprise shall pay a corporate tax of ten percent (10%) on its taxable income as defined in the NIRC, provided that it shall pass on the savings to the end users in the form of lower rates.

   The implementation of the power rate reduction must be consistent with the mechanism determined by the Energy Regulatory Commission in coordination with the Department of Energy.

   d) Accelerated Depreciation

   The plant, machinery, and equipment that are reasonably needed and actually used for the exploration, development and utilization of RE resources may be depreciated using a rate not exceeding twice the rate which would have been used had the annual allowance been computed in accordance with the rules and regulations prescribed by the Department of Finance and the provisions of the NIRC.

   e) Zero-Percent Value-Added Tax Rate

   The sale of power generated by the enterprise as well as its purchases of local supply of goods, properties and services needed for the development, construction and installation of its plant facilities and the whole process of exploration and development of RE sources up to its conversion into power shall be subject to zero percent value-added tax pursuant to the NIRC.

(Continued on page 3)

f) **Cash Incentive of Renewable Energy Developers for Missionary Electrification**

The enterprise may be entitled to a cash generation-based incentive per kilowatt-hour rate generated, equivalent to fifty percent (50%) of the universal charge for power needed to service missionary areas, chargeable against the universal charge for missionary electrification.

g) **Tax Credit on Domestic Capital Equipment and Services**

A tax credit equivalent to one hundred percent (100%) of the value of the value-added tax and custom duties that would have been paid on the RE machinery, equipment, materials and parts had these items been imported shall be given to the enterprise that purchases machinery, equipment, materials and parts from a domestic manufacturer.

4. The enterprise should endeavour to undertake meaningful and sustainable Corporate Social Responsibility (CSR) activities in the locality where the project is implemented.

5. The enterprise shall maintain books of account for this registered project separate from all its other operation/s and/or activity/ies.

6. The enterprise must commit to the tenets of Good Corporate Governance.
7. The enterprise shall adopt measures intended to reduce climate change risks in support of the National Framework Strategy on Climate Change.

8. The enterprise is encouraged to secure environmental certifications based on internationally-recognized standards.

9. The enterprise shall obtain applicable certifications based on internationally-recognized standards such as ISO certification or other similar certifications.

10. In the event of transfer to another Investment Promotion Agency, the enterprise shall undertake the publication of its cancellation of BOI registration in a newspaper of general circulation.

11. The enterprise shall visit the BOI website (http://www.boi.gov.ph) on a regular basis for updates on BOI rules, policies and guidelines.

12. The enterprise shall abide by the rules, policies, guidelines and regulations set forth by the Department of Energy (DOE) pertinent to the registered project.

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HEDCOR, INC.
(Bakun, Benguet)

Renewable Energy Developer of Hydropower Resources
(3.6 MW Lon-loy Hydroelectric Power Project)

C.R. No. 2017-260

GENERAL TERMS AND CONDITIONS

1. The enterprise shall observe and abide by the provisions of the Omnibus Investments Code of 1987 and other related laws and their implementing rules and regulations as well as its commitments and representations made in the application for registration and take adequate measures to ensure that its obligation thereunder as well as those of its officers, employees and stockholders are faithfully discharged; provided it is understood that any misrepresentation or falsification in the documents or other supporting papers submitted to the Board shall constitute as ground for automatic cancellation of its registration.

2. The enterprise's Address of Record shall be **214 Ambuclao Road, Obulan, Beckel, La Trinidad, Benguet**. All BOI notices/communications to the firm shall be sent to this address. The firm shall be responsible for notifying BOI in writing, of any changes in its Address of Record, within ten (10) calendar days after such change, and therefore, should it fail to do so, service of all BOI communications, notices or processes in its Address of Record shall be considered valid, complete and binding to this enterprise.

   In case the enterprise has an authorized representative, designated as such by virtue of a Board Resolution of the firm, duly certified by its Board Secretary, and as appearing in the records of the BOI, it shall be so indicated that notices, communications and/or processes of the latter shall be sent to said representative. The authorized representative shall be responsible for notifying BOI in writing, of any changes in its Address of Record within ten (10) calendar days after such change, and therefore, should it fail to do so, service of all BOI communications, notices or processes in the Address of Record of such authorized representative shall be considered valid, complete and binding to this enterprise.

3. The enterprise shall notify the BOI before doing any of the following acts:
   (Per Board Res. No. 38-16 S'2005 dated November 22, 2005)

   a. Invest in, extend loans, or buy bonds, in substantial amount, from any properties either in the Philippines or abroad. This does not apply to bonds issued by the Philippine Government;
   b. Issue stock convertible into voting stocks;
   c. Buy its own stocks.

4. The enterprise shall secure prior permission of the BOI before doing any of the following acts:

   a. Transfer ownership and /or control of the enterprise;
   b. Engage in an undertaking other than the preferred project covered by its registration;
   c. Expand its capacity, with or without incentives.

5. The enterprise shall maintain separate books of accounts for each activity, registered and unregistered with the Board. Moreover, the firm shall submit a list of direct costs attributable to each type of activity for purposes of determining the taxable income of each activity.

(Continued on page 2)

6. The enterprise shall submit to the Board an annual report of its actual investments, taxes paid and employment in the project within one (1) month following the end of the firm's calendar/fiscal year.

7. The enterprise shall comply with environmental laws end regulations.

8. The enterprise shall comply with the Tree-Planting Program of the BOI requiring a minimum of one hundred (100) forest trees to be planted pursuant to Memorandum Circular No. 01, not later than one (1) year from date of registration. Proof of compliance must be submitted within (1) year from the first anniversary date of the firm's registration; otherwise, applications for availment of any incentive by the firm shall not be accepted by the Board.

9. The enterprise shall comply with the other conditions and representations made and accepted by the firm as embodied in its project feasibility study and confirmation letter, among others, and shall form part of this registration.

10. All the fiscal and non-fiscal incentives which do not contain specific period for their enjoyment shall terminate after a period of not more than ten (10) years from date of registration.

11. Failure of the enterprise to file an incentive application within the prescribed date will mean imposition of fines and penalty including possible forfeiture or suspension of incentives or non-acceptance of the said application.

12. The enterprise shall submit the following reporting requirements to the BOI Legal and Compliance Service on or before their respective due dates:

• S1 (Annual Report of Performance)	Calendar Year on or before 30 April Fiscal Year – four (4) months after the end of Fiscal Year
• Annual Audited Financial Statement	One(1) month from the date of filing with the BIR
• Annual Income Tax Return	Thirty (30) calendar days from the date of filing with the BIR

The enterprise shall submit the S-1 in both soft (Excel format) and hard copies. Only one hard copy is required, which should be notarized and duly signed by the enterprise's authorized representative. Further, the Audited Financial Statements and Income Tax Return (ITR), duly stamped by the Bureau of Internal Revenue shall be scanned and submitted in a Compact Disc.

The enterprise may submit the above report on-line to monitor@yahoo.com.ph
For late filing and/or non-submission of reports and other requirements, the Board shall impose such fines in accordance with the schedules as set forth in the rules.

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BOARD OF INVESTMENTS
PHILIPPINES

DEPARTMENT OF TRADE & INDUSTRY PHILIPPINES

20 February 2013

HEDCOR, INC.
214 Ambuklao Road, Obulan, Beckel
La Trinidad, Benguet

Attention: **MR. RENE B. RONQUILLO**
President and COO

Gentlemen:

Congratulations! Your project is now registered with the Board of Investments as **Renewable Energy Developer of 3.80 MW Irisan-1 Hydroelectric Power Plant** under the Renewable Energy Act of 2008 (RA 9513).

The attached Certificate of Registration incorporates the agreed Terms and Conditions of your registration, including all the fiscal and non-fiscal incentives available to the registered project. Other incentives with no specific number of years of entitlement may be enjoyed for a maximum period of ten (10) years from the start of your commercial operation and/ or date of registration.

Very truly yours,

BOBBY G. FONDEVILLA
Board Secretary

Republic of the Philippines
BOARD OF INVESTMENTS
Makati City

CERTIFICATE OF REGISTRATION

No. 2013-051

TO ALL WHOM IT MAY CONCERN:

This is to certify that the Board of Investments has duly registered

HEDCOR, INC.
Renewable Energy Developer of 3.80 MW Irisan-1 Hydroelectric Power Plant

in accordance with the provisions of the Omnibus Investments Code of 1987, as amended, subject to the representations and commitments set forth in its application for registration, the provisions of the above law, the rules and regulations of the Board of Investments and the terms and conditions herein prescribed.

In testimony whereof the seal of the Board of Investments and the signature of its Chairman / Vice - Chairman is hereunto affixed. Given at Makati City, Philippines, this 20th day of, February 2013.

Board Res. No. 3 2 S'2013

ADRIAN S. CRISTOBAL JR.
Undersecretary and BOI Managing Head

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Department of Trade and Industry DTI

Attested:

BOBBY G. FONDEVILLA
Board Secretary

HEDCOR, INC.
(La Trinidad, Benguet)

Type of Registration/Activity	:	**RENEWABLE ENERGY DEVELOPER OF IRISAN-1 HYDROELECTRIC POWER PLANT**
Capacity	:	**3.80 MW**
Status	:	**N/A; UNDER RA 9513**
Certificate of Registration No.	:	**2013-051**
Date	:	**FEBRUARY 20, 2013**

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SPECIFIC TERMS AND CONDITIONS

1. The enterprise shall observe the following production and sales schedule:

Year	1	2	3	4	5
No. of Turbines	1	1	1	1	1
Total Capacity (MW)	3.80	3.80	3.80	3.80	3.80
Operating Hours	8760	8,760	8,760	8,760	8,760
Capacity Utilization,%	35.9	34.2	34.2	34.2	34.2
Sales Volume (kW)	11,945	11,386	11,399	11,385	11,374
Selling Price P/kWh	3.93	4.77	5.89	6.08	6.26
Sales Value ((PhP'000)	46,953	54,293	67,173	69,189	71,192

2. The enterprise should endeavor to undertake Corporate Social Responsibility (CSR) activities in the locality where the registered project is located.

3. The enterprise shall be entitled to the following incentives under the administration of the BOI:

   a) **Income Tax Holiday for Seven (7) Years** from **February 2013.**

   a.i) The ITH shall be limited only to the sales/revenues from power generated from the 3.80 MW Irisan 1 Hydroelectric Power Plant (Tuba, Benguet). **Only income directly attributable to revenues from power generated and sold to grid, other entities and/or communities shall be qualified for ITH. Net income from operations of the registered activity shall be certified under oath by CEO or CFO.**

   a.ii) The enterprise shall submit the list of cost items common to all its projects/activities (whether BOI or non-BOI registered) and the methodology adopted in allocating common cost between the registered and non-registered activity/ies.

   a.iii) Interest Expense on the enterprise's liabilities shall be appropriately allocated between the registered activity/ies and non-registered activity/ies.

   Date of filing: *An application shall be filed with the BOI Incentives Department within one (1) month from the filing of the final ITR with the BIR in order to validate claim for income tax exemption. The application shall be accompanied by a certification by SSS that the enterprise is in good standing in the remittance of SSS contributions of its employees.*

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Notwithstanding the provisions of the preceding paragraph, the Board, as a matter of national interest and for reasonable causes, reserves the right to suspend the availment of ITH incentives.

The enterprise shall secure the following:

i. From the DOE-REMB, a Certificate of Endorsement that the enterprise is in good standing for availment of the ITH incentive prior to filing of application for issuance of the certificate of ITH entitlement with the BOI; and

ii. From the BOI Supervision and Monitoring Department (SMD), a certificate of ITH entitlement prior to filing of Income Tax Return (ITR) with BIR, otherwise, ITH for that particular taxable year shall be forfeited.

b) **Duty-Free Importation of RE Machinery, Equipment and Materials including control and communication equipment,** within the first ten (10) years from the issuance of the BOI certificate of registration.

The enterprise shall secure from the DOE-REMB a Certificate of Endorsement that the enterprise is in good standing for availment of this incentive. The Endorsement shall be on a per transaction basis. "Per transaction" means per application of incentives.

c) **Tax exemption of Carbon Credits** - all proceeds from the sale of carbon emission credits including the expected value of the CER in the future (discounted at an acceptable rate) shall be exempt from any and all taxes.

4. The enterprise shall also be entitled to the following incentives under R.A. 9513 to be administered by appropriate government agencies subject to the Rules and Regulations of the respective administering government agencies.

a) Special Realty Tax Rates on Equipment and Machinery

Realty and other taxes on civil works, equipment, machinery, and other improvements of a registered enterprise actually and exclusively used for RE facilities shall not exceed one and a half percent (1.5%) of the original cost less accumulated normal depreciation or net book value.

b) Net Operating Loss Carry-Over (NOLCO)

The NOLCO during the first three years from the start of commercial operation shall be carried over as a deduction from the gross income as defined in the National Internal Revenue Code of 1997 (NIRC) for the next seven consecutive taxable years immediately following the year of such loss.

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c) Corporate Tax Rate

After availment of the ITH, the enterprise shall pay a corporate tax of ten percent (10%) on its taxable income as defined in the NIRC, provided that it shall pass on the savings to the end users in the form of lower rates.

The enterprise shall submit an undertaking that the incentives availed of shall translate to the benefits of the end-users in terms of reduced price of electricity. Semi-annual report shall be submitted to the BOI reflecting compliance to this condition.

d) Accelerated Depreciation

The plant, machinery, and equipment that are reasonably needed and actually used for the exploration, development and utilization of RE resources may be depreciated using a rate not exceeding twice the rate which would have been used had the annual allowance been computed in accordance with the rules and regulations prescribed by the Department of Finance and the provisions of the NIRC.

The enterprise that applies for accelerated depreciation shall no longer be eligible to avail of the ITH.

e) Zero-Percent Value-Added Tax Rate

The sale of power generated by the enterprise as well as its purchases of local supply of goods, properties and services needed for the development, construction and installation of its plant facilities and the whole process of exploration and development of RE sources up to its conversion into power shall be subject to zero percent value-added tax pursuant to the NIRC.

f) Cash Incentive of Renewable Energy Developers for Missionary Electrification

The enterprise may be entitled to a cash generation-based incentive per kilowatt-hour rate generated, equivalent to fifty percent (50%) of the universal charge for power needed to service missionary areas, chargeable against the universal charge for missionary electrification.

g) Tax Credit on Domestic Capital Equipment and Services

A Tax credit equivalent to one hundred percent (100%) of the value of the value-added tax and custom duties that would have been paid on the RE machinery, equipment, materials and parts had these items been imported shall be given to the enterprise that purchases machinery, equipment, materials and parts from a domestic manufacturer.

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5. The enterprise shall submit to the BOI Supervision and Monitoring Department, on a semestral basis within fifteen (15) days from end of each semester, a report on actual investments, employment, sales, production costs and other information that the Board may require at any given time, with respect to the registered project.

6. The enterprise shall be subject to the provisions of Revenue Regulations (RR) 1-2010 Amending further Section 3 of RR No. 9-2001, as last amended by RR No.10-2007, Expanding the Coverage of Taxpayers Required to File Returns and Pay Taxes Through the Electronic Filing and Payment System (EFPS) of the Bureau of Internal Revenue.

7. The enterprise must abide by the principles of Good Corporate Governance. It must likewise accomplish the BOI form on self-rating Governance Scorecard every year as a requirement for ITH availment.

8. The enterprise shall adopt measures intended to reduce climate change risks in support of the National Framework Strategy on Climate Change.

9. In the event of transfer to another Investment Promotion Agency, the enterprise shall undertake publication of its cancellation of BOI registration in a newspaper of general circulation.

10. The enterprise shall visit the BOI website (http://www.boi.gov.ph) on a regular basis for updates on BOI rules, policies and guidelines.

11. The enterprise shall abide by the rules, policies, guidelines and regulations set forth by the Department of Energy (DOE) pertinent to the registered project.

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HEDCOR, INC.
(La Trinidad, Benguet -3.8 MW Irisan 1 HEPP)
C.R. No. 2013-051
GENERAL TERMS AND CONDITIONS

1. The enterprise shall observe and abide by the provisions of the Omnibus Investments Code of 1987, as amended, and other related laws and their implementing rules and regulations as well as its commitments and representations made in the application for registration and take adequate measures to ensure that its obligation there under as well as those of its officers, employees and stockholders are faithfully discharged; provided it is understood that any misrepresentation or falsification in the documents or other supporting papers submitted to the Board shall constitute as ground for automatic cancellation of its registration.

2. The enterprise's Address of Record shall be at **214 Ambuklao Road, Obulan, Beckel, La Trinidad, Benguet.** All BOI notices/communications to the enterprise shall be sent to this address. The enterprise shall be responsible for notifying BOI, in writing, of any changes in its Address of Record, within ten (10) calendar days after such change, and therefore, should it fail to do so, service of all BOI communications, notices or processes in its Address of Record shall be considered valid, complete and binding to this enterprise.

   In case the enterprise has an authorized representative, designated as such by virtue of a Board Resolution of the enterprise, duly certified by its Board Secretary, and as appearing in the records of the BOI, it shall be so indicated that notices, communications and/or processes of the latter shall be sent to said representative. The authorized representative shall be responsible for notifying BOI, in writing, of any changes in its Address of Record within ten (10) calendar days after such change, and therefore, should it fail to do so, service of all BOI communications, notices or processes in the Address of Record of such authorized representative shall be considered valid, complete and binding to this enterprise.

3. The enterprise shall notify the BOI before doing any of the following acts:
   (Per Board Res. No. 38-16 S'2005 dated November 22, 2005)

   a. Invest in, extend loans, or buy bonds, in substantial amount, from any properties either in the Philippines or abroad. This does not apply to bonds issued by the Philippine Government;
   b. Issue stock convertible into voting stocks; or
   c. Buy its own stocks;

4. The enterprise shall secure prior permission of the BOI before doing any of the following acts:
   a. Transfer ownership and /or control of the enterprises;
   b. Expand its capacity, with or without incentives; or
   c. Engage in an undertaking other than the preferred project covered by its registration.

5. The enterprise shall maintain separate books of accounts for each activity, registered and unregistered with the Board. Moreover, the enterprise shall submit a list of direct costs attribute to each type of activity for purposes of determining the taxable income of each activity.

6. The enterprise shall submit to the Board an annual report of its actual investments, taxes paid and employment in the project within one (1) month following the end of the enterprise's calendar/fiscal year.

7. The enterprise shall comply with environmental laws and regulations.

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8. The enterprise shall comply with the tree-planting program of the BOI requiring a minimum of one hundred (100) forest trees to be planted pursuant to Memorandum Circular No. 01, not later than one (1) year from date of registration. Proof of compliance must be submitted within (1) year from the first anniversary date of the enterprise's registration; otherwise, applications for availment of any incentive by the enterprise shall not be accepted by the Board.

9. The enterprise shall comply with the other conditions and representations made and accepted by the enterprise as embodied in its project feasibility study and confirmation letter, among others, and shall form part of this registration.

10. All the fiscal and non-fiscal incentives which do not contain a specific period for their enjoyment shall terminate after a period of not more than ten (10) years from date of registration.

11. Failure of the enterprise to file an incentive application within the prescribed date will mean imposition of fines and penalty including possible forfeiture or suspension of incentives or non-acceptance of the said application.

12. The enterprise shall submit the following reporting requirements to the Supervision and Monitoring Department on or before their respective due dates:

S1 (Annual Report of Performance)	Calendar year - May 15 Fiscal year – 4 ½ months after the end of fiscal year
Annual Audited Financial Statement	One (1) month from date of filing with BIR
Annual Income Tax Return	Thirty (30) calendar days from the date filing with the BIR

The enterprise may submit the above report **on-line** to **SMD@boi.gov.ph**
For late filing and/or non-submission of reports and other requirements, the Board shall impose such fines in accordance with the schedules as set forth in the rules.

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BOARD OF INVESTMENTS

07 September 2017

MR. EMMANUEL V. RUBIO
Executive Vice-President, Chief Operating Officer
HEDCOR, INC.
214 Ambuclao Road, Obulan, Beckel, La Trinidad, Benguet
Telephone Nos.: 074 424 4763 / 02 886 2773
Fax No.: 02 886 2322

Dear Mr. Rubio:

Congratulations! Your project is now registered with the Board of Investments as **Renewable Energy Developer of Hydropower Resources (4.5 MW Bineng 3 Hydroelectric Power Project)** under the Renewable Energy Act of 2008 (R.A 9513).

The attached Certificate of Registration incorporates the agreed Terms and Conditions of your registration, including all the fiscal and non-fiscal incentives available to the registered project. Other incentives with no specific number of years of entitlement may be enjoyed for a maximum period of ten (10) years from the start of your commercial operation and/ or date of registration.

Very truly yours,

Atty. MARJORIE O. RAMOS-SAMANIEGO
Board Secretary

BOARD OF INVESTMENTS

Republic of the Philippines
BOARD OF INVESTMENTS
Makati City

DEPARTMENT OF TRADE & INDUSTRY PHILIPPINES

CERTIFICATE OF REGISTRATION

No. 2017-256

TO ALL WHOM IT MAY CONCERN:

This is to certify that the Board of Investments has duly registered

HEDCOR, INC.

Renewable Energy Developer of Hydropower Resources
(4.5 MW Bineng 3 Hydroelectric Power Project)

in accordance with the provisions of the Omnibus Investments Code of 1987, as amended, subject to the representations and commitments set forth in its application for registration, the provisions of the above law, the rules and regulations of the Board of Investments and the terms and conditions herein prescribed.

In testimony whereof the seal of the Board of Investments and the signature of its Chairman / Vice - Chairman is hereunto affixed. Given at Makati City, Philippines, this 7th *day of,* ***September 2017***

Management Committee Res. No. 29-02 S'2017
Board Resolution No. 21-04 S'2017

DR. CEFERINO S. RODOLFO
Undersecretary and BOI Managing Head

312833

Attested:

Atty. MARJORIE O. RAMOS SAMANIEGO
Board Secretary

Department of Trade and Industry

DTI

HEDCOR, INC.
(La Trinidad, Benguet)

Type of Registration/Activity	:	**RENEWABLE ENERGY DEVELOPER OF HYDROPOWER RESOURCES (BINENG 3 HYDROELECTRIC POWER PROJECT)**
Capacity	:	**4.5 MW**
Status	:	**N/A; UNDER R.A. 9513**
Certificate of Registration No.	:	**2017-256**
Date	:	**SEPTEMBER 07, 2017**

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SPECIFIC TERMS AND CONDITIONS

1. The enterprise shall observe the following production schedule:

Year	No of Generator/s	Total Capacity (MW)	Capacity Factor	Production and Sales Volume (kWh)
	A	B	C	D
Y1	1	4.5	33%	13,008,600
Y2	1	4.5	33%	13,008,600
Y3	1	4.5	33%	13,008,600
Y4	1	4.5	33%	13,008,600
Y5	1	4.5	33%	13,008,600

- *Total Rated Capacity (kW) = No of Generator/s x Capacity per Generator (i.e 1 x 4.5 MW) = 4.5 MW or 4,500 kW*
- *Production Volume (kWh) = Total Rated Capacity (kW) x Operating Hours per Year (i.e. 8,760 hours) x Capacity Factor (i.e. 33%)*

2. The enterprise may avail of the following incentives under the administration of the BOI:

   a) **Duty-Free Importation of RE Machinery, Equipment and Materials including control and communication equipment,** within the first ten (10) years from the issuance of the DOE Certificate of Registration.

   The enterprise shall secure from the DOE-REMB a Certificate of Endorsement that the enterprise is in good standing for availment of this incentive. The Endorsement shall be on a per transaction basis. "Per transaction" means per application of incentives.

   b) **Tax exemption of Carbon Credits** - all proceeds from the sale of carbon emission credits including the expected value of the CER in the future (discounted at an acceptable rate) shall be exempt from any and all taxes.

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3. The enterprise may also avail of the following incentives under R.A. 9513 to be administered by appropriate government agencies subject to the Rules and Regulations of the respective administering government agencies.

   a) **Special Realty Tax Rates on Equipment and Machinery**

   Realty and other taxes on civil works, equipment, machinery, and other improvements of a registered enterprise actually and exclusively used for RE facilities shall not exceed one and a half percent (1.5%) of the original cost less accumulated normal depreciation or net book value.

   b) **Net Operating Loss Carry-Over (NOLCO)**

   The NOLCO during the first three years from the start of commercial operation shall be carried over as a deduction from the gross income as defined in the National Internal Revenue Code of 1997 (NIRC) for the next seven consecutive taxable years immediately following the year of such loss.

   c) **Corporate Tax Rate**

   The enterprise shall pay a corporate tax of ten percent (10%) on its taxable income as defined in the NIRC, provided that it shall pass on the savings to the end users in the form of lower rates.

   The implementation of the power rate reduction must be consistent with the mechanism determined by the Energy Regulatory Commission in coordination with the Department of Energy.

   d) **Accelerated Depreciation**

   The plant, machinery, and equipment that are reasonably needed and actually used for the exploration, development and utilization of RE resources may be depreciated using a rate not exceeding twice the rate which would have been used had the annual allowance been computed in accordance with the rules and regulations prescribed by the Department of Finance and the provisions of the NIRC.

   e) **Zero-Percent Value-Added Tax Rate**

   The sale of power generated by the enterprise as well as its purchases of local supply of goods, properties and services needed for the development, construction and installation of its plant facilities and the whole process of exploration and development of RE sources up to its conversion into power shall be subject to zero percent value-added tax pursuant to the NIRC.

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f) **Cash Incentive of Renewable Energy Developers for Missionary Electrification**

The enterprise may be entitled to a cash generation-based incentive per kilowatt-hour rate generated, equivalent to fifty percent (50%) of the universal charge for power needed to service missionary areas, chargeable against the universal charge for missionary electrification.

g) **Tax Credit on Domestic Capital Equipment and Services**

A tax credit equivalent to one hundred percent (100%) of the value of the value-added tax and custom duties that would have been paid on the RE machinery, equipment, materials and parts had these items been imported shall be given to the enterprise that purchases machinery, equipment, materials and parts from a domestic manufacturer.

4. The enterprise should endeavour to undertake meaningful and sustainable Corporate Social Responsibility (CSR) activities in the locality where the project is implemented.

5. The enterprise shall maintain books of account for this registered project separate from all its other operation/s and/or activity/ies.

6. The enterprise must commit to the tenets of Good Corporate Governance.

7. The enterprise shall adopt measures intended to reduce climate change risks in support of the National Framework Strategy on Climate Change.

8. The enterprise is encouraged to secure environmental certifications based on internationally-recognized standards.

9. The enterprise shall obtain applicable certifications based on internationally-recognized standards such as ISO certification or other similar certifications.

10. In the event of transfer to another Investment Promotion Agency, the enterprise shall undertake the publication of its cancellation of BOI registration in a newspaper of general circulation.

11. The enterprise shall visit the BOI website (http://www.boi.gov.ph) on a regular basis for updates on BOI rules, policies and guidelines.

12. The enterprise shall abide by the rules, policies, guidelines and regulations set forth by the Department of Energy (DOE) pertinent to the registered project.

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HEDCOR, INC.
(La Trinidad, Benguet)

Renewable Energy Developer of Hydropower Resources
(4.5 MW Bineng 3 Hydroelectric Power Project)

C.R. No. 2017-256

GENERAL TERMS AND CONDITIONS

1. The enterprise shall observe and abide by the provisions of the Omnibus Investments Code of 1987 and other related laws and their implementing rules and regulations as well as its commitments and representations made in the application for registration and take adequate measures to ensure that its obligation thereunder as well as those of its officers, employees and stockholders are faithfully discharged; provided it is understood that any misrepresentation or falsification in the documents or other supporting papers submitted to the Board shall constitute as ground for automatic cancellation of its registration.

2. The enterprise's Address of Record shall be **214 Ambuclao Road, Obulan, Beckel, La Trinidad, Benguet**. All BOI notices/communications to the firm shall be sent to this address. The firm shall be responsible for notifying BOI, in writing, of any changes in its Address of Record, within ten (10) calendar days after such change, and therefore, should it fail to do so, service of all BOI communications, notices or processes in its Address of Record shall be considered valid, complete and binding to this enterprise.

   In case the enterprise has an authorized representative, designated as such by virtue of a Board Resolution of the firm, duly certified by its Board Secretary, and as appearing in the records of the BOI, it shall be so indicated that notices, communications and/or processes of the latter shall be sent to said representative. The authorized representative shall be responsible for notifying BOI, in writing, of any changes in its Address of Record within ten (10) calendar days after such change, and therefore, should it fail to do so, service of all BOI communications, notices or processes in the Address of Record of such authorized representative shall be considered valid, complete and binding to this enterprise.

3. The enterprise shall notify the BOI before doing any of the following acts:
   (Per Board Res. No. 38-16 S'2005 dated November 22, 2005)

   a. Invest in, extend loans, or buy bonds, in substantial amount, from any properties either in the Philippines or abroad. This does not apply to bonds issued by the Philippine Government;
   b. Issue stock convertible into voting stocks;
   c. Buy its own stocks.

4. The enterprise shall secure prior permission of the BOI before doing any of the following acts:

   a. Transfer ownership and /or control of the enterprise;
   b. Engage in an undertaking other than the preferred project covered by its registration;
   c. Expand its capacity, with or without incentives.

5. The enterprise shall maintain separate books of accounts for each activity, registered and unregistered with the Board. Moreover, the firm shall submit a list of direct costs attributable to each type of activity for purposes of determining the taxable income of each activity.

(Continued on page 2)

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6. The enterprise shall submit to the Board an annual report of its actual investments, taxes paid and employment in the project within one (1) month following the end of the firm's calendar/fiscal year.

7. The enterprise shall comply with environmental laws and regulations.

8. The enterprise shall comply with the Tree-Planting Program of the BOI requiring a minimum of one hundred (100) forest trees to be planted pursuant to Memorandum Circular No. 01, not later than one (1) year from date of registration. Proof of compliance must be submitted within (1) year from the first anniversary date of the firm's registration; otherwise, applications for availment of any incentive by the firm shall not be accepted by the Board.

9. The enterprise shall comply with the other conditions and representations made and accepted by the firm as embodied in its project feasibility study and confirmation letter, among others, and shall form part of this registration.

10. All the fiscal and non-fiscal incentives which do not contain specific period for their enjoyment shall terminate after a period of not more than ten (10) years from date of registration.

11. Failure of the enterprise to file an incentive application within the prescribed date will mean imposition of fines and penalty including possible forfeiture or suspension of incentives or non-acceptance of the said application.

12. The enterprise shall submit the following reporting requirements to the BOI Legal and Compliance Service on or before their respective due dates:

• S1 (Annual Report of Performance)	Calendar Year – on or before 30 April Fiscal Year four (4) months after the end of Fiscal Year
• Annual Audited Financial Statement	One(1) month from the date of filing with the BIR
• Annual Income Tax Return	Thirty (30) calendar days from the date of filing with the BIR

The enterprise shall submit the S-1 in both soft (Excel format) and hard copies. Only one hard copy is required, which should be notarized and duly signed by the enterprise's authorized representative. Further, the Audited Financial Statements and Income Tax Return (ITR), duly stamped by the Bureau of Internal Revenue shall be scanned and submitted in a Compact Disc.

The enterprise may submit the above report on-line to monitor@yahoo.com.ph
For late filing and/or non-submission of reports and other requirements, the Board shall impose such fines in accordance with the schedules as set forth in the rules.

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BOARD OF INVESTMENTS

PHILIPPINES

03 January 2018

MS. DARLENE C. ARGUELLES
Vice-President for Corporate and Regulatory Affairs
Executive Vice-President, Chief Operating Officer
HEDCOR, INC.
12/F NAC Tower, 32[rd] Street, Bonifacio Global City, Taguig, Metro Manila
Tel./Fax No. : 02 886-2773 02 886 2322
Email Address: darlene.arguelles@aboitiz.com

Dear Ms. Arguelles,:

Congratulations! Your project is now registered with the Board of Investments as **Renewable Energy Developer of Hydropower Resources (5.9MW FLSingit Hydroelectric Power Plant)** under the Renewable Energy Act of 2008 (R.A 9513).

The attached Certificate of Registration incorporates the agreed Terms and Conditions of your registration, including all the fiscal and non-fiscal incentives available to the registered project. Other incentives with no specific number of years of entitlement may be enjoyed for a maximum period of ten (10) years from the start of your commercial operation and/ or date of registration.

Very truly yours,

Atty. MARJORIE O. RAMOS-SAMANIEGO
Board Secretary

BOARD OF INVESTMENTS

Republic of the Philippines
BOARD OF INVESTMENTS
Makati City

CERTIFICATE OF REGISTRATIO

No. 2018-001

TO ALL WHOM IT MAY CONCERN:

This is to certify that the Board of Investments has duly

HEDCOR, INC.

Renewable Energy Developer of Hydropower Resources
(5.9MW FLSingit Hydroelectric Power Plant)

in accordance with the provisions of the Omnibus Investments Code amended, subject to the representations and commitments set f application for registration, the provisions of the above law, the regulations of the Board of Investments and the terms and condit prescribed.

In testimony whereof the seal of th Investments and the signature of its Vice - Chairman is hereunto affixed Makati City, Philippines, this 3rd

January 2018

Management Committee Resolution No. 41-06 S'201
Board Resolution No. 29-03 S'2017

DR. CE... RINO S. RO
Undersecretary and BOI Man

Department of Trade and Industry

Attested:

Atty. MARJORIE O. RAMOS SAMANIEGO
Board Secretary

HEDCOR, INC.
(Bakun, Benguet)

Type of Registration/Activity	:	**RENEWABLE ENERGY DEVELOPER OF HYDROPOWER RESOURCES (ELSINGIT HYDROELECTRIC POWER PLANT)**
Capacity	:	**5.9 MW**
Status	:	**N/A; UNDER R.A. 9513**
Certificate of Registration No.	:	**2018-001**
Date	:	**JANUARY 03, 2018**

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SPECIFIC TERMS AND CONDITIONS

1. The enterprise shall observe the following production schedule:

Year	Production (kWh)
Y1	26,012,557
Y2	26,012,557
Y3	26,012,557
Y4	26,012,557
Y5	26,012,557

Notes:
- *1 MW = 1,000 kW = 1,000,000 W*
- *Total Rated Capacity = No. of Generators x Capacity per Unit = 2 generators of 1.2MW capacity and 7 generators of 0.5MW capacity = 2 (1.2MW) + 7 (0.5MW) = 5.9MW*
- *Production (kWh) = Rated Capacity (i.e. 5,900 kW) x Operating Hours per year (i.e. 8,760) x Capacity Factor (i.e. 50.33%)*

2. The enterprise may avail of the following incentives under the administration of the BOI:

   a) **Duty-Free Importation of RE Machinery, Equipment and Materials including control and communication equipment,** within the first ten (10) years from the issuance of the DOE Certificate of Registration.

      The enterprise shall secure from the DOE-REMB a Certificate of Endorsement that the enterprise is in good standing for availment of this incentive. The Endorsement shall be on a per transaction basis. "Per transaction" means per application of incentives.

   b) **Tax exemption of Carbon Credits** - all proceeds from the sale of carbon emission credits including the expected value of the CER in the future (discounted at an acceptable rate) shall be exempt from any and all taxes.

(Continued on page 2)

3. The enterprise may also avail of the following incentives under R.A. 9513 to be administered by appropriate government agencies subject to the Rules and Regulations of the respective administering government agencies.

   a) Special Realty Tax Rates on Equipment and Machinery

   Realty and other taxes on civil works, equipment, machinery, and other improvements of a registered enterprise actually and exclusively used for RE facilities shall not exceed one and a half percent (1.5%) of the original cost less accumulated normal depreciation or net book value.

   b) Net Operating Loss Carry-Over (NOLCO)

   The NOLCO during the first three years from the start of commercial operation shall be carried over as a deduction from the gross income as defined in the National Internal Revenue Code of 1997 (NIRC) for the next seven consecutive taxable years immediately following the year of such loss.

   c) Corporate Tax Rate

   The enterprise shall pay a corporate tax of ten percent (10%) on its taxable income as defined in the NIRC, provided that it shall pass on the savings to the end users in the form of lower rates.

   The implementation of the power rate reduction must be consistent with the mechanism determined by the Energy Regulatory Commission in coordination with the Department of Energy.

   d) Accelerated Depreciation

   The plant, machinery, and equipment that are reasonably needed and actually used for the exploration, development and utilization of RE resources may be depreciated using a rate not exceeding twice the rate which would have been used had the annual allowance been computed in accordance with the rules and regulations prescribed by the Department of Finance and the provisions of the NIRC.

   e) Zero-Percent Value-Added Tax Rate

   The sale of fuel or power generated by the enterprise from renewable sources of energy such as biomass, as well as its purchases of local supply of goods, properties and services needed for the development, construction and installation of its plant facilities and the whole process of exploration and development of RE sources up to its conversion into power shall be subject to zero percent value-added tax pursuant to the NIRC.

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f) **Cash Incentive of Renewable Energy Developers for Missionary Electrification**

The enterprise may be entitled to a cash generation-based incentive per kilowatt-hour rate generated, equivalent to fifty percent (50%) of the universal charge for power needed to service missionary areas, chargeable against the universal charge for missionary electrification.

g) **Tax Credit on Domestic Capital Equipment and Services**

A tax credit equivalent to one hundred percent (100%) of the value of the value-added tax and custom duties that would have been paid on the RE machinery, equipment, materials and parts had these items been imported shall be given to the enterprise that purchases machinery, equipment, materials and parts from a domestic manufacturer.

4. The enterprise should endeavor to undertake meaningful and sustainable Corporate Social Responsibility (CSR) activities in the locality where the project is implemented.

5. The enterprise shall maintain books of account for this registered project separate from all its other operation/s and/or activity/ies.

6. The enterprise must be committed to the tenets of Good Corporate Governance.

7. In the event of transfer to another Investment Promotion Agency, the enterprise shall undertake the publication of its cancellation of BOI registration in a newspaper of general circulation.

8. The enterprise shall visit the BOI website (http://www.boi.gov.ph) on a regular basis for updates on BOI rules, policies and guidelines.

9. The enterprise shall abide by the rules, policies, guidelines and regulations set forth by the Department of Energy (DOE) pertinent to the registered project.

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HEDCOR, INC.

(Bakun, Benguet))
Renewable Energy Developer of Hydropower Resources
(5.9 MW FLSingit Hydroelectric Power Plant)

C.R. No. 2018-001

GENERAL TERMS AND CONDITIONS

1. The enterprise shall observe and abide by the provisions of the Omnibus Investments Code of 1987 and other related laws and their implementing rules and regulations as well as its commitments and representations made in the application for registration and take adequate measures to ensure that its obligation thereunder as well as those of its officers, employees and stockholders are faithfully discharged; provided it is understood that any misrepresentation or falsification in the documents or other supporting papers submitted to the Board shall constitute as ground for automatic cancellation of its registration.

2. The enterprise's Address of Record shall be **12/F NAC Tower, 32nd Street, Bonifacio Global City, Taguig, Metro Manila.** All BOI notices/communications to the firm shall be sent to this address. The firm shall be responsible for notifying BOI, in writing, of any changes in its Address of Record, within ten (10) calendar days after such change, and therefore, should it fail to do so, service of all BOI communications, notices or processes in its Address of Record shall be considered valid, complete and binding to this enterprise.

   In case the enterprise has an authorized representative, designated as such by virtue of a Board Resolution of the firm, duly certified by its Board Secretary, and as appearing in the records of the BOI, it shall be so indicated that notices, communications and/or processes of the latter shall be sent to said representative. The authorized representative shall be responsible for notifying BOI, in writing, of any changes in its Address of Record within ten (10) calendar days after such change, and therefore, should it fail to do so, service of all BOI communications, notices or processes in the Address of Record of such authorized representative shall be considered valid, complete and binding to this enterprise.

3. The enterprise shall notify the BOI before doing any of the following acts:
   (Per Board Res. No. 38-16 S'2005 dated November 22, 2005)

   a. Invest in, extend loans, or buy bonds, in substantial amount, from any properties either in the Philippines or abroad. This does not apply to bonds issued by the Philippine Government;
   b. Issue stock convertible into voting stocks;
   c. Buy its own stocks.

4. The enterprise shall secure prior permission of the BOI before doing any of the following acts:

   a. Transfer ownership and /or control of the enterprise;
   b. Engage in an undertaking other than the preferred project covered by its registration;
   c. Expand its capacity, with or without incentives.

5. The enterprise shall maintain separate books of accounts for each activity, registered and unregistered with the Board. Moreover, the firm shall submit a list of direct costs attributable to each type of activity for purposes of determining the taxable income of each activity.

(Continued on page 2)

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6. The enterprise shall submit to the Board an annual report of its actual investments, taxes paid and employment in the project within one (1) month following the end of the firm's calendar/fiscal year.

7. The enterprise shall comply with environmental laws and regulations.

8. The enterprise shall comply with the Tree-Planting Program of the BOI requiring a minimum of one hundred (100) forest trees to be planted pursuant to Memorandum Circular No. 01, not later than one (1) year from date of registration. Proof of compliance must be submitted within (1) year from the first anniversary date of the firm's registration; otherwise, applications for availment of any incentive by the firm shall not be accepted by the Board.

9. The enterprise shall comply with the other conditions and representations made and accepted by the firm as embodied in its project feasibility study and confirmation letter, among others, and shall form part of this registration.

10. All the fiscal and non-fiscal incentives which do not contain specific period for their enjoyment shall terminate after a period of not more than ten (10) years from date of registration.

11. Failure of the enterprise to file an incentive application within the prescribed date will mean imposition of fines and penalty including possible forfeiture or suspension of incentives or non-acceptance of the said application.

12. The enterprise shall submit the following reporting requirements to the BOI Legal and Compliance Service on or before their respective due dates:

• S1 (Annual Report of Performance)	Calendar Year – on or before 30 April Fiscal Year – four (4) months after the end of Fiscal Year
• Annual Audited Financial Statement	One(1) month from the date of filing with the BIR
• Annual Income Tax Return	Thirty (30) calendar days from the date of filing with the BIR

The enterprise shall submit the S-1 in both soft (Excel format) and hard copies. Only one hard copy is required, which should be notarized and duly signed by the enterprise's authorized representative. Further, the Audited Financial Statements and Income Tax Return (ITR), duly stamped by the Bureau of Internal Revenue shall be scanned and submitted in a Compact Disc.

The enterprise may submit the above report on-line to monitor@yahoo.com.ph
For late filing and/or non-submission of reports and other requirements, the Board shall impose such fines in accordance with the schedules as set forth in the rules.

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BOARD OF INVESTMENTS
PHILIPPINES

Republic of the Philippines
BOARD OF INVESTMENTS
Makati City

DEPARTMENT OF TRADE & INDUSTRY
PHILIPPINES

CERTIFICATE OF REGISTRATION

No. ___ *2013-093* ___

TO ALL WHOM IT MAY CONCERN:

This is to certify that the Board of Investments has duly registered

HEDCOR SIBULAN, INC.
Renewable Energy Developer of 6.6 MW Tudaya 1
Hydroelectric Power Plant

in accordance with the provisions of the Omnibus Investments Code of 1987, as amended, subject to the representations and commitments set forth in its application for registration, the provisions of the above law, the rules and regulations of the Board of Investments and the terms and conditions herein prescribed.

In testimony whereof the seal of the Board of Investments and the signature of its Chairman / Vice - Chairman is hereunto affixed. Given at Makati City, Philippines, this _23rd_ *day of,* _April 2013_

Board Res. No. 9 6 S'2013

EXEC. DIR. LUCITA P. REYES
Officer-in-Charge

276527

Department of Trade and Industry DTI

Attested:

BOBBY G. FONDEVILLA
Board Secretary

HEDCOR SIBULAN, INC.
(Davao del Sur-6.6 MW Tudaya 1 HEPP)

Type of Registration/Activity	:	**RENEWABLE ENERGY DEVELOPER OF TUDAYA 1 HYDROELECTRIC POWER PLANT**
Capacity	:	**6.6 MW**
Status	:	**N/A; UNDER RA 9513**
Certificate of Registration No.	:	**2013-293**
Date	:	**April 23, 2013**

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SPECIFIC TERMS AND CONDITIONS

1. The enterprise shall start commercial operations in **September 2014.** Request for amendment of timetable should be filed before the scheduled start of commercial operations. However, movement of Income Tax Holiday (ITH) period is subject to Art. 7 of E.O. No. 226.

2. The enterprise shall secure a Certificate of Compliance (COC) from the Energy Regulation Commission (ERC) prior to the start of commercial operations subject to the condition that in the event that ERC denies the said COC, the registration shall be subject to the automatic cancellation procedure.

3. The enterprise shall submit a copy of its Power Supply Agreement with Davao Light and Power Company, Inc. prior to availment of ITH incentives.

4. The enterprise should endeavour to undertake meaningful and sustainable Corporate Social Responsibility (CSR) activities in the locality where the project is implemented.

5. Prior to availment of ITH, the enterprise shall submit a copy of its Environmental Compliance Certificate (ECC) pursuant to P.D. No. 1586 (Philippine Environmental Impact Statement System) or Certificate of Non-Coverage (CNC) issued by the Environmental Management Bureau (EMB) of the Department of Environment and Natural Resources (DENR), whichever is applicable to the registered project, and other applicable clearances under the relevant environmental laws.

6. The enterprise shall observe the following production and sales schedule:

Year	1	2	3	4	5
No. of Turbines	1	1	1	1	1
Total Capacity (MW)	6.6	6.6	6.6	6.6	6.6
Operating Hours	8760	8760	8760	8760	8760
Capacity Utilization,%	61.346	61.291	61.229	61.168	61.108
Sales Volume (kW '000)	35,468	35,436	35,400	35,365	35,330
Selling Price P/kWh	6.298	6.461	6.630	6.806	6.989
Sales Value ((PhP'000)	223,377	228,940	234,703	240,695	246,923

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HEDCOR SIBULAN, INC.
(Davao del Sur-6.6 MW Tudaya 1 HEPP)
C.R. No. 2013-093
Specific Terms and Conditions
Page - 2 -

7. The enterprise shall observe the following project timetable:

Activity	Schedule	Related Expenses	Cost (PhP'000)
Project Development			
Exploration, feasibility and detailed engineering	completed	Exploration/site visits/ preliminary study/pre-FS	29,902
Obtain permits, licenses with government agencies	completed	permits and licenses from NWRB, ECC, FPIC Process, Building permit, MOAs, Business permit	
Land acquisition	completed	Acquisition cost	
Site Preparation and Development/Construction			
Electrical installation & transmission line construction	Sept. 2012 - Jan. 2014	design, ordering and delivery of electrical equipment for substation, switchyard, breakers, protection relays, metering, SCADA, RTU, transmission line poles, wires, switches, breakers, guy wires and other transmission line accessories	1,037,697
Electromechanical Installation	Nov. 2012 – Feb. 2014	design, ordering, manufacturing and delivery of electromechanical equipment	
Civil works	Sept. 2012 – Dec. 2013	Construction of weir, desander, conveyance pipes, surge tank and powerhouse	
Commissioning	August- July 2014		
Start of commercial operation	**September 2014**	Working capital	97,502
TOTAL PROJECT COST			**1,165,101**

8. The enterprise shall be entitled to the following incentives:

   a) **ITH for Seven (7) Years** from **September 2014** or date of commissioning, whichever is earlier.

      a.i) The ITH shall be limited only to the revenues generated from the sales of electricity of the **6.6 MW Hydroelectric Power Plant (Sta. Cruz, Davao del Sur).** Only revenues derived from power generated and sold to grid, other entities and/or communities shall be entitled to ITH. For this purpose, the enterprise shall submit audited segregated income statements for this registered project. Net income from operations of the registered activity shall be certified under oath by CEO or CFO.

      a.ii) The enterprise shall submit the list of cost items common to all its projects/activities (whether BOI or non-BOI registered) and the methodology adopted in allocating common cost between the registered and non-registered activity/ies.

      a.iii) Interest Expense on the enterprise's liabilities shall be appropriately allocated between the registered and non-registered activity/ies.

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Date of filing: *An application should be filed with the BOI Incentives Department within one (1) month from filing of the final Income Tax Return (ITR) with the Bureau of Internal Revenue (BIR) in order to validate the claim for income tax exemption.*

The application shall be accompanied by a certification by SSS that the enterprise is in good standing in the remittances of SSS contributions of its employees. Further, any request for extension of the reckoning date of ITH availment should be filed prior to the scheduled date or within ninety (90) days from the occurrence of fortuitous events and/or government delays.

The enterprise shall secure the following:

i. From the DOE-REMB, a Certificate of Endorsement that the enterprise is in good standing for availment of the ITH incentive prior to filing of application for issuance of the certificate of ITH entitlement with the BOI; and

ii. From the BOI Supervision and Monitoring Department (SMD), a Certificate of ITH Entitlement (CoE) prior to filing of ITR with the BIR; otherwise, ITH for that particular taxable year without CoE shall be forfeited.

b) **Duty-Free Importation of RE Machinery, Equipment and Materials including control and communication equipment,** within the first ten (10) years from the issuance of the BOI certificate of registration.

The enterprise shall secure from the DOE-REMB a Certificate of Endorsement that the enterprise is in good standing for availment of this incentive. The Endorsement shall be on a per transaction basis. "Per transaction" means per application of incentives.

c) **Tax exemption of Carbon Credits** - all proceeds from the sale of carbon emission credits including the expected value of the CER in the future (discounted at an acceptable rate) shall be exempt from any and all taxes.

9. The enterprise shall also be entitled to the following incentives under R.A. 9513 to be administered by appropriate government agencies subject to the Rules and Regulations of the respective administering government agencies.

a) **Special Realty Tax Rates on Equipment and Machinery**

Realty and other taxes on civil works, equipment, machinery, and other improvements of a registered enterprise actually and exclusively used for RE facilities shall not exceed one and a half percent (1.5%) of the original cost less accumulated normal depreciation or net book value.

(Continued on page 4)

b) **Net Operating Loss Carry-Over (NOLCO)**

The NOLCO during the first three years from the start of commercial operation shall be carried over as a deduction from the gross income as defined in the National Internal Revenue Code of 1997 (NIRC) for the next seven consecutive taxable years immediately following the year of such loss.

c) **Corporate Tax Rate**

After availment of the ITH, the enterprise shall pay a corporate tax of ten percent (10%) on its taxable income as defined in the NIRC, provided that it shall pass on the savings to the end users in the form of lower rates.

The enterprise shall submit an undertaking that the incentives availed of shall translate to the benefits of the end-users in terms of reduced price of electricity. Semi-annual report shall be submitted to the BOI reflecting compliance to this condition.

d) **Accelerated Depreciation**

The plant, machinery, and equipment that are reasonably needed and actually used for the exploration, development and utilization of RE resources may be depreciated using a rate not exceeding twice the rate which would have been used had the annual allowance been computed in accordance with the rules and regulations prescribed by the Department of Finance and the provisions of the NIRC.

The enterprise that applies for accelerated depreciation shall no longer be eligible to avail of the ITH.

e) **Zero-Percent Value-Added Tax Rate**

The sale of power generated by the enterprise as well as its purchases of local supply of goods, properties and services needed for the development, construction and installation of its plant facilities and the whole process of exploration and development of RE sources up to its conversion into power shall be subject to zero percent value-added tax pursuant to the NIRC.

f) **Cash Incentive of Renewable Energy Developers for Missionary Electrification**

The enterprise may be entitled to a cash generation-based incentive per kilowatt-hour rate generated, equivalent to fifty percent (50%) of the universal charge for power needed to service missionary areas, chargeable against the universal charge for missionary electrification.

(Continued on page 5)

g) **Tax Credit on Domestic Capital Equipment and Services**

A Tax credit equivalent to one hundred percent (100%) of the value of the value-added tax and custom duties that would have been paid on the RE machinery, equipment, materials and parts had these items been imported shall be given to the enterprise that purchases machinery, equipment, materials and parts from a domestic manufacturer.

10. The enterprise shall submit to the BOI Supervision and Monitoring Department, on a semestral basis, within fifteen (15) days from end of each semester, a report on actual investments, employment, sales, production costs, actual ITH availed of for each year, and other information that the Board may require at any given time with respect to the registered project.

11. The enterprise shall be subject to the provisions of BIR Revenue Regulation (RR) No. 1-2010 Amending further Section 3 of RR No. 9-2001, as last amended by RR No.10-2007, Expanding the Coverage of Taxpayers Required to File Returns and Pay Taxes Through the Electronic Filing and Payment System (EFPS) of the BIR.

12. The enterprise must commit to the tenets of Good Corporate Governance.

13. The enterprise shall adopt measures intended to reduce climate change risks in support of the National Framework Strategy on Climate Change.

14. In the event of transfer to another Investment Promotion Agency, the enterprise shall undertake the publication of its cancellation of BOI registration in a newspaper of general circulation.

15. The enterprise shall visit the BOI website (http://www.boi.gov.ph) on a regular basis for updates on BOI rules, policies and guidelines.

16. The enterprise shall abide by the rules, policies, guidelines and regulations set forth by the Department of Energy (DOE) pertinent to the registered project.

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HEDCOR SIBULAN, INC.
(Davao del Sur-6.6 MW Tudaya I HEPP)
C.R. No. 2013-093

GENERAL TERMS AND CONDITIONS

1. The enterprise shall observe and abide by the provisions of the Omnibus Investments Code of 1987, as amended, and other related laws and their implementing rules and regulations as well as its commitments and representations made in the application for registration and take adequate measures to ensure that its obligation thereunder as well as those of its officers, employees and stockholders are faithfully discharged; provided it is understood that any misrepresentation or falsification in the documents or other supporting papers submitted to the Board shall constitute as ground for automatic cancellation of its registration.

2. The enterprise's Address of Record shall be **Sta. Cruz, Davao del Sur.** All BOI notices/communications to the enterprise shall be sent to this address. The enterprise shall be responsible for notifying BOI, in writing, of any changes in its Address of Record, within ten (10) calendar days after such change, and therefore, should it fail to do so, service of all BOI communications, notices or processes in its Address of Record shall be considered valid, complete and binding to this enterprise.

   In case the enterprise has an authorized representative, designated as such by virtue of a Board Resolution of the enterprise, duly certified by its Board Secretary, and as appearing in the records of the BOI, it shall be so indicated that notices, communications and/or processes of the latter shall be sent to said representative. The authorized representative shall be responsible for notifying BOI, in writing, of any changes in its Address of Record within ten (10) calendar days after such change, and therefore, should it fail to do so, service of all BOI communications, notices or processes in the Address of Record of such authorized representative shall be considered valid, complete and binding to this enterprise.

3. The enterprise shall notify the BOI before doing any of the following acts:
   (Per Board Res. No. 38-16 S'2005 dated November 22, 2005)

   a. Invest in, extend loans, or buy bonds, in substantial amount, from any enterprise either in the Philippines or abroad. This does not apply to bond issued by the Philippine Government;
   b. Issue stock convertible into voting stocks; or
   c. Buy its own stocks.

4. The enterprise shall secure prior permission of the BOI before doing any of the following acts:
   a. Transfer ownership and /or control of the enterprise;
   b. Engage in an undertaking other than the preferred project covered by its registration.; or
   c. Expand its capacity, with or without incentives.

5. The enterprise shall maintain separate books of accounts for each activity, registered and unregistered with the Board. Moreover, the enterprise shall submit a list of direct costs attributable to each type of activity for purposes of determining the taxable income of each activity.

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6. The enterprise shall submit to the Board an annual report of its actual investments, taxes paid and employment in the project within one (1) month following the end of the enterprise's calendar/fiscal year.

7. The enterprise shall comply with environmental laws and regulations.

8. The enterprise shall comply with the tree-planting program of the BOI requiring a minimum of one hundred (100) forest trees to be planted pursuant to Memorandum Circular No. 01, not later than one (1) year from date of registration. Proof of compliance must be submitted within (1) year from the first anniversary date of the enterprise's registration; otherwise, applications for availment of any incentive by the enterprise shall not be accepted by the Board.

9. The enterprise shall comply with the other conditions and representations made and accepted by the enterprise as embodied in its project feasibility study and confirmation letter, among others, and shall form part of this registration.

10. All the fiscal and non-fiscal incentives which do not contain a specific period for their enjoyment shall terminate after a period of not more than ten (10) years from date of registration.

11. Failure of the enterprise to file an incentive application within the prescribed date will mean imposition of fines and penalty including possible forfeiture or suspension of incentives or non-acceptance of the said application.

12. The enterprise shall submit the following reporting requirements to the Supervision and Monitoring Dept. on or before their respective due dates:

• S1 (Annual Report of Performance)	Calendar year - May 15 Fiscal year 4 ½ months after the end of fiscal year
• Annual Audited Financial Statement	One (1) month from the date of filing with the BIR
• Annual Income Tax Return	Thirty (30) calendar days from the date of filing with the BIR

The enterprise may submit the above reports **on-line** to **SMD@boi.gov.ph**

For late filing and/or non-submission of reports and other requirements, the Board shall impose such fines in accordance with the schedules as set forth in the rules.

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BOARD OF INVESTMENTS
PHILIPPINES

DEPARTMENT OF TRADE & INDUSTRY
PHILIPPINES

31 January 2013

HEDCOR TUDAYA, INC.
Barangay Tudaya, Sta. Cruz
Davao del Sur

Attention: **MR. RENE B. RONQUILLO**
President and COO

Gentlemen:

Congratulations! Your project is now registered with the Board of Investments as **Renewable Energy Developer of 7.0 MW Tudaya 2 Hydroelectric Power Plant** under the Renewable Energy Act of 2008 (RA 9513).

The attached Certificate of Registration incorporates the agreed Terms and Conditions of your registration, including all the fiscal and non-fiscal incentives available to the registered project. Other incentives with no specific number of years of entitlement may be enjoyed for a maximum period of ten (10) years from the start of your commercial operation and/ or date of registration.

Very truly yours,

BOBBY G. FONDEVILLA
Board Secretary

BOARD OF INVESTMENTS
PHILIPPINES

Republic of the Philippines
BOARD OF INVESTMENTS
Makati City

DEPARTMENT OF TRADE & INDUSTRY PHILIPPINES

CERTIFICATE OF REGISTRATION

No. 2013-033

TO ALL WHOM IT MAY CONCERN:

This is to certify that the Board of Investments has duly registered

HEDCOR TUDAYA, INC.
Renewable Energy Developer of 7.0 MW Tudaya 2 Hydroelectric Power Plant

in accordance with the provisions of the Omnibus Investments Code of 1987, as amended, subject to the representations and commitments set forth in its application for registration, the provisions of the above law, the rules and regulations of the Board of Investments and the terms and conditions herein prescribed.

In testimony whereof the seal of the Board of Investments and the signature of its Chairman / Vice - Chairman is hereunto affixed. Given at Makati City, Philippines, this 31st day of, January 2013

Board Res. No. 30-4 S'2012

ADRIAN S. CRISTOBAL JR.
Undersecretary and BOI Managing Head

2/6/13 276467
Department of Trade and Industry DTI

Attested:

BOBBY G. FONDEVILLA
Board Secretary

HEDCOR TUDAYA, INC.
(Sta. Cruz, Davao del Sur)

Type of Registration/Activity	:	**RENEWABLE ENERGY DEVELOPER OF TUDAYA 2 HYDROELECTRIC POWER PLANT**
Capacity	:	**7.0 MW**
Status	:	**UNDER RA 9513**
Certificate of Registration No.	:	**2013-033**
Date	:	**JANUARY 31, 2013**

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SPECIFIC TERMS AND CONDITIONS

1. The enterprise shall start commercial operations in **August 2014**. Request for amendment of timetable should be filed before the scheduled start of commercial operations.

2. The enterprise shall secure a Certificate of Compliance from Energy Regulation Commission (ERC) prior to start of commercial operation subject to the condition that in the event that ERC denies the said COC, registration shall be subject to automatic cancellation procedure for non-compliance of the post registration requirement.

3. The enterprise shall submit a copy of its Renewable Energy Payment Agreement with the National Grid Corporation of the Philippine (NGCP) prior to availment of ITH incentives.

4. The enterprise shall submit a copy of Declaration of Commerciality prior to the submitted date of commercial operation.

5. The enterprise shall increase its Subscribed and Paid up Capital to at least **PhP317.12 Million** equivalent to 25% of the total project cost and shall submit proof of compliance prior to availment of Income Tax Holiday Incentives. Equity shall include paid-up capital stock, additional paid-in capital and unrestricted retained earnings and restricted retained earnings provided that such is intended for the project. Appraisal surplus and treasury stock should not be included as part of stockholders equity for this purpose.

6. The enterprise is encouraged to undertake Corporate Social Responsibility (CSR) activities duly identified by the Board as follows, to the extent possible, in accordance with the development plans of the community where the registered project is located:

   - Construction of public school classrooms, through donations/contributions to BOI-accredited Non-government organizations (NGO);
   - Habitat for Humanity projects;
   - Gawad Kalinga projects and other similarly situated housing projects;
   - Putting up of public health centers;
   - Significant tree-planting projects in urban areas, national toll roads/highways and/or in denuded forest areas/national parks/watershed areas;
   - Major cleaning projects of esteros, rivers and drainage systems;
   - Beautification and maintenance of center islands/rotundas and the like in the thoroughfares in Metro Manila and other urban centers in the country;
   - Donation of police outposts in major intersections In Metro Manila and other major urban centers in the country;
   - Donation and maintenance of waiting sheds within Metro Manila and other major urban centers in the country;

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- Adoption and support for the protection of mangrove areas as identified by the DENR and LGUs;
- Active participation in the protection of endangered animal and plant species to substantial donation to government and non-government organizations undertaking such activities;
- Projects/activities identified by the National Anti-Poverty Commission; and
- Such other projects that the registered enterprise may recommend subject to the approval by the BOI.

7. The enterprise shall observe the following production and sales schedule:

Year	1	2	3	4	5
No. of Turbines	2	2	2	2	2
Total Capacity (MW)	7	7	7	7	7
Operating Hours	8760	8,760	8,760	8,760	8,760
Capacity Utilization,%	62.666	62.635	62.573	62.511	62.448
Sales Volume (kW)	38,427	38,408	38,370	38,332	38,293
Selling Price P/kWh	6.052	6.203	6.360	6.523	6.692
Sales Value ((PhP'000)	**232,552**	**238,234**	**244,016**	**250,026**	**256,274**

8. The enterprise shall observe the following project timetable:

Activity	Schedule	Related Expenses	Cost (PhP'000)
Project Development			
Exploration, feasibility and detailed engineering	completed	Exploration/site visits/ preliminary study/pre-FS	27,883
Obtain permits, licenses with government agencies	completed	permits and licenses from NWRB, ECC, FPIC Process, Building permit, MOAs, Business permit	
Land acquisition	completed	Land cost	
Site Preparation and Development/Construction			
Electrical installation & transmission line construction	Aug. 2012 - Oct. 2013	design ,ordering and delivery of electrical equipment for substation, switchyard, breakers, protection relays, metering, SCADA, RTU, transmission line poles, wires, switches, breakers, guy wires and other transmission line accessories	50,251
Electromechanical installation	Aug. 2012 – June 2014	design, ordering, manufacturing and delivery of electromechanical equipment	228,408
Civil works	Sept. 2012 – Nov. 2013	Construction of weir, desander, conveyance pipes, surge tank and powerhouse	766,411
Commissioning/ Financing cost and other related expenses	July 2014		193,027
Start of commercial operation	**August 2014**	Working capital	2,490
TOTAL PROJECT COST			**1,268,470**

(Continued on page 3)

9. The enterprise shall be entitled to the following incentives under the administration of the BOI:

   a. Income Tax Holiday for **Seven (7) Years** from **August 2014** or date of commissioning, whichever is earlier.

      a.i) **The ITH shall be limited only to the sales/revenues from power generated from the 7 MW Hydroelectric Power Plant (Sta. Cruz, Davao del Sur).** Only income directly attributable to revenues from power generated and sold to grid, other entities and/or communities shall be qualified for ITH. Net income from operations of the registered activity shall be certified under oath by CEO or CFO.

      a.ii) The enterprise shall submit the list of cost items common to all its projects/activities (whether BOI or non-BOI registered) and the methodology adopted in allocating common cost between the registered activity/ies and the non-registered activity/ies. The methodology to be adopted in depreciation for Fixed Assets particularly the Plant, Property and Equipment account shall be the Straight Line depreciation method.

      a.iii) Furthermore, the Interest Expense on the enterprise's liabilities shall be appropriately allocated between the registered activity/ies and the non-registered activity/ies.

      Date of filing*: An application shall be filed with the BOI Incentives Department within one (1) month from the filing of the final ITR with the BIR in order to validate claim for income tax exemption. The application shall be accompanied by a certification by SSS that the enterprise is in good standing in the remittance of SSS contributions of its employees.*

      Notwithstanding the provisions of the preceding paragraph, the Board, as a matter of national interest and for reasonable causes, reserves the right to suspend the availment of ITH incentives.

      The enterprise shall secure the following:

      i. From the DOE-REMB, a Certificate of Endorsement that the enterprise is in good standing for availment of the ITH incentive prior to filing of application for issuance of the certificate of ITH entitlement with the BOI; and

      ii. From the BOI Supervision and Monitoring Department (SMD), a certificate of ITH entitlement prior to filing of Income Tax Return (ITR) with BIR, otherwise, ITH for that particular taxable year shall be forfeited.

   b. **Duty-Free Importation of RE Machinery, Equipment and Materials including control and communication equipment**, within the first ten (10) years from the issuance of the BOI certificate of registration.

      The enterprise shall secure from the DOE-REMB a Certificate of Endorsement that the enterprise is in good standing for availment of this incentive. The Endorsement shall be on a per transaction basis. "Per transaction" means per application of incentives.

(Continued on page 4)

c. **Tax exemption of Carbon Credits** - all proceeds from the sale of carbon emission credits including the expected value of the CER in the future (discounted at an acceptable rate) shall be exempt from any and all taxes.

10. The enterprise shall also be entitled to the following incentives under R.A. 9513 to be administered by appropriate government agencies subject to the Rules and Regulations of the respective administering government agencies.

a. **Special Realty Tax Rates on Equipment and Machinery**

Realty and other taxes on civil works, equipment, machinery, and other improvements of a registered enterprise actually and exclusively used for RE facilities shall not exceed one and a half percent (1.5%) of the original cost less accumulated normal depreciation or net book value.

b. **Net Operating Loss Carry-Over (NOLCO)**

The NOLCO during the first three years from the start of commercial operation shall be carried over as a deduction from the gross income as defined in the National Internal Revenue Code of 1997 (NIRC) for the next seven consecutive taxable years immediately following the year of such loss.

c. **Corporate Tax Rate**

After availment of the ITH, the enterprise shall pay a corporate tax of ten percent (10%) on its taxable income as defined in the NIRC, provided that it shall pass on the savings to the end users in the form of lower rates.

The enterprise shall submit an undertaking that the incentives availed of shall translate to the benefits of the end-users in terms of reduced price of electricity. Semi-annual report shall be submitted to the BOI reflecting compliance to this condition.

d. **Accelerated Depreciation**

The plant, machinery, and equipment that are reasonably needed and actually used for the exploration, development and utilization of RE resources may be depreciated using a rate not exceeding twice the rate which would have been used had the annual allowance been computed in accordance with the rules and regulations prescribed by the Department of Finance and the provisions of the NIRC.

The enterprise that applies for accelerated depreciation shall no longer be eligible to avail of the ITH.

e. **Zero-Percent Value-Added Tax Rate**

The sale of power generated by the enterprise as well as its purchases of local supply of goods, properties and services needed for the development, construction and installation of its plant facilities and the whole process of exploration and development of RE sources up to its conversion into power shall be subject to zero percent value-added tax pursuant to the NIRC.

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f. Cash Incentive of Renewable Energy Developers for Missionary Electrification

The enterprise may be entitled to a cash generation-based incentive per kilowatt-hour rate generated, equivalent to fifty percent (50%) of the universal charge for power needed to service missionary areas, chargeable against the universal charge for missionary electrification.

g. Tax Credit on Domestic Capital Equipment and Services

A Tax credit equivalent to one hundred percent (100%) of the value of the value-added tax and custom duties that would have been paid on the RE machinery, equipment, materials and parts had these items been imported shall be given to the enterprise that purchases machinery, equipment, materials and parts from a domestic manufacturer.

11. The enterprise shall submit to the BOI Supervision and Monitoring Department, on a semestral basis within fifteen (15) days from end of each semester, a report on actual investments, employment, sales, production costs and other information that the Board may require at any given time, with respect to the registered project.

12. In the event of transfer to another Investment Promotion Agency, the enterprise shall undertake publication of its cancellation of BOI registration in a newspaper of general circulation.

13. The enterprise shall be subject to the provisions of Revenue Regulations (RR) 1-2010 Amending further Section 3 of RR No. 9-2001, as last amended by RR No.10-2007, Expanding the Coverage of Taxpayers Required to File Returns and Pay Taxes Through the Electronic Filing and Payment System (EFPS) of the Bureau of Internal Revenue.

14. The enterprise must abide by the principles of Good Corporate Governance. It must likewise accomplish the BOI form on self-rating Governance Scorecard every year as a requirement for ITH availment.

15. The enterprise shall adopt measures intended to reduce climate change risks in support of the National Framework Strategy on Climate Change.

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HEDCOR TUDAYA, INC.
(Sta. Cruz, Davao del Sur)
C.R. No. 2013-033
GENERAL TERMS AND CONDITIONS

1. The enterprise shall observe and abide by the provisions of the Omnibus Investments Code of 1987, as amended, and other related laws and their implementing rules and regulations as well as its commitments and representations made in the application for registration and take adequate measures to ensure that its obligation there under as well as those of its officers, employees and stockholders are faithfully discharged; provided it is understood that any misrepresentation or falsification in the documents or other supporting papers submitted to the Board shall constitute as ground for automatic cancellation of its registration.

2. The enterprise's Address of Record shall be at **Barangay Tudaya, Sta. Cruz, Davao del Sur.** All BOI notices/communications to the enterprise shall be sent to this address. The enterprise shall be responsible for notifying BOI, in writing, of any changes in its Address of Record, within ten (10) calendar days after such change, and therefore, should it fail to do so, service of all BOI communications, notices or processes in its Address of Record shall be considered valid, complete and binding to this enterprise.

   In case the enterprise has an authorized representative, designated as such by virtue of a Board Resolution of the enterprise, duly certified by its Board Secretary, and as appearing in the records of the BOI, it shall be so indicated that notices, communications and/or processes of the latter shall be sent to said representative. The authorized representative shall be responsible for notifying BOI, in writing, of any changes in its Address of Record within ten (10) calendar days after such change, and therefore, should it fail to do so, service of all BOI communications, notices or processes in the Address of Record of such authorized representative shall be considered valid, complete and binding to this enterprise.

3. The enterprise shall notify the BOI before doing any of the following acts:
   (Per Board Res. No. 38-16 S'2005 dated November 22, 2005)
   a. Invest in, extend loans, or buy bonds, in substantial amount, from any properties either in the Philippines or abroad. This does not apply to bonds issued by the Philippine Government;
   b. Issue stock convertible into voting stocks; or
   c. Buy its own stocks;

4. The enterprise shall secure prior permission of the BOI before doing any of the following acts:
   a. Transfer ownership and /or control of the enterprises;
   b. Expand its capacity, with or without incentives; or
   c. Engage in an undertaking other than the preferred project covered by its registration.

5. The enterprise shall maintain separate books of accounts for each activity, registered and unregistered with the Board. Moreover, the enterprise shall submit a list of direct costs attribute to each type of activity for purposes of determining the taxable income of each activity.

6. The enterprise shall submit to the Board an annual report of its actual investments, taxes paid and employment in the project within one (1) month following the end of the enterprise's calendar/fiscal year.

7. The enterprise shall comply with environmental laws and regulations.

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8. The enterprise shall comply with the tree-planting program of the BOI requiring a minimum of one hundred (100) forest trees to be planted pursuant to Memorandum Circular No. 01, not later than one (1) year from date of registration. Proof of compliance must be submitted within (1) year from the first anniversary date of the enterprise's registration; otherwise, applications for availment of any incentive by the enterprise shall not be accepted by the Board.

9. The enterprise shall comply with the other conditions and representations made and accepted by the enterprise as embodied in its project feasibility study and confirmation letter, among others, and shall form part of this registration.

10. All the fiscal and non-fiscal incentives which do not contain a specific period for their enjoyment shall terminate after a period of not more than ten (10) years from date of registration.

11. Failure of the enterprise to file an incentive application within the prescribed date will mean imposition of fines and penalty including possible forfeiture or suspension of incentives or non-acceptance of the said application.

12. The enterprise shall submit the following reporting requirements to the Supervision and Monitoring Department on or before their respective due dates:

S1 (Annual Report of Performance)	Calendar year – May 15 Fiscal year – 4 ½ months after the end of fiscal year
Annual Audited Financial Statement	One (1) month from date of filing with BIR
Annual Income Tax Return	Thirty (30) calendar days from the date filing with the BIR

The enterprise may submit the above report **on-line** to SMD@boi.gov.ph
For late filing and/or non-submission of reports and other requirements, the Board shall impose such fines in accordance with the schedules as set forth in the rules.

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BOARD OF INVESTMENTS

07 September 2017

MR. EMMANUEL V. RUBIO
Executive Vice-President, Chief Operating Officer
HEDCOR, INC.
214 Ambuclao Road, Obulan, Beckel, La Trinidad, Benguet
Telephone Nos.: 074 424 4763 / 02 886 2773
Fax No.: 02 886 2322

Dear Mr. Rubio:

Congratulations! Your project is now registered with the Board of Investments as **Renewable Energy Developer of Hydropower Resources (8 MW Ampohaw Hydroelectric Power Project)** under the Renewable Energy Act of 2008 (R.A 9513).

The attached Certificate of Registration incorporates the agreed Terms and Conditions of your registration, including all the fiscal and non-fiscal incentives available to the registered project. Other incentives with no specific number of years of entitlement may be enjoyed for a maximum period of ten (10) years from the start of your commercial operation and/ or date of registration.

Very truly yours,

Atty. MARJORIE O. RAMOS-SAMANIEGO
Board Secretary

BOARD OF INVESTMENTS
PHILIPPINES

Republic of the Philippines
BOARD OF INVESTMENTS
Makati City

DEPARTMENT OF TRADE & INDUSTRY PHILIPPINES

CERTIFICATE OF REGISTRATION

No. 2017-254

TO ALL WHOM IT MAY CONCERN:

This is to certify that the Board of Investments has duly registered

HEDCOR, INC.

Renewable Energy Developer of Hydropower Resources
(8 MW Ampohaw Hydroelectric Power Project)

in accordance with the provisions of the Omnibus Investments Code of 1987, as amended, subject to the representations and commitments set forth in its application for registration, the provisions of the above law, the rules and regulations of the Board of Investments and the terms and conditions herein prescribed.

In testimony whereof the seal of the Board of Investments and the signature of its Chairman / Vice - Chairman is hereunto affixed. Given at Makati City, Philippines, this 7th day of, September 2017.

Management Committee Res. No. 29-07 S'2017
Board Resolution No. 21-04 S'2017

DR. CEFERINO S. RODOLFO
Undersecretary and BOI Managing Head

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Attested:

Atty. MARJORIE O. RAMOS SAMANIEGO
Board Secretary

Department of Trade and Industry

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HEDCOR, INC.
(Sablan, Benguet)

Type of Registration/Activity	:	**RENEWABLE ENERGY DEVELOPER OF HYDROPOWER RESOURCES (AMPOHAW HYDROELECTRIC POWER PROJECT)**
Capacity	:	**8 MW**
Status	:	**N/A; UNDER R.A. 9513**
Certificate of Registration No.	:	**2017-254**
Date	:	**SEPTEMBER 07, 2017**

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SPECIFIC TERMS AND CONDITIONS

1. The enterprise shall observe the following production schedule:

Year	No of Generator/s	Total Capacity (MW)	Capacity Factor	Production Volume (kWh)
	A	B	C	D
Y1	3	8	48%	33,638,400
Y2	3	8	48%	33,638,400
Y3	3	8	48%	33,638,400
Y4	3	8	48%	33,638,400
Y5	3	8	48%	33,638,400

- *Total Rated Capacity (kW) = Capacity of Generator 1 + Capacity of Generator 2 + Capacity of Generator 3 (i.e., 3.5 MW + 3.5 MW + 1 MW) = 8 MW or 8,000 kW*
- *Production Volume (kWh) = Total Rated Capacity (kW) x Operating Hours per Year (i.e., 8,760 hours) x Capacity Factor*

2. The enterprise may avail of the following incentives under the administration of the BOI:

   a) **Duty-Free Importation of RE Machinery, Equipment and Materials including control and communication equipment,** within the first ten (10) years from the issuance of the DOE Certificate of Registration.

   The enterprise shall secure from the DOE-REMB a Certificate of Endorsement that the enterprise is in good standing for availment of this incentive. The Endorsement shall be on a per transaction basis. "Per transaction" means per application of incentives.

   b) **Tax exemption of Carbon Credits** - all proceeds from the sale of carbon emission credits including the expected value of the CER in the future (discounted at an acceptable rate) shall be exempt from any and all taxes.

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5. The enterprise may also avail of the following incentives under R.A. 9513 to be administered by appropriate government agencies subject to the Rules and Regulations of the respective administering government agencies.

   a) Special Realty Tax Rates on Equipment and Machinery

   Realty and other taxes on civil works, equipment, machinery, and other improvements of a registered enterprise actually and exclusively used for RE facilities shall not exceed one and a half percent (1.5%) of the original cost less accumulated normal depreciation or net book value.

   b) Net Operating Loss Carry-Over (NOLCO)

   The NOLCO during the first three years from the start of commercial operation shall be carried over as a deduction from the gross income as defined in the National Internal Revenue Code of 1997 (NIRC) for the next seven consecutive taxable years immediately following the year of such loss.

   c) Corporate Tax Rate

   The enterprise shall pay a corporate tax of ten percent (10%) on its taxable income as defined in the NIRC, provided that it shall pass on the savings to the end users in the form of lower rates.

   The implementation of the power rate reduction must be consistent with the mechanism determined by the Energy Regulatory Commission in coordination with the Department of Energy.

   d) Accelerated Depreciation

   The plant, machinery, and equipment that are reasonably needed and actually used for the exploration, development and utilization of RE resources may be depreciated using a rate not exceeding twice the rate which would have been used had the annual allowance been computed in accordance with the rules and regulations prescribed by the Department of Finance and the provisions of the NIRC.

   e) Zero-Percent Value-Added Tax Rate

   The sale of power generated by the enterprise as well as its purchases of local supply of goods, properties and services needed for the development, construction and installation of its plant facilities and the whole process of exploration and development of RE sources up to its conversion into power shall be subject to zero percent value-added tax pursuant to the NIRC.

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f) **Cash Incentive of Renewable Energy Developers for Missionary Electrification**

The enterprise may be entitled to a cash generation-based incentive per kilowatt-hour rate generated, equivalent to fifty percent (50%) of the universal charge for power needed to service missionary areas, chargeable against the universal charge for missionary electrification.

g) **Tax Credit on Domestic Capital Equipment and Services**

A tax credit equivalent to one hundred percent (100%) of the value of the value-added tax and custom duties that would have been paid on the RE machinery, equipment, materials and parts had these items been imported shall be given to the enterprise that purchases machinery, equipment, materials and parts from a domestic manufacturer.

4. The enterprise should endeavour to undertake meaningful and sustainable Corporate Social Responsibility (CSR) activities in the locality where the project is implemented.

5. The enterprise shall maintain books of account for this registered project separate from all its other operation/s and/or activity/ies.

6. The enterprise must commit to the tenets of Good Corporate Governance.

7. The enterprise shall adopt measures intended to reduce climate change risks in support of the National Framework Strategy on Climate Change.

8. The enterprise is encouraged to secure environmental certifications based on internationally-recognized standards.

9. The enterprise shall obtain applicable certifications based on internationally-recognized standards such as ISO certification or other similar certifications.

10. In the event of transfer to another Investment Promotion Agency, the enterprise shall undertake the publication of its cancellation of BOI registration in a newspaper of general circulation.

11. The enterprise shall visit the BOI website (http://www.boi.gov.ph) on a regular basis for updates on BOI rules, policies and guidelines.

12. The enterprise shall abide by the rules, policies, guidelines and regulations set forth by the Department of Energy (DOE) pertinent to the registered project.

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HEDCOR, INC.
(Sablan, Benguet)

Renewable Energy Developer of Hydropower Resources
(8 MW Ampohaw Hydroelectric Power Project)

C.R. No. 2017-254

GENERAL TERMS AND CONDITIONS

1. The enterprise shall observe and abide by the provisions of the Omnibus Investments Code of 1987 and other related laws and their implementing rules and regulations as well as its commitments and representations made in the application for registration and take adequate measures to ensure that its obligation thereunder as well as those of its officers, employees and stockholders are faithfully discharged; provided it is understood that any misrepresentation or falsification in the documents or other supporting papers submitted to the Board shall constitute as ground for automatic cancellation of its registration.

2. The enterprise's Address of Record shall be **214 Ambuclao Road, Obulan, Beckel, La Trinidad, Benguet**. All BOI notices/communications to the firm shall be sent to this address. The firm shall be responsible for notifying BOI, in writing, of any changes in its Address of Record, within ten (10) calendar days after such change, and therefore, should it fail to do so, service of all BOI communications, notices or processes in its Address of Record shall be considered valid, complete and binding to this enterprise.

   In case the enterprise has an authorized representative, designated as such by virtue of a Board Resolution of the firm, duly certified by its Board Secretary, and as appearing in the records of the BOI, it shall be so indicated that notices, communications and/or processes of the latter shall be sent to said representative. The authorized representative shall be responsible for notifying BOI, in writing, of any changes in its Address of Record within ten (10) calendar days after such change, and therefore, should it fail to do so, service of all BOI communications, notices or processes in the Address of Record of such authorized representative shall be considered valid, complete and binding to this enterprise.

3. The enterprise shall notify the BOI before doing any of the following acts:
   (Per Board Res. No. 38-16 S'2005 dated November 22, 2005)

   a. Invest in, extend loans, or buy bonds, in substantial amount, from any properties either in the Philippines or abroad. This does not apply to bonds issued by the Philippine Government;
   b. Issue stock convertible into voting stocks;
   c. Buy its own stocks.

4. The enterprise shall secure prior permission of the BOI before doing any of the following acts:

   a. Transfer ownership and /or control of the enterprise;
   b. Engage in an undertaking other than the preferred project covered by its registration;
   c. Expand its capacity, with or without incentives.

5. The enterprise shall maintain separate books of accounts for each activity, registered and unregistered with the Board. Moreover, the firm shall submit a list of direct costs attributable to each type of activity for purposes of determining the taxable income of each activity.

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6. The enterprise shall submit to the Board an annual report of its actual investments, taxes paid and employment in the project within one (1) month following the end of the firm's calendar/fiscal year.

7. The enterprise shall comply with environmental laws and regulations.

8. The enterprise shall comply with the Tree-Planting Program of the BOI requiring a minimum of one hundred (100) forest trees to be planted pursuant to Memorandum Circular No. 01, not later than one (1) year from date of registration. Proof of compliance must be submitted within (1) year from the first anniversary date of the firm's registration; otherwise, applications for availment of any incentive by the firm shall not be accepted by the Board.

9. The enterprise shall comply with the other conditions and representations made and accepted by the firm as embodied in its project feasibility study and confirmation letter, among others, and shall form part of this registration.

10. All the fiscal and non-fiscal incentives which do not contain specific period for their enjoyment shall terminate after a period of not more than ten (10) years from date of registration.

11. Failure of the enterprise to file an incentive application within the prescribed date will mean imposition of fines and penalty including possible forfeiture or suspension of incentives or non-acceptance of the said application.

12. The enterprise shall submit the following reporting requirements to the BOI Legal and Compliance Service on or before their respective due dates:

• S1 (Annual Report of Performance)	Calendar Year on or before 30 April Fiscal Year – four (4) months after the end of Fiscal Year
• Annual Audited Financial Statement	One(1) month from the date of filing with the BIR
• Annual Income Tax Return	Thirty (30) calendar days from the date of filing with the BIR

The enterprise shall submit the S-1 in both soft (Excel format) and hard copies. Only one hard copy is required, which should be notarized and duly signed by the enterprise's authorized representative. Further, the Audited Financial Statements and Income Tax Return (ITR), duly stamped by the Bureau of Internal Revenue shall be scanned and submitted in a Compact Disc.

The enterprise may submit the above report on-line to monitor@yahoo.com.ph
For late filing and/or non-submission of reports and other requirements, the Board shall impose such fines in accordance with the schedules as set forth in the rules.

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BOARD OF INVESTMENTS

PHILIPPINES

DEPARTMENT OF TRADE & INDUSTRY PHILIPPINES

20 February 2015

MR. RENE B. RONQUILLO
President & CEO
HEDCOR BUKIDNON, INC.
12/F NAC Tower, 32nd Street
Bonifacio Global City, Taguig City

Dear Mr. Ronquillo:

Congratulations! Your project is now registered with the Board of Investments as **Renewable Energy Developer of 25.4 MW Manolo Fortich 2 Hydroelectric Power Plant** under Renewable Energy Act of 2008 (RA 9513).

The attached Certificate of Registration incorporates the agreed Terms and Conditions of your registration, including all the fiscal and non-fiscal incentives available to the registered project. Other incentives with no specific number of years of entitlement may be enjoyed for a maximum period of ten (10) years from the start of your commercial operation and/ or date of registration.

Very truly yours,

EXEC. DIR. EFREN V. LEAÑO
Board Secretary

BOARD OF INVESTMENTS

Republic of the Philippines
BOARD OF INVESTMENTS
Makati City

DEPARTMENT OF TRADE & INDUSTRY PHILIPPINES

CERTIFICATE OF REGISTRATION

No. 2015-042

TO ALL WHOM IT MAY CONCERN:

This is to certify that the Board of Investments has duly registered

HEDCOR BUKIDNON, INC.
Renewable Energy Developer of 25.4 MW Manolo Fortich 2 Hydroelectric Power Plant

in accordance with the provisions of the Omnibus Investments Code of 1987, as amended, subject to the representations and commitments set forth in its application for registration, the provisions of the above law, the rules and regulations of the Board of Investments and the terms and conditions herein prescribed.

In testimony whereof the seal of the Board of Investments and the signature of its Chairman / Vice - Chairman is hereunto affixed. Given at Makati City, Philippines, this 20th day of, February 2015.

Board Res. No. 01-05 S'2015

ADRIAN S. CRISTOBAL JR.
Undersecretary and BOI Managing Head

284956

Department of Trade and Industry

Attested:

EXEC. DIR. EFREN V. LEAÑO
Board Secretary

HEDCOR BUKIDNON, INC.
(Manolo Fortich 2)

Type of Registration/Activity	:	**RENEWABLE ENERGY DEVELOPER OF MANOLO FORTICH 2 HYDROELECTRIC POWER PLANT**
Capacity	:	**25.4 MW**
Status	:	**N/A – UNDER RA 9513**
Certificate of Registration No.	:	**2015-042**
Date	:	**FEBRUARY 20, 2015**

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SPECIFIC TERMS AND CONDITIONS

1. The enterprise shall submit proof of the financial closing for the project within one year from date of registration; otherwise the registration shall be automatically cancelled.

2. The enterprise shall secure a Certificate of Compliance (COC) from the Energy Regulation Commission (ERC) prior to the start of commercial operations subject to the condition that in the event that ERC denies the said COC, the registration shall be subject to the automatic cancellation procedure.

3. The enterprise shall increase its stockholders' equity **to at least PhP3,155,610,000** equivalent to 25% of the total project cost [i.e. **Php1,305,520,000** and **Php1,850,090,000** for **Manolo Fortich 2** (this application) and for **Manolo Fortich 1** projects, respectively] and shall submit proof of compliance before availment of ITH. Equity shall include paid-up capital stock, additional paid-in capital and unrestricted retained earnings, and restricted retained earnings provided that such is intended for the project. Appraisal surplus and treasury stock should not be included as part of stockholders' equity for this purpose.

   The 25% equity requirement shall be based on the annual capital requirement of the project; Provided that the total equity requirement of 25% is complied with on the first year of ITH availment.

4. The enterprise should endeavour to undertake meaningful and sustainable Corporate Social Responsibility (CSR) activities in the locality where the project is implemented.

5. The enterprise shall maintain books of account for this registered project separate from all its other operation/s and/or activity/ies **(e.g., Manolo Fortich 1)**

6. The enterprise shall observe the following project timetable:

Activity	Schedule	Related Expenses	Cost (In PhP'000)
Project Development	December 2013 to December 2014	Exploration, Feasibility, Detailed Engineering Permitting Land Acquisition	23,544
Site Preparation & Development, Civil Works, Acquisition and Installation of Machinery and Equipment	January 2015 to March 2017	Bid docs preparation Civil works Electromechanical installation Electrical installation & transmission line construction Insurance, overhead, interest Admin, Project Management, etc.	5,109,248
Commissioning	April to June 2017	Commissioning	100
Start of Commercial Operation	July 2017	Working capital	89,187
Total Project Cost (TPC):			5,222,079

(Continued on page 2)

7. The enterprise shall observe the following production and sales schedule:

Year	1	2	3	4	5
No. Turbines	1	1	1	1	1
Total Rated Capacity (MW)	25.40	25.40	25.40	25.40	25.40
Operating Hours	8760	8760	8760	8760	8760
Capacity Utilization	57.597%	57.597%	57.597%	57.597%	57.597%
Sales Volume (MWh)	128,155	128,155	128,155	128,155	128,155
Selling Price (PhP/kwh)	6.92	7.11	7.44	7.61	7.79
Sales Value (PhP'000)	887,032	910,628	953,876	975,635	998,090

8. The enterprise may avail of the following incentives under the administration of the BOI:

a) **Income Tax Holiday for Seven (7) Years** from date of actual commercial operation reckoned from the state at which the RE Plant generated the first kilowatt-hour of energy after commissioning or testing, or two (2) months from the date of such commissioning or testing, whichever comes earlier, as certified by the DOE.

a.i The ITH shall be limited only to the revenues generated from the sales of electricity of the **25.4 MW Manolo Fortich 2 Hydroelectric Power Project**. Only revenues derived from power generated and sold to the grid, other entities and/or communities shall be entitled to ITH. For this purpose, the enterprise shall submit audited segregated income statements and simplified income statement form as prescribed by the Board, as shown hereunder* for this registered project. **Net income from operation of the registered activity shall be certified under oath by the Chief Executive Officer (CEO) or Chief Financial Officer (CFO).**

a.ii The enterprise shall submit the list of cost items common to all its projects/activities (whether BOI or non-BOI registered) and the methodology adopted in allocating common cost between the registered and non-registered activity/ies.

a.iii. Interest Expense on the enterprise's liabilities shall be appropriately allocated between the registered and non-registered activity/ies.

Date of filing: *An application should be filed with the BOI Incentives Service within one (1) month from filing of the final Income Tax Return (ITR) with the Bureau of Internal Revenue (BIR) in order to validate the claim for income tax exemption.*

SIMPLIFIED INCOME STATEMENT FORM:

Eligible Revenue								
Less: Cost of Sales								
Gross Profit								
Less: Operating Expenses								
Other Charges/Expenses								
Net Income								
Add/Deduct Reconciling Entries Related to Registered Activity (Net)								
Taxable Income from Registered Activity								
Tax Rate								
Tax Due/ Estimated ITH							30%	

(Continued on page 3)

The application shall be accompanied by a certification by SSS that the enterprise is in good standing in the remittances of SSS contributions of its employees. Further, any request for extension of the reckoning date of ITH availment should be filed prior to the scheduled date or within ninety (90) days from the occurrence of fortuitous events and/or government delays.

The enterprise shall secure the following:

i. From the DOE-REMB, a Certificate of Endorsement that the enterprise is in good standing for availment of the ITH incentive prior to filing of application for issuance of the certificate of ITH entitlement with the BOI; and

ii. From the BOI Legal Service, a certificate of ITH entitlement prior to filing of Income Tax Return (ITR) with BIR, otherwise, ITH for that particular taxable year shall be forfeited.

b) **Duty-Free Importation of RE Machinery, Equipment and Materials including control and communication equipment,** within the first ten (10) years from the issuance of the DOE certificate of registration.

The enterprise shall secure from the DOE-REMB a Certificate of Endorsement that the enterprise is in good standing for availment of this incentive. The Endorsement shall be on a per transaction basis. "Per transaction" means per application of incentives.

c) **Tax exemption of Carbon Credits** - all proceeds from the sale of carbon emission credits including the expected value of the CER in the future (discounted at an acceptable rate) shall be exempt from any and all taxes.

9. The enterprise may also avail of the following incentives under R.A. 9513 to be administered by appropriate government agencies subject to the Rules and Regulations of the respective administering government agencies.

a) Special Realty Tax Rates on Equipment and Machinery

Realty and other taxes on civil works, equipment, machinery, and other improvements of a registered enterprise actually and exclusively used for RE facilities shall not exceed one and a half percent (1.5%) of the original cost less accumulated normal depreciation or net book value.

b) Net Operating Loss Carry-Over (NOLCO)

The NOLCO during the first three years from the start of commercial operation shall be carried over as a deduction from the gross income as defined in the National Internal Revenue Code of 1997 (NIRC) for the next seven consecutive taxable years immediately following the year of such loss.

c) Corporate Tax Rate

After availment of the ITH, the enterprise shall pay a corporate tax of ten percent (10%) on its taxable income as defined in the NIRC, provided that it shall pass on the savings to the end users in the form of lower rates.

(Continued on page 4)

The enterprise shall submit an undertaking that the incentives availed of shall translate to the benefits of the end users in terms of reduced price of electricity. Semi-annual report shall be submitted to the BOI reflecting compliance to this condition.

d) Accelerated Depreciation

The plant, machinery, and equipment that are reasonably needed and actually used for the exploration, development and utilization of RE resources may be depreciated using a rate not exceeding twice the rate which would have been used had the annual allowance been computed in accordance with the rules and regulations prescribed by the Department of Finance and the provisions of the NIRC.

The enterprise that applies for accelerated depreciation shall no longer be eligible to avail of the ITH.

e) Zero-Percent Value-Added Tax Rate

The sale of power generated by the enterprise as well as its purchases of local supply of goods, properties and services needed for the development, construction and installation of its plant facilities and the whole process of exploration and development of RE sources up to its conversion into power shall be subject to zero percent value-added tax pursuant to the NIRC.

f) Tax Credit on Domestic Capital Equipment and Services

A Tax credit equivalent to one hundred percent (100%) of the value of the value-added tax and custom duties that would have been paid on the RE machinery, equipment, materials and parts had these items been imported shall be given to the enterprise that purchases machinery, equipment, materials and parts from a domestic manufacturer.

10. The enterprise shall submit to the BOI Legal Service, on a semestral basis, within fifteen (15) days from end of each semester, a report on actual investments, employment, sales, production costs, actual ITH availed of for each year, and other information that the Board may require at any given time with respect to the registered project.

11. The enterprise shall be subject to the provisions of BIR Revenue Regulation (RR) No. 1-2010 Amending further Section 3 of RR No. 9-2001, as last amended by RR No.10-2007, Expanding the Coverage of Taxpayers Required to File Returns and Pay Taxes Through the Electronic Filing and Payment System (EFPS) of the BIR.

12. The enterprise must commit to the tenets of Good Corporate Governance.

13. The enterprise shall adopt measures intended to reduce climate change risks in support of the National Framework Strategy on Climate Change.

(Continued on page 5)

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14. The enterprise is encouraged to secure environmental certifications based on internationally-recognized standards.

15. The enterprise shall obtain applicable certifications based on internationally-recognized standards such as ISO certification or other similar certifications.

16. In the event of transfer to another Investment Promotion Agency, the enterprise shall undertake the publication of its cancellation of BOI registration in a newspaper of general circulation.

17. The enterprise shall visit the BOI website (http://www.boi.gov.ph) on a regular basis for updates on BOI rules, policies and guidelines.

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HEDCOR BUKIDNON, INC.
(Manolo Fortich 2)
C.R. No. 2015-042
GENERAL TERMS AND CONDITIONS

1. The enterprise shall observe and abide by the provisions of the Omnibus Investments Code of 1987 and other related laws and their implementing rules and regulations as well as its commitments and representations made in the application for registration and take adequate measures to ensure that its obligation thereunder as well as those of its officers, employees and stockholders are faithfully discharged; provided it is understood that any misrepresentation or falsification in the documents or other supporting papers submitted to the Board shall constitute as ground for automatic cancellation of its registration.

2. The enterprise Address of Record shall be **12/F NAC Tower, 32nd Street, Bonifacio Global City, Taguig City.** All BOI notices/communications to the enterprise shall be sent to this address. The enterprise shall be responsible for notifying BOI, in writing, of any changes in its Address of Record, within ten (10) calendar days after such change, and therefore, should it fail to do so, service of all BOI communications, notices or processes in its Address of Record shall be considered valid, complete and binding to this enterprise.

   In case the enterprise has an authorized representative, designated as such by virtue of a Board Resolution of the enterprise, duly certified by its Board Secretary, and as appearing in the records of the BOI, it shall be so indicated that notices, communications and/or processes of the latter shall be sent to said representative. The authorized representative shall be responsible for notifying BOI, in writing, of any changes in its Address of Record within ten (10) calendar days after such change, and therefore, should it fail to do so, service of all BOI communications, notices or processes in the Address of Record of such authorized representative shall be considered valid, complete and binding to this enterprise.

3. The enterprise shall notify the BOI before doing any of the following acts:
   (Per Board Res. No. 38-16 S'2005 dated November 22, 2005)

   a. Invest in, extend loans, or buy bonds, in substantial amount, from any properties either in the Philippines or abroad. This does not apply to bonds issued by the Philippine Government;
   b. Issue stock convertible into voting stocks; or
   c. Buy its own stocks.

4. The enterprise shall secure prior permission of the BOI before doing any of the following acts:

   a. Transfer ownership and /or control of the enterprises;
   a. Engage in an undertaking other than the preferred project covered by its registration; or
   b. Expand its capacity, with or without incentives.

5. The enterprise shall maintain separate books of accounts for each activity, registered and unregistered with the Board. Moreover, the enterprise shall submit a list of direct costs attributable to each type of activity for purposes of determining the taxable income of each activity.

6. The enterprise shall submit to the Board an annual report of its actual investments, taxes paid and employment in the project within one (1) month following the end of the enterprise's calendar/fiscal year.

(Continued on page 2)

7. The enterprise shall comply with environmental laws and regulations.

8. The enterprise shall comply with the Tree-Planting Program of the BOI requiring a minimum of one hundred (100) forest trees to be planted pursuant to Memorandum Circular No. 01, not later than one (1) year from date of registration. Proof of compliance must be submitted within (1) year from the first anniversary date of the enterprise's registration; otherwise, applications for availment of any incentive by the enterprise shall not be accepted by the Board.

9. The enterprise shall comply with the other conditions and representations made and accepted by the enterprise as embodied in its project feasibility study and confirmation letter, among others, and shall form part of this registration.

10. All the fiscal and non-fiscal incentives which do not contain specific period for their enjoyment shall terminate after a period of not more than ten (10) years from date of registration.

11. Failure of the enterprise to file an incentive application within the prescribed date will mean imposition of fines and penalty including possible forfeiture or suspension of incentives or non-acceptance of the said application.

12. The enterprise shall submit the following reporting requirements to the BOI Legal Service on or before their respective due dates:

S1 (Annual Report of Performance)	Calendar year - May 15 Fiscal year – 4 ½ months after the end of fiscal year
Annual Audited Financial Statement	One (1) month from date of filing with BIR
Annual Income Tax Return	Thirty (30) days from the filing thereof.

The enterprise may submit the above report on-line to SMD@boi.gov.ph
For late filing and/or non-submission of reports and other requirements, the Board shall impose such fines in accordance with the schedules as set forth in the rules.

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Board of Investments

Republic of the Philippines
BOARD OF INVESTMENTS
Makati City

DEPARTMENT OF TRADE & INDUSTRY PHILIPPINES

CERTIFICATE OF REGISTRATION

No. 2005-219

TO ALL WHOM IT MAY CONCERN:

This is to certify that the Board of Investments has duly registered

HEDCOR SIBULAN INC.

New Operator of Forty Two (42) Mega Watt Hydroelectric Power Project

in accordance with the provisions of the Omnibus Investments Code of 1987, as amended, subject to the representations and commitments set forth in its application for registration, the provisions of the above law, the rules and regulations of the Board of Investments and the terms and conditions herein prescribed.

In testimony whereof the seal of the Board of Investments and the signature of its Chairman / Vice-Chairman is hereunto affixed. Given at Makati City, Philippines, this 27th day of, December 2005.

* Registered capacity amended from 42 MW to **42.5 MW** per BOI-PAG letter dated 04 May 2009.

(original signed)
USEC. ELMER C. HERNANDEZ
Vice-Chairman and BOI Managing Head

Security strip no. 238703

Attested:

(original signed)
BOBBY G. FONDEVILLA
Board Secretary

Transfer of registration from E.O. 226 as New Operator of 42.5 MW Hydroelectric Power Project to **R.A. 9513 as Renewable Energy Developer of 16.5 MW Sibulan A Hydroelectric Power Plant and **26.0 MW Sibulan B Hydroelectric Power Plant** subject to the specific terms and conditions under Annex "A" per Board Resolution No. 27-12 Series of 2016. 08/17/17

NOTE: Replacement of original C.R. No. 2005-219 dated December 27, 2005. 6-27-17

Annex "A"

Hedcor Sibulan, Inc.
Certificate of Registration Nos. HOC 2016-04-627 (Sibulan A)
and HOC 2016-04-628 (Sibulan B)
RE Developer of 42.5 MW Hydroelectric Power Plant under R.A. 9513
Otherwise Known as Renewable Energy Act of 2008
Specific Terms & Conditions

I. The enterprise may avail of the following incentives under the administration of the BOI:

a) **Income Tax Holiday (ITH)** for the unutilized portion from 01 January 2016 or until 28 February 2017.

a.i The ITH shall be limited only to the sales/revenue generated from the sales of electricity of the 42.5 MW Hydroelectric Power Plant. Revenues from electricity purchased from Wholesale Electricity Spot Market (WESM) and supplied to customers are not entitled to ITH. For this purpose, the enterprise shall submit audited segregated income statements and simplified income statement form as prescribed by the Board, as shown hereunder* for this registered project. Net income from operation of the registered activity shall be certified under oath by the Chief Executive Officer (CEO) or Chief Financial Officer (CFO).

a.ii The enterprise shall submit the list of cost items common to all its projects/activities (whether BOI or non-BOI registered) and the methodology adopted in allocating common cost between the registered and non-registered activity/ies.

a.iii Interest Expense on the enterprise's liabilities shall be appropriately allocated between the registered and non-registered activity/ies.

Notwithstanding the provisions of the preceding paragraph, the Board, as a matter of national interest and for reasonable causes, reserves the right to suspend the availment of ITH incentive.

The enterprise shall secure the following:

ii. From the DOE-REMB, a Certificate of Endorsement that the enterprise is in good standing for availment of the ITH incentive prior to filing of application for issuance of the Certificate of ITH Entitlement with the BOI; and

iii. From the BOI Legal and Compliance Service (LCS), a Certificate of ITH Entitlement (COE) prior to filing of Income Tax Return (ITR) with the BIR; otherwise ITH for that particular taxable year without COE shall be forfeited.

Date of filing: An application shall be filed with the BOI Incentives Administration Service within one (1) month from the filing of the final ITR with the BIR in order to validate claim for income tax exemption. The application shall be accompanied by a certification by SSS that the enterprise is in good standing in the remittance of SSS contributions of its employees.

(Continued on page 2)

***SIMPLIFIED INCOME STATEMENT FORM:**

Eligible Revenue	
Less: Cost of Sales	
Gross Profit	
Less: Operating Expenses	
Other Charges/Expenses	
Net Income	
Add/Deduct: Reconciling Entries Related to Registered Activity (Net)	
Taxable Income from Registered Activity	
Tax Rate	
Tax Due/ Estimated ITH	

The application shall be accompanied by a certification by SSS that the enterprise is in good standing in the remittances of SSS contributions of its employees.

b) **Duty-free importation of RE Machinery, Equipment and Materials** including control and communication equipment, within the first ten (10) years from the issuance of the BOI certificate of registration.

The enterprise shall secure from the DOE-REMB a Certificate of Endorsement that the enterprise is in good standing for availment of this incentive. The Endorsement shall be on a per transaction basis "Per transaction" means per application of incentives.

c) **Tax exemption of Carbon Credits** - all proceeds from the sale of carbon emission credits including the expected value of the CER in the future (discounted at an acceptable rate) shall be exempt from any and all taxes.

2. The enterprise shall also be entitled to the following incentives under R.A. 9513 to be administered by appropriate government agencies subject to the Rules and Regulation of the respective administering government agencies.

a) **Special Realty Tax Rates on Equipment and Machinery**

Realty and other taxes on civil works, equipment, machinery, and other improvements of a registered of the enterprise actually and exclusively used for RE facilities shall not exceed one and a half percent (1.5%) of the original cost less accumulated normal depreciation or net book value.

b) **Net Operating Loss Carry-Over (NOLCO)**

The NOLCO during the first three years from the start of commercial operation shall be carried over as a deduction from the gross income as defined in the National Internal Revenue Code of 1997 (NIRC) for the next seven consecutive taxable years immediately following the year of such loss.

(Continued on page 3)

c) Corporate Tax Rate

After availment of the ITH, the enterprise shall pay a corporate tax of ten percent (10%) on its taxable income as defined in the NIRC, provided that it shall pass on the savings to the end users in the form of lower rates.

The enterprise shall submit an undertaking that the incentives availed of shall translate to the benefits of the end-users in terms of reduced price of electricity. Semi-annual report shall be submitted to the BOI reflecting compliance to this condition.

d) Accelerated Depreciation

The plant, machinery, and equipment that are reasonably needed and actually used for the exploration, development and utilization of RE resources may be depreciated using a rate not exceeding twice the rate which would have been used had the annual allowance been computed in accordance with the rules and regulations prescribed by the Department of Finance and the provisions of the NIRC.

The enterprise that applies for accelerated depreciation shall no longer be eligible to avail of the ITH.

e) Zero-Percent Value-Added Tax Rate

The sale of fuel or power generated by the enterprise from renewable sources of energy such as biomass, as well as its purchases of local supply of goods, properties and services needed for the development, construction and installation of its plant facilities and the whole process of exploration and development of RE sources up to its conversion into power shall be subject to zero percent value-added tax pursuant to the NIRC.

f) Cash Incentive of Renewable Energy Developers for Missionary Electrification

The enterprise may be entitled to a cash generation-based incentive per kilowatt-hour rate generated, equivalent to fifty percent (50%) of the universal charge for power needed to service missionary areas, chargeable against the universal charge for missionary electrification.

g) Tax Credit on Domestic Capital Equipment and Services

A tax credit equivalent to one hundred percent (100%) of the value of the value-added tax and custom duties that would have been paid on the RE machinery, equipment, materials and parts had these items been imported shall be given to the enterprise that purchases machinery, equipment, materials and parts from a domestic manufacturer.

3. The enterprise should endeavour to undertake meaningful and sustainable Corporate Social Responsibility (CSR) activities in the locality where the project is implemented.

4. The enterprise shall maintain books of account for this registered project separate from all its other operation/s and/or activity/ies.

(Continued on page 4)

5. The enterprise shall submit to the BOI Legal and Compliance Service (LCS), on a semestral basis within fifteen (15) days from the end of each semester, a report on Actual Investments, Employment, Sales, Production Costs, actual ITH availed of each year, and other information that the Board may require anytime with respect to the registered project.

6. The enterprise shall be subject to the provisions of Revenue Regulation 1-2010 Amending further Section 3 of Revenue Regulation (RR) No. 9-2001, as last amended by RR Bo. 10-2007, Expanding the Coverage of Taxpayers Required to File Returns and Pay Taxes Through Electronic Filing and Payment System (EFPS) of the Bureau of Internal Revenue.

7. The enterprise must commit to the tenets of Good Corporate Governance.

8. The enterprise shall adopt measures intended to reduce climate change risk in support of the National Framework Strategy on Climate Change.

9. The enterprise is encouraged to secure environmental certifications based on internationally-recognized standards.

10. The enterprise shall obtain applicable certifications based on internationally-recognized standards such as ISO certification or other similar certifications.

11. In the event of transfer to another Investment Promotion Agency, the enterprise shall undertake the publication of its cancellation of BOI registration in a newspaper of general circulation.

12. The enterprise shall visit the BOI website (http://www.boi.gov.ph) on a regular basis for updates on BOI rules, policies, and guidelines.

13. The enterprise shall abide by the rules, policies, guidelines and regulations set forth by the Department of Energy (DOE) pertinent to the registered project.

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HEDCOR SIBULAN INC.

***Type of Registration/Activity**	:	**NEW OPERATOR OF FORTY TWO (42) MEGA WATT HYDROELECTRIC POWER PROJECT**
Status	:	**PIONEER**
Certificate of Registration No.	:	**2005-219**
Date	:	**DECEMBER 27, 2005**

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SPECIFIC TERMS AND CONDITIONS

1. The firm shall start commercial operations in **January 2009. Request for amendment of timetable shall be filed before the scheduled start of commercial operation.

2. The firm shall increase its authorized, subscribed and paid-up capital stocks **to at least Php1,007,721,500.00** and shall submit proof of compliance prior to availment of Income Tax Holiday incentive.

3. The firm shall secure a Certificate of Compliance from the Energy Regulation Commission (ERC prior to start of commercial operation subject to the condition that in the event that ERC denies the said COC, registration shall be subject to automatic cancellation procedure for non-compliance of the post registration requirement.

4. The firm shall observe the following project timetable:

Activities	Date	Related Expenses	Cost (P)
Obtained appropriate license/agreement/permit from relevant government agencies		Pre-operating	
Site preparation and development	February 2007- July 2007	• Feasibility Study/EIS • Access Road survey and construction – line and grade	16,000
Acquisition/Installation of equipment	July 2007-November 2008	• Civil Work Construction (Dam to penstock) • Mechanical works • Switchyard, substation, and transmission system • EPC mark up/ contingencies, overhead, insurance and interest during construction • VAT	1,465,761 897,183 108,794 1,199,311 343,837
Start of Commercial Operations	December 2008 – January 2009	Testing and Commissioning	
TOTAL COST			**4,030,886**

(Continued on page 2)

*Registered capacity amended from 42 MW to **42.5MW**

** Movement of start of commercial operation moved from January 2009 to **March 2010** as well as the movement of ITH incentive reckoning date from January 2009 to **March 2010**, per BOI-PAG letter 04 May 2009.

NOTE: Replacement of original C.R. No. 2005-219 dated December 27, 2005

6-23-17

5. The firm shall be entitled to the following incentives:

   a. Income Tax Holiday (ITH) for a period of six **(6) years** from **January 2009** or actual start of commercial operations, whichever is earlier but in no case earlier than the date of registration. *The ITH incentives shall be limited only to the sales/revenue generated from the sales of electricity.*

      Date of Filing: An application shall be filed with the BOI Incentives Department within one (1) month from the filing of the final ITR with the BIR in order to validate the claim for income tax exemption. **The application shall be accompanied by a certification by SSS than the firm is in good standing in the remittance of SSS contributions of its employees.** Any request for extension of the reckoning date of ITH availment shall be filed prior to the scheduled date or within 90 days from the occurrence of fortuitous events and/or government delays.

      The firm can avail of bonus year in each of the following cases but the aggregate ITH availment (basic and bonus years) shall not exceed eight (8) years;

      - The ratio of the total imported and domestic capital equipment to the number of workers for the project does not exceed US$10,000 to one (1) worker; or
      - The net foreign exchange savings or earnings amount to at least US$500,000 annually during the first three (3) years of operation; and
      - The indigenous raw materials used in the manufacture of the registered product must at least be fifty percent (50%) of the total cost of raw materials for the preceding years prior to the extension unless the Board prescribes a higher percentage.

      Date of Filing: An application shall be filed with the BOI Incentives Department prior to the filing with BIR of the firm's final ITR, for which the bonus years will be applied.

   b. For the first five (5) years from the date of registration, the firm shall be allowed an additional deduction from taxable income of fifty percent (50%) of the wages corresponding to the increment in the number of direct labor for skilled and unskilled workers in the year of availment as against the previous year if the project meets the prescribed ratio of capital equipment to the number of workers set by the Board of US$10,000 to one (1) worker and provided that this incentive shall not be availed of simultaneously with the income tax holiday;

      Date of Filing: An application should be filed with the BOI-Incentives Department within one (1) month from filing of the final ITR with the BIR.

NOTE: Replacement of original C.R. No. 2005-219 dated December 27, 2005.

Amb 6-28-17

c. Employment of foreign nationals. This may be allowed in supervisory, technical or advisory positions for five (5) years from date of registration. The president, general manager and treasurer of foreign-owed registered firms or their equivalent shall not be subject to the foregoing limitations.

Date of Filing: Application shall be filed with the BOI Incentives Department before assumption to duty of newly hired foreign nationals and at least one (1) month before expiration of existing employment for renewal of visa.

d. Importation of consigned equipment for a period of ten (10) years from date of registration, subject to the posting of re-export bond.

Date of filing: Apply with the BOI Incentives Department for endorsement to Department of Finance (DOF) before loading on board of the equipment.

*6. The firm may qualify to import capital equipment, spare parts and accessories at one percent (1%) duty from date of registration up to June 5, 2006 pursuant to Executive Order No. 313 and its implementing Rules and Regulations.

7. The firm shall submit to the Supervision and Monitoring Department of BOI, a quarterly report on Actual Investments, Employment and Sales pertaining to the registered project. This report shall be due within fifteen (15) days after the end of each quarter, starting on the date of registration.

8. The firm shall visit the BOI website (http://www.boi.gov.ph), on a regular basis, for updates on BOI rules, policies and guidelines, and citation and recognition to particular BOI-registered firms for exemplary performance, as well as notice to particular firms regarding specific violation(s) of the terms and conditions of the registration.

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***Specific Terms and Conditions No. 6 amended as follows:**

"The firm may qualify to import capital equipment, spare parts and accessories at zero duty for a period of three (3) years from the lapse of E.O. 313 or up to June 5, 2009, pursuant to Executive Order No. 528 and its Implementing Rules and Regulations."

(Pursuant to DTI-BOI Administrative Order No. 01 Series of 2006, published in Manila Times, July 11, 2006)

NOTE: Replacement of original C.R. No. 2005-129 dated December 27, 2005.

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6-29-17

HEDCOR SIBULAN INC.
C.R. No. 2005-219

GENERAL TERMS AND CONDITIONS

1. The firm shall observe and abide by the provisions of the Omnibus Investments Code of 1987 and other related laws and their implementing rules and regulations as well as its commitments and representations made in the application for registration and take adequate measures to ensure that its obligation thereunder as well as those of its officers, employees and stockholders are faithfully discharged; provided it is understood that any misrepresentation or falsification in the documents or other supporting papers submitted to the Board shall constitute as ground for automatic cancellation of its registration.

2. The firm's registered product/s shall be subject to periodic testing, at least once a year, by any independent agency whenever the BOI so requires, such test to be conducted at the expense of the registered enterprise.

3. The firm's Address of Record shall be at **214 Ambuklao Road Becket, La Trinidad Benguet.** All BOI notices/ communications to the firm shall be sent to this address. The firm shall be responsible for notifying BOI, in writing, of any changes in its Address of Record. within ten (10) calendar days after such change, and therefore, should it fail to do so, service of all BOI communications, notices or processes in its Address of Record shall be considered valid, complete and binding to this firm.

   In case the enterprise has an authorized representative, designated as such by virtue of a Board Resolution of the firm, duly certified by its Board Secretary, and as appearing in the records of the BOI, it shall be so indicated that notices, communications and/or processes of the latter shall be sent to said representative. The authorized representative shall be responsible for notifying BOI, in writing, of any changes in its Address of Record within ten (10) calendar days after such change, and therefore, should it fail to do so, service of all BOI communications, notices or processes in the Address of Record of such authorized representative shall be considered valid, complete and binding to this firm.

4. The firm shall secure prior permission of the BOI before doing any of the following acts:

   a. Invest in, extend loans, or buy bonds, in substantial amount, from any enterprise either in the Philippines or abroad. This does not apply to bonds issued by the Philippine Government;
   b. Issue stock convertible into voting stocks;
   c. Buy its own stocks;
   d. Appointment or replacement of its general manager.

5. The firm shall secure prior permission of the BOI before doing any of the following acts:

   a. Expand its capacity, with or without incentives;
   b. Transfer ownership and /or control of the firm;
   c. Engage in an undertaking other than the preferred project covered by its registration.

6. The enterprise shall maintain separate books of accounts for each activity, registered and unregistered with the Board. Moreover, the firm shall submit a list of direct costs attributable to each type of activity for purposes of determining the taxable income of each activity.

(Continued on page 2)

NOTE: Replacement of original C.R. No. 2005-129 dated December 27, 2005.

6-27-17

7. The firm shall submit to the Board an annual report of its actual investments, taxes paid and employment in the project within one (1) month following the end of its calendar/fiscal year.

8. The firm shall comply with all environmental laws and regulations.

9. The firm shall comply with the Tree Planting Program of the BOI requiring a minimum of one hundred (100) forest trees to be planted pursuant to Memorandum Circular No. 01 not later than one (1) year from date of registration. Proof of compliance must be submitted within one (1) year from the first anniversary date of the firm's registration; otherwise, application for availment of any incentive by the firm shall not be accepted by the Board.

10. The firm shall comply with the other conditions and representations made and accepted by the firm as embodied in its project feasibility study, confirmation letter, among others, and these shall form part of this registration.

11. All the fiscal and non-fiscal incentives which do not contain specific period for their enjoyment shall terminate after a period of not more than ten (10) years from start up of operation.

12. Failure of the enterprise to file the incentive application within the prescribed date shall mean imposition of fines and penalty including possible forfeiture or suspension of incentives or non-acceptance of the said application.

13. The firm shall submit the following reporting requirement to **Supervision and Monitoring Department** on or before their respective due dates:

Report	**Due Date**
S1 (Annual Report of Performance)	Calendar year – May 15 Fiscal year – 4 ½ months after the end of fiscal year
Audited Financial Statements	One (1) month from the date of filing with the BIR
Annual Income Tax Return	Thirty (30) calendar days from the date of filing with the BIR

You may submit the above report **on-line** to SMD@boi.gov.ph.

For late filing and/or non-submission of reports and other requirements, the Board shall impose such fines in accordance with the schedule as set forth in the rules.

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NOTE: Replacement of original C.R. No. 2005-219 dated December 27, 2005.

6-27-17

BOARD OF INVESTMENTS
PHILIPPINES

DEPARTMENT OF TRADE & INDUSTRY
PHILIPPINES

20 February 2015

MR. RENE B. RONQUILLO
President & CEO
HEDCOR BUKIDNON, INC.
12/F NAC Tower, 32nd Street
Bonifacio Global City, Taguig City

Dear Mr. Ronquillo:

Congratulations! Your project is now registered with the Board of Investments as **Renewable Energy Developer of 43.4 MW Manolo Fortich 1 Hydroelectric Power Plant** under Renewable Energy Act of 2008 (RA 9513).

The attached Certificate of Registration incorporates the agreed Terms and Conditions of your registration, including all the fiscal and non-fiscal incentives available to the registered project. Other incentives with no specific number of years of entitlement may be enjoyed for a maximum period of ten (10) years from the start of your commercial operation and/ or date of registration.

Very truly yours,

EXEC. DIR. EFREN V. LEAÑO
Board Secretary

BOARD OF INVESTMENTS

Republic of the Philippines
BOARD OF INVESTMENTS
Makati City

DEPARTMENT OF TRADE & INDUSTRY PHILIPPINES

CERTIFICATE OF REGISTRATION

No. 2015-041

TO ALL WHOM IT MAY CONCERN:

This is to certify that the Board of Investments has duly registered

HEDCOR BUKIDNON INC.
Renewable Energy Developer of 43.4 MW Manolo Fortich 1 Hydroelectric Power Plant

in accordance with the provisions of the Omnibus Investments Code of 1987, as amended, subject to the representations and commitments set forth in its application for registration, the provisions of the above law, the rules and regulations of the Board of Investments and the terms and conditions herein prescribed.

In testimony whereof the seal of the Board of Investments and the signature of its Chairman / Vice - Chairman is hereunto affixed. Given at Makati City, Philippines, this 20th day of, February 2015.

Board Res. No. 41-07 S'2014

ADRIAN S. CRISTOBAL JR.
Undersecretary and BOI Managing Head

284955

Department of Trade and Industry

Attested:

EXEC. DIR. EFREN V. LEAÑO
Board Secretary

HEDCOR BUKIDNON, INC.

(Manolo Fortich 1)

Type of Registration/Activity	:	**RENEWABLE ENERGY DEVELOPER OF MANOLO FORTICH 1 HYDROELECTRIC POWER PLANT**
Capacity	:	**43.4 MW**
Status	:	**N/A – UNDER RA 9513**
Certificate of Registration No.	:	**2015-041**
Date	:	**FEBRUARY 20, 2015**

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SPECIFIC TERMS AND CONDITIONS

1. The enterprise shall submit proof of the financial closing for the project within one year from date of registration; otherwise the registration shall be automatically cancelled.

2. The enterprise shall secure a Certificate of Compliance (COC) from the Energy Regulation Commission (ERC) prior to the start of commercial operations subject to the condition that in the event that ERC denies the said COC, the registration shall be subject to the automatic cancellation procedure.

3. The enterprise shall increase its stockholders' equity **to at least PhP 1,850,099,000** equivalent to 25% of the total project cost and shall submit proof of compliance before availment of ITH. Equity shall include paid-up capital stock, additional paid-in capital and unrestricted retained earnings, and restricted retained earnings provided that such is intended for the project. Appraisal surplus and treasury stock should not be included as part of stockholders' equity for this purpose.

   The 25% equity requirement shall be based on the annual capital requirement of the project; Provided that the total equity requirement of 25% is complied with on the first year of ITH availment.

4. The enterprise should endeavour to undertake meaningful and sustainable Corporate Social Responsibility (CSR) activities in the locality where the project is implemented.

5. The enterprise shall maintain books of account for this registered project separate from all its other operation/s and/or activity/ies **(e.g., Manolo Fortich 2)**

6. The enterprise shall observe the following project timetable:

Activity	Schedule	Related Expenses	Cost (In PhP'000)
Project Development	December 2013 to December 2014	Exploration, Feasibility, Detailed Engineering Permitting	21,535
		Land Acquisition Bid docs preparation	
Site Preparation and Development, Civil Works, Acquisition and Installation of Machinery and Equipment	January 2015 to March 2017	Civil works Electromechanical installation Electrical installation & transmission line construction Insurance, overhead, Interest Admin, Project Management, etc.	7,238,226
Commissioning	April to June 2017	Commissioning	106
Start of Commercial Operation	**July 2017**	Working capital	140,537
Total Project Cost (TPC):			**7,400,396**

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7. The enterprise shall observe the following production and sales schedule:

Year	1	2	3	4	5
No. Turbines	1	1	1	1	1
Total Rated Capacity (MW)	43.4	43.4	43.4	43.4	43.4
Operating Hours	8760	8760	8760	8760	8760
Capacity Utilization	58.4%	58.4%	58.4%	58.4%	58.4%
Sales Volume (MWh)	221,872	221,872	221,872	221,872	221,872
Selling Price (PhP/kwh)	6.92	7.11	7.44	7.61	7.79
Sales Value (PhP Million)	1,535	1,578	1,651	1,688	1,728

8. The enterprise may avail of the following incentives under the administration of the BOI:

   a) **Income Tax Holiday for Seven (7) Years** from date of actual commercial operation reckoned from the state at which the RE Plant generated the first kilowatt-hour of energy after commissioning or testing, or two (2) months from the date of such commissioning or testing, whichever comes earlier, as certified by the DOE.

   a.i The ITH shall be limited only to the revenues generated from the sales of electricity of the **43.4 MW Manolo Fortich 1 Hydroelectric Power Project**. Only revenues derived from power generated and sold to the grid, other entities and/or communities shall be entitled to ITH. For this purpose, the enterprise shall submit audited segregated income statements and simplified income statement form as prescribed by the Board, as shown hereunder* for this registered project. **Net income from operation of the registered activity shall be certified under oath by the Chief Executive Officer (CEO) or Chief Financial Officer (CFO).**

   a.ii The enterprise shall submit the list of cost items common to all its projects/activities (whether BOI or non-BOI registered) and the methodology adopted in allocating common cost between the registered and non-registered activity/ies.

   a.iii. Interest Expense on the enterprise's liabilities shall be appropriately allocated between the registered and non-registered activity/ies.

   Date of filing: *An application should be filed with the BOI Incentives Service within one (1) month from filing of the final Income Tax Return (ITR) with the Bureau of Internal Revenue (BIR) in order to validate the claim for income tax exemption.*

   SIMPLIFIED INCOME STATEMENT FORM:

Eligible Revenue		
Less: Cost of Sales		
Gross Profit		
Less: Operating Expenses		
Other Charges/Expenses		
Net Income		
Add/Deduct: Reconciling Entries Related to Registered Activity (Net)		
Taxable Income from Registered Activity		
Tax Rate		
Tax Due/Estimated ITH	30%	

(Continued on page 3)

The application shall be accompanied by a certification by SSS that the enterprise is in good standing in the remittances of SSS contributions of its employees. Further, any request for extension of the reckoning date of ITH availment should be filed prior to the scheduled date or within ninety (90) days from the occurrence of fortuitous events and/or government delays.

The enterprise shall secure the following:

i. From the DOE-REMB, a Certificate of Endorsement that the enterprise is in good standing for availment of the ITH incentive prior to filing of application for issuance of the certificate of ITH entitlement with the BOI; and

ii. From the BOI Legal Service, a certificate of ITH entitlement prior to filing of Income Tax Return (ITR) with BIR, otherwise, ITH for that particular taxable year shall be forfeited.

b) **Duty-Free Importation of RE Machinery, Equipment and Materials including control and communication equipment,** within the first ten (10) years from the issuance of the DOE certificate of registration.

The enterprise shall secure from the DOE-REMB a Certificate of Endorsement that the enterprise is in good standing for availment of this incentive. The Endorsement shall be on a per transaction basis. "Per transaction" means per application of incentives.

c) **Tax exemption of Carbon Credits** - all proceeds from the sale of carbon emission credits including the expected value of the CER in the future (discounted at an acceptable rate) shall be exempt from any and all taxes.

9. The enterprise may also avail of the following incentives under R.A. 9513 to be administered by appropriate government agencies subject to the Rules and Regulations of the respective administering government agencies.

a) Special Realty Tax Rates on Equipment and Machinery

Realty and other taxes on civil works, equipment, machinery, and other improvements of a registered enterprise actually and exclusively used for RE facilities shall not exceed one and a half percent (1.5%) of the original cost less accumulated normal depreciation or net book value.

b) Net Operating Loss Carry-Over (NOLCO)

The NOLCO during the first three years from the start of commercial operation shall be carried over as a deduction from the gross income as defined in the National Internal Revenue Code of 1997 (NIRC) for the next seven consecutive taxable years immediately following the year of such loss.

c) Corporate Tax Rate

After availment of the ITH, the enterprise shall pay a corporate tax of ten percent (10%) on its taxable income as defined in the NIRC, provided that it shall pass on the savings to the end users in the form of lower rates.

(Continued on page 4) ayo

The enterprise shall submit an undertaking that the incentives availed of shall translate to the benefits of the end-users in terms of reduced price of electricity. Semi-annual report shall be submitted to the BOI reflecting compliance to this condition.

d) Accelerated Depreciation

The plant, machinery, and equipment that are reasonably needed and actually used for the exploration, development and utilization of RE resources may be depreciated using a rate not exceeding twice the rate which would have been used had the annual allowance been computed in accordance with the rules and regulations prescribed by the Department of Finance and the provisions of the NIRC.

The enterprise that applies for accelerated depreciation shall no longer be eligible to avail of the ITH.

e) Zero-Percent Value-Added Tax Rate

The sale of power generated by the enterprise as well as its purchases of local supply of goods, properties and services needed for the development, construction and installation of its plant facilities and the whole process of exploration and development of RE sources up to its conversion into power shall be subject to zero percent value-added tax pursuant to the NIRC.

f) Tax Credit on Domestic Capital Equipment and Services

A Tax credit equivalent to one hundred percent (100%) of the value of the value added tax and custom duties that would have been paid on the RE machinery, equipment, materials and parts had these items been imported shall be given to the enterprise that purchases machinery, equipment, materials and parts from a domestic manufacturer.

10. The enterprise shall submit to the BOI Legal Service, on a semestral basis, within fifteen (15) days from end of each semester, a report on actual investments, employment, sales, production costs, actual ITH availed of for each year, and other information that the Board may require at any given time with respect to the registered project.

11. The enterprise shall be subject to the provisions of BIR Revenue Regulation (RR) No. 1-2010 Amending further Section 3 of RR No. 9-2001, as last amended by RR No.10-2007, Expanding the Coverage of Taxpayers Required to File Returns and Pay Taxes Through the Electronic Filing and Payment System (EFPS) of the BIR.

12. The enterprise must commit to the tenets of Good Corporate Governance.

13. The enterprise shall adopt measures intended to reduce climate change risks in support of the National Framework Strategy on Climate Change.

(Continued on page 5)

14. The enterprise is encouraged to secure environmental certifications based on internationally-recognized standards.

15. The enterprise shall obtain applicable certifications based on internationally-recognized standards such as ISO certification or other similar certifications.

16. In the event of transfer to another Investment Promotion Agency, the enterprise shall undertake the publication of its cancellation of BOI registration in a newspaper of general circulation.

17. The enterprise shall visit the BOI website (http://www.boi.gov.ph) on a regular basis for updates on BOI rules, policies and guidelines.

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HEDCOR BUKIDNON, INC.
(Manolo Fortich 1)
C.R. No. 2015-041
GENERAL TERMS AND CONDITIONS

1. The enterprise shall observe and abide by the provisions of the Omnibus Investments Code of 1987 and other related laws and their implementing rules and regulations as well as its commitments and representations made in the application for registration and take adequate measures to ensure that its obligation thereunder as well as those of its officers, employees and stockholders are faithfully discharged: provided it is understood that any misrepresentation or falsification in the documents or other supporting papers submitted to the Board shall constitute as ground for automatic cancellation of its registration.

2. The enterprise Address of Record shall be **12/F NAC Tower, 32nd Street, Bonifacio Global City, Taguig City.** All BOI notices/communications to the enterprise shall be sent to this address. The enterprise shall be responsible for notifying BOI, in writing, of any changes in its Address of Record, within ten (10) calendar days after such change, and therefore, should it fail to do so, service of all BOI communications, notices or processes in its Address of Record shall be considered valid, complete and binding to this enterprise.

   In case the enterprise has an authorized representative, designated as such by virtue of a Board Resolution of the enterprise, duly certified by its Board Secretary, and as appearing in the records of the BOI, it shall be so indicated that notices, communications and/or processes of the latter shall be sent to said representative. The authorized representative shall be responsible for notifying BOI, in writing, of any changes in its Address of Record within ten (10) calendar days after such change, and therefore, should it fail to do so, service of all BOI communications, notices or processes in the Address of Record of such authorized representative shall be considered valid, complete and binding to this enterprise.

3. The enterprise shall notify the BOI before doing any of the following acts:
   (Per Board Res. No. 38-16 S'2005 dated November 22, 2005)

   a. Invest in, extend loans, or buy bonds, in substantial amount, from any properties either in the Philippines or abroad. This does not apply to bonds issued by the Philippine Government;
   b. Issue stock convertible into voting stocks; or
   c. Buy its own stocks.

4. The enterprise shall secure prior permission of the BOI before doing any of the following acts:

   a. Transfer ownership and /or control of the enterprises;
   a. Engage in an undertaking other than the preferred project covered by its registration; or
   b. Expand its capacity, with or without incentives.

5. The enterprise shall maintain separate books of accounts for each activity, registered and unregistered with the Board. Moreover, the enterprise shall submit a list of direct costs attributable to each type of activity for purposes of determining the taxable income of each activity.

6. The enterprise shall submit to the Board an annual report of its actual investments, taxes paid and employment in the project within one (1) month following the end of the enterprise's calendar/fiscal year.

(Continued on page 2)

7. The enterprise shall comply with environmental laws and regulations.

8. The enterprise shall comply with the Tree-Planting Program of the BOI requiring a minimum of one hundred (100) forest trees to be planted pursuant to Memorandum Circular No. 01, not later than one (1) year from date of registration. Proof of compliance must be submitted within (1) year from the first anniversary date of the enterprise's registration; otherwise, applications for availment of any incentive by the enterprise shall not be accepted by the Board.

9. The enterprise shall comply with the other conditions and representations made and accepted by the enterprise as embodied in its project feasibility study and confirmation letter, among others, and shall form part of this registration.

10. All the fiscal and non-fiscal incentives which do not contain specific period for their enjoyment shall terminate after a period of not more than ten (10) years from date of registration.

11. Failure of the enterprise to file an incentive application within the prescribed date will mean imposition of fines and penalty including possible forfeiture or suspension of incentives or non-acceptance of the said application.

12. The enterprise shall submit the following reporting requirements to the BOI Legal Service on or before their respective due dates:

SI (Annual Report of Performance)	Calendar year - May 15 Fiscal year 4 ½ months after the end of fiscal year
Annual Audited Financial Statement	One (1) month from date of filing with BIR
Annual Income Tax Return	Thirty (30) days from the filing thereof.

The enterprise may submit the above report on-line to SMD@boi.gov.ph
For late filing and/or non-submission of reports and other requirements, the Board shall impose such fines in accordance with the schedules as set forth in the rules.

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BOARD OF INVESTMENTS

Republic of the Philippines
BOARD OF INVESTMENTS
Makati City

DEPARTMENT OF TRADE & INDUSTRY PHILIPPINES

CERTIFICATE OF REGISTRATION

No. 2018-019

TO ALL WHOM IT MAY CONCERN:

This is to certify that the Board of Investments has duly registered

HEDCOR, INC.

Renewable Energy Developer of Hydropower Resources
**** (19MW Bineng 1-2B Combination Hydroelectric Power Project)***

in accordance with the provisions of the Omnibus Investments Code of 1987, as amended, subject to the representations and commitments set forth in its application for registration, the provisions of the above law, the rules and regulations of the Board of Investments and the terms and conditions herein prescribed.

In testimony whereof the seal of the Board of Investments and the signature of its Chairman / Vice - Chairman is hereunto affixed. Given at Makati City, Philippines, this 19th day of, January 2018

Management Committee Resolution No. 45-15 S'2017
Board Resolution No. 33-03 S'2017

DR. CEFERINO S. RODOLFO
Undersecretary and BOI Managing Head

Attested:

Atty. MARJORIE O. RAMOS SAMANIEGO
Board Secretary

319072

Department of Trade and Industry

*Change of registered project's name from Bineng 1-2B Combination Hydroelectric Power Project to La Trinidad Hydroelectric Power Project per Management Committee Resolution No. 19-09 Series of 2018

HEDCOR, INC.
(La Trinidad, Benguet)

* Type of Registration/Activity	:	**RENEWABLE ENERGY DEVELOPER OF HYDROPOWER RESOURCES (BINENG 1-2B COMBINATION HYDROELECTRIC POWER PROJECT)**
Capacity	:	**19 MW**
Status	:	**N/A; UNDER R.A. 9513**
Certificate of Registration No.	:	**2018-019**
Date	:	**JANUARY 19, 2018**

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SPECIFIC TERMS AND CONDITIONS

1. The project must have achieved financial close within two years from the date of registration. Failure to achieve financial close shall result to the cancellation of the enterprise's registration, unless it can be shown that the enterprise has made substantial investment or progress in the project. As evidence of financial closing, the enterprise shall submit a certification, in a form and substance satisfactory to BOI, issued and addressed by the lenders to BOI confirming the financial agreements are in full force and in effect.

2. The enterprise shall secure a Certificate of Compliance (COC) from the Energy Regulatory Commission (ERC) prior to the start of commercial operations subject to the condition that in the event that ERC denies the said COC, the registration shall be subject to the automatic cancellation procedure.

3. The enterprise shall observe the following project timetable:

Activity	Schedule	Related Expenses	Cost (in PhP'000)
Obtaining licenses, permits, registration	May 2015 to Nov 2017	Pre-operating expense	997,311
Project site preparation and development • Hiring of contractors • Civil works	Nov 2017 to May 2019	Land	13,267
		Land improvements	19,353
		Building	117,429
		Leasehold improvements	10,351
		Other expenses	725,665
Ordering, Acquisition and installation of machinery & equipment	April 2018 to Jan 2019	Machinery & equipment	258,257
		Others	39,468
Trial Run	June to July 2019	Working Capital	34,109
Start of commercial operation	**July 2019**		
		Total Project Cost	**2,161,102**

(Continued on page 2)

*Change of registered project's name from **Bineng 1-2B Combination Hydroelectric Power Project** to **La Trinidad Hydroelectric Power Project** per Management Committee Resolution No. 19-09, Series of 2018. BLB 08/16/18

4. The enterprise shall observe the following production schedule:

Year	Production (kWh)
Y1	59,157,731
Y2	59,157,731
Y3	59,157,731
Y4	59,157,731
Y5	59,157,731

Notes

- *1MW = 1,000kW = 1,000,000W*
- *Total Rated Capacity = No. of Generators (i.e., 2) x Capacity per Unit (i.e., 9.5MW) = 19 MW = 19,000 kW*
- *Production (MWh) = Rated Capacity (i.e., 19.0 MW) x Operating Hours per year (i.e., 8,760) x Capacity Factor (i.e., 35.5429[illegible]%)*

5. The enterprise may avail of the following incentives under the administration of the BOI:

a) **Income Tax Holiday for Seven (7) Years** from date of actual commercial operation reckoned from the state at which the RE Plant generated the first kilowatt-hour of energy after commissioning or testing or two (2) months from the date of such commissioning or testing, whichever comes earlier, as certified by the Department of Energy (DOE) but availment of ITH shall in no case earlier than date of BOI registration, as may be applicable.

a.i The ITH shall be limited only to revenues derived from power generated and sold to the grid, other entities and/or communities. For this purpose, the enterprise shall submit audited segregated income statements and simplified income statement form as prescribed by the Board, as shown hereunder* for this registered project.

a.ii The enterprise shall submit the list of cost items common to all its projects/activities (whether BOI or non-BOI registered) and the methodology adopted in allocating common cost between the registered and non-registered activity/ies.

a.iii Interest Expense on the enterprise's liabilities shall be appropriately allocated between the registered and non-registered activity/ies.

Notwithstanding the provisions of the preceding paragraphs, the Board, as a matter of national interest and for reasonable causes, reserves the right to suspend the availment of ITH.

(Continued on page 3)

*Change of registered project's name **from Bineng 1-2B Combination Hydroelectric Power Project** to **La Trinidad Hydroelectric Power Project** per Management Committee Resolution No. 19-09, Series of 2018. 08/18/18

The enterprise shall secure the following:

i. From the DOE-REMB, a Certificate of Endorsement that the enterprise is in good standing for availment of the ITH incentive prior to filing of application for issuance of the certificate of ITH entitlement with the BOI; and

ii. From the BOI Legal and Compliance Service, a Certificate of ITH Entitlement prior to filing of Income Tax Return (ITR) with BIR, otherwise, ITH for that particular taxable year shall be forfeited.

Date of filing: *An application should be filed with the BOI Incentives Administration Service within one (1) month from filing of the final Income Tax Return (ITR) with the Bureau of Internal Revenue (BIR) in order to validate the claim for income tax exemption.*

****SIMPLIFIED INCOME STATEMENT FORM:***

Eligible Revenue	
Less: Cost of Sales	
Gross Profit	
Less: Operating Expenses	
Other Charges/Expenses	
Net Income	
Add/Deduct: Reconciling Entries Related to Registered Activity (Net)	
Taxable Income from Registered Activity	
Tax Rate	
Tax Due/ Estimated ITH	

The application shall be accompanied by a certification by SSS that the enterprise is in good standing in the remittances of SSS contributions of its employees.

b) **Duty-Free Importation of RE Machinery, Equipment and Materials including control and communication equipment,** within the first ten (10) years from the issuance of the DOE Certificate of Registration.

The enterprise shall secure from the DOE-REMB a Certificate of Endorsement that the enterprise is in good standing for availment of this incentive. The Endorsement shall be on a per transaction basis. "Per transaction" means per application of incentives.

c) **Tax exemption of Carbon Credits** - all proceeds from the sale of carbon emission credits including the expected value of the CER in the future (discounted at an acceptable rate) shall be exempt from any and all taxes.

(Continued on page 4)

*Change of registered project's name from **Bineng 1-2B Combination Hydroelectric Power Project** to **La Trinidad Hydroelectric Power Project** per Management Committee Resolution No. 19-09, Series of 2018.

08/15/18

6. The enterprise may also avail of the following incentives under R.A. 9513 to be administered by appropriate government agencies subject to the Rules and Regulations of the respective administering government agencies.

   a) Special Realty Tax Rates on Equipment and Machinery

   Realty and other taxes on civil works, equipment, machinery, and other improvements of a registered enterprise actually and exclusively used for RE facilities shall not exceed one and a half percent (1.5%) of the original cost less accumulated normal depreciation or net book value.

   b) Net Operating Loss Carry-Over (NOLCO)

   The NOLCO during the first three years from the start of commercial operation shall be carried over as a deduction from the gross income as defined in the National Internal Revenue Code of 1997 (NIRC) for the next seven consecutive taxable years immediately following the year of such loss.

   c) Corporate Tax Rate

   After availment of the ITH, the enterprise shall pay a corporate tax of ten percent (10%) on its taxable income as defined in the NIRC, provided that it shall pass on the savings to the end users in the form of lower rates.

   The implementation of the power rate reduction must be consistent with the mechanism determined by the Energy Regulatory Commission in coordination with the Department of Energy.

   d) Accelerated Depreciation

   The plant, machinery, and equipment that are reasonably needed and actually used for the exploration, development and utilization of RE resources may be depreciated using a rate not exceeding twice the rate which would have been used had the annual allowance been computed in accordance with the rules and regulations prescribed by the Department of Finance and the provisions of the NIRC.

   The enterprise that applies for accelerated depreciation shall no longer be eligible to avail of the ITH.

(Continued on page 5)

*Change of registered project's name from **Bineng 1-2B Combination Hydroelectric Power Project** to **La Trinidad Hydroelectric Power Project** per Management Committee Resolution No. 19 09, Series of 2018.

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e) **Zero-Percent Value-Added Tax Rate**

The sale of fuel or power generated by the enterprise from renewable sources of energy such as biomass, as well as its purchases of local supply of goods, properties and services needed for the development, construction and installation of its plant facilities and the whole process of exploration and development of RE sources up to its conversion into power shall be subject to zero percent value-added tax pursuant to the NIRC.

f) **Cash Incentive of Renewable Energy Developers for Missionary Electrification**

The enterprise may be entitled to a cash generation-based incentive per kilowatt-hour rate generated, equivalent to fifty percent (50%) of the universal charge for power needed to service missionary areas, chargeable against the universal charge for missionary electrification.

g) **Tax Credit on Domestic Capital Equipment and Services**

A tax credit equivalent to one hundred percent (100%) of the value of the value-added tax and custom duties that would have been paid on the RE machinery, equipment, materials and parts had these items been imported shall be given to the enterprise that purchases machinery, equipment, materials and parts from a domestic manufacturer.

7. The enterprise should endeavor to undertake meaningful and sustainable Corporate Social Responsibility (CSR) activities in the locality where the project is implemented.

8. The enterprise shall maintain books of account for this registered project separate from all its other operation/s and/or activity/ies.

9. The enterprise must be committed to the tenets of Good Corporate Governance.

10. In the event of transfer to another Investment Promotion Agency, the enterprise shall undertake the publication of its cancellation of BOI registration in a newspaper of general circulation.

11. The enterprise shall visit the BOI website (http://www.boi.gov.ph) on a regular basis for updates on BOI rules, policies and guidelines.

12. The enterprise shall abide by the rules, policies, guidelines and regulations set forth by the Department of Energy (DOE) pertinent to the registered project.

*****oOo*****

*Change of registered project's name from **Bineng 1-2B Combination Hydroelectric Power Project** to **La Trinidad Hydroelectric Power Project** per Management Committee Resolution No. 19-09, Series of 2018.

08/15/18

HEDCOR, INC.

(La Trinidad, Benguet)
Renewable Energy Developer of Hydropower Resources
*** (19MW Bineng 1-2B Combination Hydroelectric Power Project)**

C.R. No. 2018-019

GENERAL TERMS AND CONDITIONS

1. The enterprise shall observe and abide by the provisions of the Omnibus Investments Code of 1987 and other related laws and their implementing rules and regulations as well as its commitments and representations made in the application for registration and take adequate measures to ensure that its obligation thereunder as well as those of its officers, employees and stockholders are faithfully discharged; provided it is understood that any misrepresentation or falsification in the documents or other supporting papers submitted to the Board shall constitute as ground for automatic cancellation of its registration.

2. The enterprise's Address of Record shall be **12/F NAC Tower, 32nd Street, Bonifacio Global City, Taguig, Metro Manila 1634.** All BOI notices/communications to the firm shall be sent to this address. The firm shall be responsible for notifying BOI, in writing, of any changes in its Address of Record, within ten (10) calendar days after such change, and therefore, should it fail to do so, service of all BOI communications, notices or processes in its Address of Record shall be considered valid, complete and binding to this enterprise.

   In case the enterprise has an authorized representative, designated as such by virtue of a Board Resolution of the firm, duly certified by its Board Secretary, and as appearing in the records of the BOI, it shall be so indicated that notices, communications and/or processes of the latter shall be sent to said representative. The authorized representative shall be responsible for notifying BOI, in writing, of any changes in its Address of Record within ten (10) calendar days after such change, and therefore, should it fail to do so, service of all BOI communications, notices or processes in the Address of Record of such authorized representative shall be considered valid, complete and binding to this enterprise.

3. The enterprise shall notify the BOI before doing any of the following acts:
   (Per Board Res. No. 38-16 S'2005 dated November 22, 2005)

   a. Invest in, extend loans, or buy bonds, in substantial amount, from any properties either in the Philippines or abroad. This does not apply to bonds issued by the Philippine Government;
   b. Issue stock convertible into voting stocks;
   c. Buy its own stocks.

4. The enterprise shall secure prior permission of the BOI before doing any of the following acts:

   a. Transfer ownership and /or control of the enterprise;
   b. Engage in an undertaking other than the preferred project covered by its registration;
   c. Expand its capacity, with or without incentives.

5. The enterprise shall maintain separate books of accounts for each activity, registered and unregistered with the Board. Moreover, the firm shall submit a list of direct costs attributable to each type of activity for purposes of determining the taxable income of each activity.

(Continued on page 2)

*Change of registered project's name **from Bineng 1-2B Combination Hydroelectric Power Project** to **La Trinidad Hydroelectric Power Project** per Management Committee Resolution No. 19-09, Series of 2018. 08/15/18

6. The enterprise shall submit to the Board an annual report of its actual investments, taxes paid and employment in the project within one (1) month following the end of the firm's calendar/fiscal year.

7. The enterprise shall comply with environmental laws and regulations.

8. The enterprise shall comply with the Tree-Planting Program of the BOI requiring a minimum of one hundred (100) forest trees to be planted pursuant to Memorandum Circular No. 01, not later than one (1) year from date of registration. Proof of compliance must be submitted within (1) year from the first anniversary date of the firm's registration; otherwise, applications for availment of any incentive by the firm shall not be accepted by the Board.

9. The enterprise shall comply with the other conditions and representations made and accepted by the firm as embodied in its project feasibility study and confirmation letter, among others, and shall form part of this registration.

10. All the fiscal and non-fiscal incentives which do not contain specific period for their enjoyment shall terminate after a period of not more than ten (10) years from date of registration.

11. Failure of the enterprise to file an incentive application within the prescribed date will mean imposition of fines and penalty including possible forfeiture or suspension of incentives or non-acceptance of the said application.

12. The enterprise shall submit the following reporting requirements to the BOI Legal and Compliance Service on or before their respective due dates:

• S1 (Annual Report of Performance)	Calendar Year on or before 30 April Fiscal Year four (4) months after the end of Fiscal Year
• Annual Audited Financial Statement	One(1) month from the date of filing with the BIR
• Annual Income Tax Return	Thirty (30) calendar days from the date of filing with the BIR

The enterprise shall submit the S-1 in both soft (Excel format) and hard copies. Only one hard copy is required, which should be notarized and duly signed by the enterprise's authorized representative. Further, the Audited Financial Statements and Income Tax Return (ITR), duly stamped by the Bureau of Internal Revenue shall be scanned and submitted in a Compact Disc.

The enterprise may submit the above report on-line to monitor@yahoo.com.ph
For late filing and/or non-submission of reports and other requirements, the Board shall impose such fines in accordance with the schedules as set forth in the rules.

------------oOo------------ Anf

*Change of registered project's name from **Bineng 1-2B Combination Hydroelectric Power Project** to **La Trinidad Hydroelectric Power Project** per Management Committee Resolution No. 19-09, Series of 2018. Anf

BOARD OF INVESTMENTS
PHILIPPINES

DEPARTMENT OF TRADE & INDUSTRY
PHILIPPINES

23 October 2013

HEDCOR SABANGAN, INC.
Barangay Namatec, Sabangan
Mountain Province

Attention: **MR. RENE B. RONQUILLO**
President

Gentlemen:

Congratulations! Your project is now registered with the Board of Investments as **Renewable Energy Developer of 13.2 MW Sabangan Hydroelectric Power Plant** under the Renewable Energy Act of 2008 (RA 9513).

The attached Certificate of Registration incorporates the agreed Terms and Conditions of your registration, including all the fiscal and non-fiscal incentives available to the registered project. Other incentives with no specific number of years of entitlement may be enjoyed for a maximum period of ten (10) years from the start of your commercial operation and/ or date of registration.

Very truly yours,

EXEC. DIR. EFREN V. LEAÑO
Board Secretary

BOARD OF INVESTMENTS
PHILIPPINES

Republic of the Philippines
BOARD OF INVESTMENTS
Makati City

DEPARTMENT OF TRADE & INDUSTRY PHILIPPINES

CERTIFICATE OF REGISTRATION

No. 2013-210

TO ALL WHOM IT MAY CONCERN:

This is to certify that the Board of Investments has duly registered

HEDCOR SABANGAN, INC.
Renewable Energy Developer of 13.2 MW Sabangan Hydroelectric Power Plant

in accordance with the provisions of the Omnibus Investments Code of 1987, as amended, subject to the representations and commitments set forth in its application for registration, the provisions of the above law, the rules and regulations of the Board of Investments and the terms and conditions herein prescribed.

In testimony whereof the seal of the Board of Investments and the signature of its Chairman / Vice - Chairman is hereunto affixed. Given at Makati City, Philippines, this 23rd day of, October 2013.

Board Res. No. 19 -03 S'2013

ADRIAN S. CRISTOBAL JR.
Undersecretary and BOI Managing Head

280245

Department of Trade and Industry

Attested:

EXEC. DIR. EFREN V. LEAÑO
Board Secretary

HEDCOR SABANGAN, INC.
(Sabangan, Mountain Province)

Type of Registration/Activity	:	**RENEWABLE ENERGY DEVELOPER OF SABANGAN HYDROELECTRIC POWER PLANT**
Capacity	:	**13.2 MW**
Status	:	**N/A; UNDER RA 9513**
Certificate of Registration No.	:	**2013-210**
Date	:	**OCTOBER 23, 2013**

x---x

SPECIFIC TERMS AND CONDITIONS

1. The enterprise shall start commercial operation in **February 2015**. Request for amendment of timetable should be filed before the scheduled start of commercial operation. However, movement of Income Tax Holiday (ITH) period is subject to Art 7 of EO 226.

2. That the enterprise shall secure a Certificate of Compliance (COC) from the Energy Regulation Commission (ERC) prior to the start of commercial operation subject to the condition that in the event that ERC denies the said COC, registration shall be subject to automatic cancellation procedure.

3. The enterprise shall increase its stockholders' equity **to at least PhP470.401 Million** equivalent to 25% of the total project cost and shall submit proof of compliance prior to availment of Income Tax Holiday. Equity shall include paid-up capital stock, additional paid-in capital and unrestricted retained earnings and restricted retained earnings provided that such is intended for the project. Appraisal surplus and treasury stock should not be included as part of stockholders equity for this purpose.

   The 25% equity requirement shall be based on the annual capital requirement of the project; provided that the total equity requirement of 25% is complied with on the first year of ITH availment.

4. The enterprise should endeavor to undertake Corporate Social Responsibility (CSR) activities in the locality where the registered project is located

5. Prior to availment of ITH, the enterprise shall submit a copy of its Environmental Compliance Certificate (ECC) pursuant to P.D. No. 1586 (Philippine Environmental Impact Statement System) or Certificate of Non-Coverage (CNC) issued by the Environmental Management Bureau (EMB) of the Department of Environment and Natural Resources (DENR), whichever is applicable to the registered project, and other applicable clearances under the relevant environmental laws.

6. The enterprise shall be entitled to the following incentives under the administration of the BOI:

   a) Income Tax Holiday for **Seven (7) Years** from **February 2015** or date of commissioning, whichever is earlier.

      a.i) The entitlement to ITH incentive is subject to the condition that the approved generation rate of the Energy Regulation Commission (ERC) assumes that the project will be given ITH.

      For this purpose, the enterprise shall submit a sworn statement to the effect that the ITH incentive has been taken into consideration in deriving its ERC approved generation rate.

(Continued on page 2)

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a.ii) The ITH shall be limited only to the revenues generated from the sales of electricity of the **13.2 MW Sabangan Hydroelectric Power Plant (Barangay Namatec, Sabangan, Mountain Province).** Only revenues derived from power generated and sold to the grid, other entities and/or communities shall be entitled to ITH. For this purpose, the enterprise shall submit audited segregated income statements for this registered project. Net income from operation of the registered activity shall be certified under oath by the Chief Executive Officer (CEO) or Chief Financial Officer (CFO).

a.iii) The enterprise shall submit the list of cost items common to all its projects/activities (whether BOI or non-BOI registered) and the methodology adopted in allocating common cost between the registered and non-registered activity/ies.

a.iv) Interest Expense on the enterprise's liabilities shall be appropriately allocated between the registered activity/ies and non-registered activity/ies.

Notwithstanding the provisions of the preceding paragraphs, the Board, as a matter of national interest and for reasonable causes, reserves the right to suspend the availment of ITH.

The enterprise shall secure the following:

i. From the DOE-REMB, a Certificate of Endorsement that the enterprise is in good standing for availment of the ITH incentive prior to filing of application for issuance of the certificate of ITH entitlement with the BOI; and

ii. From the BOI Supervision and Monitoring Department (SMD), a certificate of ITH entitlement prior to filing of Income Tax Return (ITR) with BIR, otherwise, ITH for that particular taxable year shall be forfeited.

Date of filing: *An application should be filed with the BOI Incentives Department within one (1) month from filing of the final Income Tax Return (ITR) with the Bureau of Internal Revenue (BIR) in order to validate the claim for income tax exemption.*

The application shall be accompanied by a certification by SSS that the enterprise is in good standing in the remittances of SSS contributions of its employees.

b) **Duty-Free Importation of RE Machinery, Equipment and Materials including control and communication equipment,** within the first ten (10) years from the issuance of the BOI certificate of registration.

The enterprise shall secure from the DOE-REMB a Certificate of Endorsement that the enterprise is in good standing for availment of this incentive. The Endorsement shall be on a per transaction basis. "Per transaction" means per application of incentives.

(Continued on page 3) raa

c) **Tax exemption of Carbon Credits** - all proceeds from the sale of carbon emission credits including the expected value of the CER in the future (discounted at an acceptable rate) shall be exempt from any and all taxes.

7. The enterprise shall also be entitled to the following incentives under R.A. 9513 to be administered by appropriate government agencies subject to the Rules and Regulations of the respective administering government agencies.

a) Special Realty Tax Rates on Equipment and Machinery

Realty and other taxes on civil works, equipment, machinery, and other improvements of a registered enterprise actually and exclusively used for RE facilities shall not exceed one and a half percent (1.5%) of the original cost less accumulated normal depreciation or net book value.

b) Net Operating Loss Carry-Over (NOLCO)

The NOLCO during the first three years from the start of commercial operation shall be carried over as a deduction from the gross income as defined in the National Internal Revenue Code of 1997 (NIRC) for the next seven consecutive taxable years immediately following the year of such loss.

c) Corporate Tax Rate

After availment of the ITH, the enterprise shall pay a corporate tax of ten percent (10%) on its taxable income as defined in the NIRC, provided that it shall pass on the savings to the end users in the form of lower rates.

The enterprise shall submit an undertaking that the incentives availed of shall translate to the benefits of the end-users in terms of reduced price of electricity. Semi-annual report shall be submitted to the BOI reflecting compliance to this condition.

d) Accelerated Depreciation

The plant, machinery, and equipment that are reasonably needed and actually used for the exploration, development and utilization of RE resources may be depreciated using a rate not exceeding twice the rate which would have been used had the annual allowance been computed in accordance with the rules and regulations prescribed by the Department of Finance and the provisions of the NIRC.

The enterprise that applies for accelerated depreciation shall no longer be eligible to avail of the ITH.

(Continued on page 4) raa

e) **Zero-Percent Value-Added Tax Rate**

The sale of power generated by the enterprise as well as its purchases of local supply of goods, properties and services needed for the development, construction and installation of its plant facilities and the whole process of exploration and development of RE sources up to its conversion into power shall be subject to zero percent value-added tax pursuant to the NIRC.

f) **Cash Incentive of Renewable Energy Developers for Missionary Electrification**

The enterprise may be entitled to a cash generation-based incentive per kilowatt-hour rate generated, equivalent to fifty percent (50%) of the universal charge for power needed to service missionary areas, chargeable against the universal charge for missionary electrification.

g) **Tax Credit on Domestic Capital Equipment and Services**

A Tax credit equivalent to one hundred percent (100%) of the value of the value-added tax and custom duties that would have been paid on the RE machinery, equipment, materials and parts had these items been imported shall be given to the enterprise that purchases machinery, equipment, materials and parts from a domestic manufacturer.

8. The enterprise shall submit to the BOI Supervision and Monitoring Department, on a semestral basis, within fifteen (15) days from end of each semester, a report on actual investments, employment, sales, production costs, actual ITH availed of for each year, and other information that the Board may require at any given time with respect to the registered project.

9. The enterprise shall be subject to the provisions of BIR Revenue Regulation (RR) No. 1-2010 Amending further Section 3 of RR No. 9-2001, as last amended by RR No.10-2007, Expanding the Coverage of Taxpayers Required to File Returns and Pay Taxes Through the Electronic Filing and Payment System (EFPS) of the BIR.

10. The enterprise must commit to the tenets of Good Corporate Governance.

11. The enterprise shall adopt measures intended to reduce climate change risks in support of the National Framework Strategy on Climate Change.

12. In the event of transfer to another Investment Promotion Agency, the enterprise shall undertake the publication of its cancellation of BOI registration in a newspaper of general circulation.

13. The enterprise shall visit the BOI website (http://www.boi.gov.ph) on a regular basis for updates on BOI rules, policies and guidelines.

14. The enterprise shall abide by the rules, policies, guidelines and regulations set forth by the Department of Energy (DOE) pertinent to the registered project.

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HEDCOR SABANGAN, INC.
(13.2 MW Sabangan Hydroelectric Power Plant Project)
C.R. No. 2013-210

GENERAL TERMS AND CONDITIONS

1. The enterprise shall observe and abide by the provisions of the Omnibus Investments Code of 1987, as amended, and other related laws and their implementing rules and regulations as well as its commitments and representations made in the application for registration and take adequate measures to ensure that its obligation thereunder as well as those of its officers, employees and stockholders are faithfully discharged; provided it is understood that any misrepresentation or falsification in the documents or other supporting papers submitted to the Board shall constitute as ground for automatic cancellation of its registration.

2. The enterprise's Address of Record shall be **Barangay Namatec, Sabangan, Mountain Province.** All BOI notices/communications to the enterprise shall be sent to this address. The enterprise shall be responsible for notifying BOI, in writing, of any changes in its Address of Record, within ten (10) calendar days after such change, and therefore, should it fail to do so, service of all BOI communications, notices or processes in its Address of Record shall be considered valid, complete and binding to this enterprise.

   In case the enterprise has an authorized representative, designated as such by virtue of a Board Resolution of the enterprise, duly certified by its Board Secretary, and as appearing in the records of the BOI, it shall be so indicated that notices, communications and/or processes of the latter shall be sent to said representative. The authorized representative shall be responsible for notifying BOI, in writing, of any changes in its Address of Record within ten (10) calendar days after such change, and therefore, should it fail to do so, service of all BOI communications, notices or processes in the Address of Record of such authorized representative shall be considered valid, complete and binding to this enterprise.

3. The enterprise shall notify the BOI before doing any of the following acts:
   (Per Board Res. No. 38-16 S'2005 dated November 22, 2005)
   a. Invest in, extend loans, or buy bonds, in substantial amount, from any enterprise either in the Philippines or abroad. This does not apply to bond issued by the Philippine Government;
   b. Issue stock convertible into voting stocks; or
   c. Buy its own stocks.

4. The enterprise shall secure prior permission of the BOI before doing any of the following acts:
   a. Transfer ownership and /or control of the enterprise;
   b. Engage in an undertaking other than the preferred project covered by its registration; or
   c. Expand its capacity, with or without incentives.

5. The enterprise shall maintain separate books of accounts for each activity, registered and unregistered with the Board. Moreover, the enterprise shall submit a list of direct costs attributable to each type of activity for purposes of determining the taxable income of each activity.

(Continued on page 2) naa

6. The enterprise shall submit to the Board an annual report of its actual investments, taxes paid and employment in the project within one (1) month following the end of the enterprise's calendar/fiscal year.

7. The enterprise shall comply with environmental laws and regulations.

8. The enterprise shall comply with the tree-planting program of the BOI requiring a minimum of one hundred (100) forest trees to be planted pursuant to Memorandum Circular No. 01, not later than one (1) year from date of registration. Proof of compliance must be submitted within (1) year from the first anniversary date of the enterprise's registration; otherwise, applications for availment of any incentive by the enterprise shall not be accepted by the Board.

9. The enterprise shall comply with the other conditions and representations made and accepted by the enterprise as embodied in its project feasibility study and confirmation letter, among others, and shall form part of this registration.

10. All the fiscal and non-fiscal incentives which do not contain a specific period for their enjoyment shall terminate after a period of not more than ten (10) years from date of registration.

11. Failure of the enterprise to file an incentive application within the prescribed date will mean imposition of fines and penalty including possible forfeiture or suspension of incentives or non-acceptance of the said application.

12. The enterprise shall submit the following reporting requirements to the Supervision and Monitoring Dept. on or before their respective due dates:

• S1 (Annual Report of Performance)	Calendar year - May 15 Fiscal year – 4 ½ months after the end of fiscal year
• Annual Audited Financial Statement	One (1) month from the date of filing with the BIR
• Annual Income Tax Return	Thirty (30) calendar days from the date of filing with the BIR

The enterprise may submit the above reports **on-line** to **SMD@boi.gov.ph**

For late filing and/or non-submission of reports and other requirements, the Board shall impose such fines in accordance with the schedules as set forth in the rules.

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SCANNED

BOARD OF INVESTMENTS

DEPARTMENT OF TRADE & INDUSTRY PHILIPPINES

24 March 2008

LUZON HYDRO CORPORATION
Level 6. Legaspi Bldg. 110 Legaspi St
Makati City

Gentlemen:

We are pleased to inform you that the Board, in its meeting of 19 March 2008, approved your application for the extension for one (1) year of your income tax holiday (ITH) incentive. The approved bonus year under your Certificate of Registration No. 95-262 is for the period April 01, 2007 to March 31, 2008 using the indigenous raw material criterion pursuant to Art. 39(a)(1)(ii) of E.O. 226, subject to the following conditions:

1. At the time of actual availment of the ITH incentive, the derived ratio of the cost of indigenous raw materials shall be at least 50% of the total raw materials cost; and
2. You shall comply with your commitment to undertake Corporate Social Responsibilities (CSR) activities as shown in Annex "G" of your application on the actual availment of the bonus year. The amount spent for the CSR activities shall be reflected in the Notes to your Audited Financial Statements. Failure to complete the CSR activity shall mean forfeiture of the approved ITH bonus year.

Furthermore, we would like to take this opportunity to remind you that the filing of the application for actual availment of the ITH incentive with BOI is within one (1) month from the date of filing of your final Income Tax Return (ITR) with the BIR. Applications for income tax exemption which are filed beyond the prescribed period shall be subject to penalty in accordance with the rates imposed by the Board.

For your guidance.

Very truly yours,

ANGELICA M. CAYAS
Director
Incentives Department

LSM/abr

Industry & Investments Building 385 Sen. Gil J. Puyat Avenue Makati City, Philippines
Tel.: (632) 897-6682 Fax Nos.: (632) 895-3521 (IPG) (632) 895-3981 (IG) (632) 895-3978 (TSG)
(632) 890-3051 (AD) E-mail OSAC@boi.gov.ph Homepage: http://www.boi.gov.ph
Cable address: INVESTBOARD P.O. Box 1872 Makati

Republic of the Philippines
BOARD OF INVESTMENTS
Makati City

CERTIFICATE OF REGISTRATION

No. 96-262

TO ALL WHOM IT MAY CONCERN:

This is to certify that the Board of Investments has duly registered

LUZON HYDRO CORPORATION

in accordance with the provisions of the Omnibus Investments Code of 1987 subject to the representations and commitments set forth in its application for registration, the provisions of the above law, the rules and regulations of the Board of Investments and the terms and conditions herein prescribed.

In testimony whereof the seal of the Board of Investments and the signatures of its Chairman and Vice-Chairman are hereunto affixed. Given at Makati City, Philippines, this 15th *day of* January, *19* 97.

USEC. MELITO S. SALAZAR, JR.
Vice-Chairman & Managing Head

Attested:

FRANCES JEANNE L. SARMIENTO
Acting *Board Secretary*
Bd. Res. #1193-13 S'96

178689

Department of Trade and Industry

REPUBLIC OF THE PHILIPPINES
BOARD OF INVESTMENTS
INDUSTRY & INVESTMENTS BUILDING
385 GIL J. PUYAT AVE.
MAKATI CITY

SUPPORT PHILIPPINES 2000

January 31, 1997

LUZON HYDRO CORPORATION
c/o 110 Legaspi St.,
Makati City

Gentlemen:

Please be informed that as of the date stated in the Certificate of Registration, you are hereby registered with the Board of Investments as **Existing New Operator of Power Generating Plant** on a preferred **Pioneer** Status under the Omnibus Investments Code of 1987 (E.O. 226).

The attached Certificate of Registration further incorporates the agreed terms and conditions.

Very truly yours,

Sarmiento

FRANCES JEANNE L. SARMIENTO
Acting Board Secretary

CABLE ADDRESS: INVESTBOARD FAX NOS.: 895-4024 (AD) 895-3981 (IG) 895-3978 (TSG) 895-3521 (IPG) TEL.: 897-6682 P.O. BOX 1872 MAKATI

LUZON HYDRO CORPORATION

TYPE OF REGISTRATION / ACTIVITY: NEW OPERATOR OF POWER GENERATING PLANT
STATUS: PIONEER
REGISTERED CAPACITY: 70MW
CERTIFICATE OF REGISTRATION NO.: 96-262 DATED JANUARY 15, 1997
x--x

SPECIFIC TERMS AND CONDITIONS

1. The enterprise shall submit an Environmental Compliance Certificate (ECC) prior to start of commercial operation.

2. The enterprise shall maintain a separate accounting system for its registered activity.

3. The enterprise shall adhere to project timetable as follows:

Activity	Date
Start of Construction of Access Road / Skyway / Other Infrastructure	December 1997 or earlier
Start of Construction of Tunnel / Weir / Fabrication of Pipeline / Penstock	April 1998 or earlier
Installation / Construction of Power Station	November 1999 or earlier
Installation of Machinery / Equipment	July 2000 or earlier
Trial Run	April 2001 or earlier
Start of Commercial operation	August 2001 or earlier

and in the event that any phase of the project is not implemented according to the aforementioned schedule, upon notice the project shall automatically be cancelled.

4. The enterprise shall be entitled to the following incentives:

   a. Income Tax Holiday (ITH) for six (6) years from August 2001 or actual start of commercial operation, whichever comes first but in no case earlier than the date of registration.
   Date of Filing: Within one (1) month from filing of the final ITR with BIR.

   b. Importation of brand new capital equipment and its accompanying spare parts up to December 31, 1997 and will be subject to the provisions of R.A. 7716 (Expanded VAT Law) and to three percent (3%) Customs duties unless said equipment is listed as duty-exempt under Section 3 of R.A. 7369.
   Date of Filing: Before opening of the Letters of Credit.

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c. Tax credit on domestic capital equipment up to December 31, 1997 which shall be equivalent to the difference between the three percent (3%) maximum imposable duty under R.A. 7918 and the regular tariff rates under the Tariff and Customs Code unless said equipment is listed as duty exempt under Sec. 3 of R.A. 7369 and shall be subject to the provisions of R.A. 7716 (Expanded VAT Law).
Date of Filing: Within one (1) year from date of delivery.

d. Additional deduction for labor expense. For the first five (5) years from date of registration the registered firm shall be allowed an additional deduction from taxable income of fifty percent (50%) of the wages corresponding to the increment in the number of direct labor for skilled and unskilled workers in the year of availment as against the previous year if the project meets the prescribed ratio of the capital equipment to number of workers set by the Board of $10,000 to one (1) worker and provided that this incentive shall not be availed of simultaneously with the ITH.

e. Employment of foreign nationals;
- Newly hired - Before assumption of duty/employment
- Extension - At least one (1) month before expiration of existing employment authority

f. Unrestricted use of consigned equipment.

Failure of the enterprise to file incentives application within the prescribed dates will mean imposition of fines and penalties, including possible forfeiture of incentives or non-acceptance of the said application.

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RULE X. FINES

The following schedule of fines for later and/or non submission of report shall apply to all registered enterprises:

I. For late filing of Annual Reports, i.e., Audited Financial Statements, Income Tax Returns and Annual Report on Commercial Operation

	Basic Fines	Maximum Daily Fine
1st violation	₱ 25.00	₱ 5.00
2nd violation	50.00	10.00
3rd violation and subsequent violations	100.00	20.00

II. For late filing of Quarterly Reports:

1st violation	₱ 25.00	₱ 5.00
2nd violation	50.00	10.00
3rd violation and subsequent violations	100.00	20.00

III. For late submission of clearance from the National Pollution Control Commission Basic fine of ₱ 50.00 and a daily fine of ₱ 1.00.

IV. For late compliance with the 10% public participation requirement Basic fine of ₱ 500.00 and a daily fine of ₱ 25.00.

V. For late filing of bonds Basic fine of ₱ 100.00 and a daily fine of ₱ 20.00.

VI. Fine for late implementation of project. A basic fine of 1% per project cost and a daily fine of ₱ 100.00 but not to exceed 100,000.00.

VII. Fine for cessation of operations or withdrawal from registered operations without prior Board approval. Same as in No. VI.

VIII. For the transfer, conveyance or assignment of imported capital equipment with incentives without prior Board approval as required, the fine shall be 1% of the acquisition cost as appearing in the invoice without prejudice to cancellation of Certificate of Registration.

IX. For other late filings or submission of other requirements not mentioned herein, but otherwise requred in connection with the registration of an enterprise, a similar reasonable fines shall be imposed by the Board.