



2012 Annual Report



Executing the Strategy

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Executing the Strategy

To thrive under today's competitive business environment, companies must be armed with sound strategies that they can effectively execute with timely precision.

We, in the AEV Group believe we are well positioned to pursue further growth and success, backed as we are by clearly defined strategies that have served us remarkably well over the past decade. We have executed time-tested strategies that have ensured a consistently great bounty for us, especially in recent years.

Moving forward, we intend to increase our yield by growing our core businesses – power, banking, food, and land – to their maximum potential. We will also seek out major investment opportunities that build on our competencies. We too are working towards achieving the sustainability of our enterprise by aiming to strike the triple bottom line balance of People, Profit, and Planet.

Our teams are responsible for executing our strategies to achieve targeted results. We are proud of all our teams for their dedication and commitment to the enterprise. Their passion for better ways is stronger than ever. They continue to be driven: driven to lead, driven to excel, and driven to serve.

We know where we are headed, ready to take an exhilarating journey of more growth and expansion, driven by effective and sound strategies timely executed.

Our execution of these strategies will be guided by the Aboitiz core values of integrity, innovation, responsibility and teamwork.

We are pleased to share our story for 2012 in this integrated AEV Group Annual Report, which records the highlights of a rewarding year and reveals some of our plans for the future. This report signifies our unity as a business organization as we continue to carry out our mission to create long-term value for all our stakeholders.

Aboitiz Equity Ventures

Aboitiz Equity Ventures, Inc. (AEV) is the publicly listed holding and investment company of the Aboitiz Group with major investments in power, banking, food, and land. 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.

Mission

To create long-term value
for all its stakeholders

Brand Essence

Passion for better ways

Brand Differentiators

- Driven
- Driven to lead
- Driven to excel
- Driven to serve

Corporate Values

- Integrity
- Innovation
- Teamwork
- Responsibility



At a Glance

Corporate Social Responsibility



Aboitiz Foundation

Aboitiz Foundation, Inc. is the social development arm of the Aboitiz Group. Established in 1988, the Foundation implements corporate social responsibility (CSR) interventions in education, enterprise development, primary health & child care, and environment in areas where Aboitiz companies operate.

Land



AboitizLand

One of the country's most trusted Cebu real estate developers, engaged in the design, development and management of distinct communities for residential, industrial and commercial use.

Food



Pilmico

Established in 1962, Pilmico is one of the country's largest manufacturers of flour and wheat by-products. In 1998, it ventured into feeds and swine business through its wholly-owned subsidiary Pilmico Animal Nutrition.

Banking



CitySavings

Believing in the philosophy of simple and straightforward banking, CitySavings is able to provide its clients with attractive rates and warm and efficient service. The thrift bank retains its "small bank" personality while growing its network and embracing technology to offer greater convenience to customers. Majority of its clients are public school teachers availing of DepEd salary loans.



UnionBank

As one of the largest commercial banks in the Philippines, UnionBank offers a wide range of financial products and services to retail customers, middle market and corporate clients, and major government institutions. The bank distinguishes itself through superior technology, unique branch sales and service culture, and a centralized backroom operations that enables the bank to provide responsive, scalable and secure transaction processing.



Distribution

and efficient systems that meet the consumers' need for electricity. AboitizPower has seven distribution utilities nationwide, including the second and third largest private utilities in the country. These utilities serve close to 770,000 customers.

Power



Generation

The generation group has 38 power plants that are located in strategic areas across the country. The group ensures that all its plants are available, reliable, and operate efficiently at the lowest possible cost. To build a stronger right-mix portfolio of assets, it harnesses power from both renewable (hydroelectric and geothermal) and non-renewable (coal and oil) sources.

Business Description

Net Income Contribution to AEV

(in Php millions)

2012 Operating Highlights

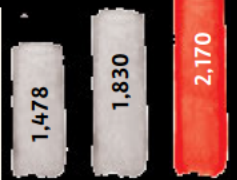
2013 Outlook



- Average selling price of generated power rose 3% mainly due to the 40% rise in average price of electricity at the Wholesale Electricity Spot Market
- Energy sales rose 13% to 10,659 GWh
- Capacity sales increased by 9% to 1,547 MW
- Attributable capacity totalled 2,353 MW in 2012 versus 2,350 MW in 2011
- Completed the rehabilitation of the Binga Hydro facility, which provided an expanded capacity of 110 MW

and brownfield projects to ensure on-time completion that is within specifications and budget

- Implement a group-wide asset management system to optimize critical assets and ensure high availability factors.
- Continue building and strengthening the organization through common standards and consistent policies and systems



- Total beneficial power sales went up 6% to 3,934 GWh
- Cotabato Light completed the rehabilitation of a substation; while Mactan EnerZone and Balamban EnerZone completed the maintenance of their substations
- Subic EnerZone and San Fernando Electric implemented the Performance Based Regulation (PBR) scheme, concluding AboitizPower's shift to PBR
- All distribution units reduced their system losses from the previous year. VECO and Cotabato Light ended the year with system losses of 8.9% and 9.5%, respectively, while Davao Light and all the EnerZones remained well below the cap of 8.5%

efficiency such as the use of Smart Metering system, Oracle Asset Management system, and the implementation of ISO 9001 for VECO and Davao Light

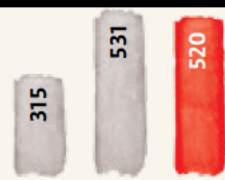
- Ensure a stable supply of power at reasonable costs by optimizing existing contracts, and pursuing new long-term contracts
- Gear up for a competitive, market-driven power industry with the start of Open Access, which gives customers the power to choose their energy providers



- Net income reached a record high of Php7.6 bn, up 15% from the previous year's Php6.6 bn
- Return on average equity and return on average assets at 17% and 3% from 16.7% and 2.5%, respectively
- Resources expanded to Php279.7 bn, an increase of 2.6% from 2011
- Net loans and receivables grew by 14% to Php119.7 bn, driven by auto and mortgage loans, and middle-market and SME lending
- Deposits contracted to Php189.8 bn due entirely to a strategy of reducing high cost funds and the negative carry on excess liquidity
- Total capital adequacy ratio further strengthened to 20.7% from 18.2%, and Tier 1 ratio to 18% from 15.3%
- The bank ended 2012 with 186 branches, supported by 232 onsite and offsite ATMs

share to total, consistent with the Bank's thrust of achieving a more cost-effective funding base

- Continue to take advantage of its leadership in the field of cash management, achieved through consistent delivery of innovative, customized and relevant business solutions
- Focus on building businesses based on consumers in support of its strategic objective of becoming a great Retail Bank
- With the acquisition of CitySavings, tap new markets for teachers' loans and expand loan business model to other civil servant market segments



- Loan portfolio increased 31% to Php13.1 bn
- Net interest income rose 8% to Php1.4 bn
- Deposits grew 10% to Php8.8 bn
- Capital funds rose 25% to Php2.3 bn
- Continued its branch expansion to widen its customer reach across the country
- The bank ended 2012 with 36 branches and extension offices nationwide
- Branch expansion pushed up CitySavings operating expenses by 26% to Php652 mn
- Implemented integration program for new employees and universal training plan for current staff and officers to strengthen its workforce

technological, and management capabilities through strategic cooperation with UnionBank

- UnionBank's resources and network strengths will enable CitySavings to accelerate plans to be the preferred bank for teachers nationwide and expand into broader civil servant and payroll loans market



- Overall sales rose 6% despite the turmoil and economic woes in other parts of the world
- Farm unit suffered from low selling prices in first half of 2012 but managed to recover in latter part of the year as farm gate prices improved and had tighter cost management
- Pilmico Foods Corporation celebrated its 50th year anniversary in 2012
- Kicked off Project Avenir together with AEV, VECO, and Davao Light. Through this project, Pilmico migrated to Oracle's R12 version to be able to enjoy new functionalities and further improve the company's enterprise resource management
- Successfully unloaded the very first Panamax vessel in Kiwanan port in Iligan

amid a very competitive market, challenged by lower-priced imported flour

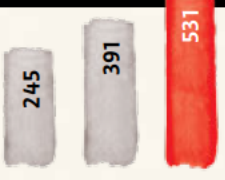
- Farm performance will remain stable until completion of the company's expansion projects and increase in sow level by 2014
- With Php1.3 bn earmarked for capital spending, Pilmico will expand and improve its facilities in Tarlac and Iligan, and farms in Luzon while at the same time pursuing projects that will lessen its carbon footprint
- Continue to improve procurement capabilities given its focus on risk management amid the volatile commodity prices of wheat, corn, and soya bean meal in the world market

AEV acquired AboitizLand in November 2012

- In March 2012, AboitizLand introduced Priveya Hills, its most extensive residential development to date spanning 60 hectares of premium residential lots
- In June 2012, it launched The Persimmon Studios, the company's largest condominium project so far, composed of 632 affordably priced studio units
- Subsidiary Cebu Industrial Park Developers Inc. celebrated its 20th year of partnership with Tsuneishi Heavy Industries of Japan
- AboitizLand entered into a joint venture agreement with Ayala Corp and ADC-HAS Airports Worldwide for the Mactan Cebu International Airport public-private partnership (PPP project)
- In November, AEV completed its purchase of AboitizLand from Aboitiz and Company

revitalized concept for a property in Canduman, Mandaue City; the 2nd phase inventory for both Priveya Hills and Pristina North Residences; and launch of a mid-income residential project

- Plans to participate in other PPP projects in the future following its bid for the Mactan Cebu International Airport PPP project with its JV partners
- Pursue and acquire a new industrial zone with the reawakening of industrial park in the Philippines
- Plan to upgrade Pueblo Verde and the IMEZ office building



Aboitiz Group CSR Allocation

- Allocated Php531 mn, the largest-ever in its 24-year history, for CSR projects
- Education continued to be the priority, getting Php260 mn or 49% of the total budget
- Under enterprise development, 73 microfinance loans totaling Php27.6 mn were granted to cooperatives in Cebu, Davao and Benguet
- The Group supported WeatherPhilippines Foundation by donating Php100 mn to install 1,000 automated weather stations to aid local government units in disaster preparedness
- BUs directly funded Php125 mn worth of projects in their respective communities

years in 2013

- Focus assistance in three program areas—education, enterprise development, and environment & sustainability
- Embed itself in the projects of BUs and cluster them to create a bigger impact
- Expand enterprise development projects in other areas outside Cebu, Davao and Benguet

Aboitiz Equity Ventures, Inc.

Financial Highlights

(in Php millions)

Revenues

2012	81,018
2011	71,997
2010	74,551

EBITDA

2012	40,816
2011	38,906
2010	40,030

Net Income to Equity Holders of the Parent

2012	11,044	23,929
2011	8,725	21,191
2010	8,725	21,865

▼ Dividends paid in succeeding years

Core Net Income

2012	23,388
2011	20,825
2010	21,836

Cash Dividend Paid to Common

2012	8,725
2011	8,725
2010	2,871

Cash and Cash Equivalents

2012	33,731
2011	29,543
2010	26,097

Total Assets

2012	222,768
2011	200,992
2010	174,967

Equity Attributable to Equity Holders of the Parent

2012	91,522
2011	77,078
2010	64,313

Market Capitalization

2012	292,383
2011	221,703
2010	204,861

Financial Summary

(in Php millions)




	2010	2011	2012	% change 2012 vs 2011
INCOME STATEMENT				
Revenues	74,551	71,997	81,018	12.5%
Operating costs & expenses	(45,682)	(49,073)	(58,117)	18.4%
Operating profit	28,869	22,925	22,901	-0.1%
Share in net earnings of associates	6,843	11,229	13,311	18.5%
Other charges	(4,808)	(5,840)	(4,210)	-27.9%
Income before income tax	30,904	28,314	32,002	13.0%
Provision for income tax	(1,625)	(1,729)	(1,897)	9.7%
Net income from continuing operations	29,279	26,585	30,105	13.2%
Net loss from disposal group	(1,466)	-	-	
Net income before non-controlling interests	27,813	26,585	30,105	13.2%
Non-controlling interests	(5,948)	(5,394)	(6,176)	
Net income attributable to equity holders of the parent	21,865	21,191	23,929	12.9%
EBITDA	40,030	38,906	40,816	4.9%
FINANCIAL CONDITION				
Total assets	174,967	200,992	222,768	10.8%
Total liabilities	96,650	106,014	109,265	3.1%
Non-controlling interests	14,004	17,900	21,981	22.8%
Equity attributable to equity holders of the parent	64,313	77,078	91,522	18.7%
RATIOS				
Per share (Pesos)				
Earnings	3.96	3.84	4.33	12.9%
Book value	11.65	13.96	16.57	18.7%
Cash dividend to common	0.52	1.58	1.58	
Return on equity	51.3%	36.7%	33.9%	
Current ratio	2.36	2.96	2.57	
Debt/equity	1.23	1.12	0.96	
Net debt/equity	0.70	0.59	0.45	

Income Contribution Breakdown PER BUSINESS SEGMENT (in Php millions)

POWER

12 	18,774
11 	16,500
10 	19,133

BANKING

12 	3,851
11 	3,445
10 	2,628

FOOD

12 	1,299
11 	1,233
10 	1,529

Equity Investment Breakdown PER BUSINESS SEGMENT (in Php millions)

POWER

12 	62,506
11 	52,452
10 	43,883

BANKING

12 	25,931
11 	22,147
10 	17,757

FOOD

12 	3,767
11 	3,259
10 	2,412

Financial Highlights

(in Php millions)

Operating Revenues



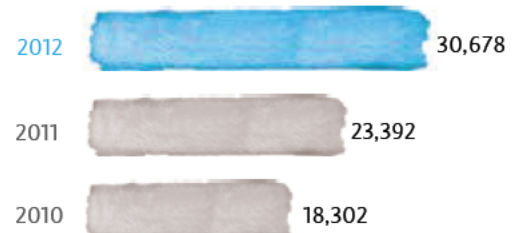
Cash Dividend Paid to Common



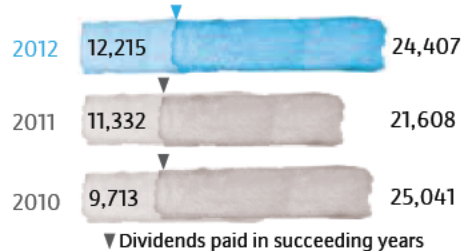
EBITDA



Cash and Cash Equivalents



Net Income to Equity Holders of the Parent*



Total Assets



Core Net Income



Equity Attributable to Equity Holders of the Parent*



Market Capitalization



* AboitizPower

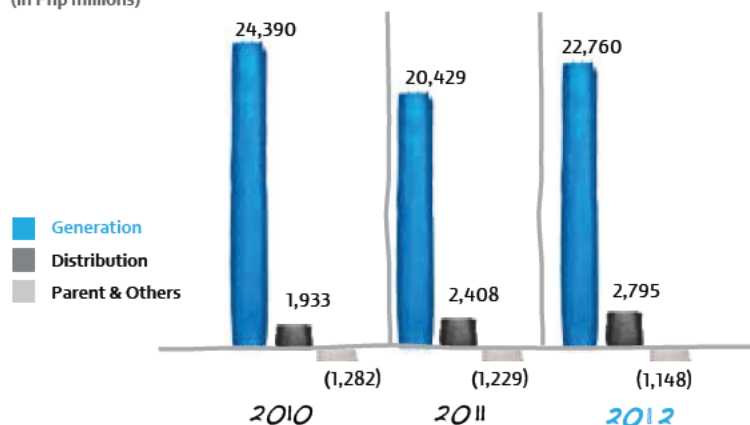
Financial Summary

(in Php millions)

	2010	2011	2012	% Change (2012 vs 2011)
Operating revenues	59,551	54,476	62,153	14%
Operating expenses	(33,320)	34,120	41,723	22%
Operating profit	26,231	20,355	20,430	0%
Share in net earnings of associates	4,626	8,437	9,939	18%
Other income (charges)	(4,853)	(5,791)	(4,089)	-29%
Income before income tax	26,004	23,001	26,279	14%
Provision for income tax	(921)	1,117	1,383	24%
Net income before non-controlling interests	25,083	21,884	24,896	14%
Net income attributable to non-controlling interests	(42)	(276)	(489)	77%
Net income attributable to equity holders of the parent	25,041	21,608	24,407	13%
EBITDA	34,362	32,846	34,215	4%
FINANCIAL CONDITION				
Total assets	134,557	153,528	163,272	6%
Total liabilities	76,823	83,336	80,463	-3%
Non-controlling interests	404	1,634	1,577	-3%
Equity attributable to equity holders of the parent	57,330	68,558	81,231	18%
RATIOS				
Per share (Pesos)				
Earnings	3.40	2.94	3.32	13%
Book value	7.79	9.32	11.04	18%
Cash dividend to common	0.30	1.32	1.54	17%
Return on equity	76%	43%	40%	
Current ratio	2.58	3.46	2.65	
Debt/equity	1.33	1.19	0.97	
Net debt/equity	0.84	0.71	0.44	

Income Contribution*

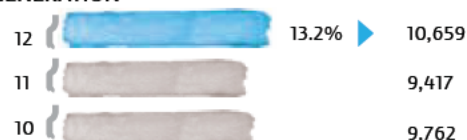
PER BUSINESS SEGMENT
(in Php millions)



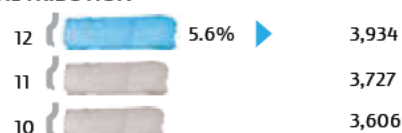
Attributable Power Sales**

(in GWh)

GENERATION



DISTRIBUTION



** Beneficial (the sum of subsidiary and associate figures multiplied by your company's ownership in the concerned subsidiary and associate companies)

From your Chairmen

Dear Fellow Shareholders,

Our warm greetings to all of you!

This consolidated report of the AEV Group has been designed and written with you in mind. We encourage you to read it not only to enhance your knowledge of the Group but also to better appreciate our initiatives. You matter to us and we trust you will see our Group as an integral part of your future.

We will keep our reports short and will simply focus on the main events of 2012 and give concise outlooks for the future. Clarity is what drives trust the most. We will keep on working at improving the clarity of our messages to you.

This joint Chairmen's message focuses on the larger picture and the softer, yet necessary, strategies starting from the very top – your Board of Directors.

Our country and our company are moving forward in many areas despite the lack of wind all over the world. The wind is beginning to blow a little stronger and that will help us into the future.

We are in the midst of a Philippine economy that is experiencing remarkable growth, posting a stellar 6.6% expansion in 2012, with a conservative forecast of 5–6% in 2013. Inflation in the past year has been kept in check at 3.3%, far below historical averages.

The Aquino administration's fiscal strategy and policy reforms, backed by robust macroeconomic fundamentals, are making foreign investors take a renewed interest and a serious look at the country for possible investments. Local businessmen have also become even more bullish to take advantage of the growth trajectory.

All these positive developments have earned for the Philippines its first investment grade of BBB– with stable outlook from Fitch Ratings, a first in our history. Considered a seal of good housekeeping, an investment grade encourages investors to do big businesses in our country.

With the stronger peso and record-low interest rates, consumers are now more confident to spend, thus benefitting consumer-driven industries. We have a strong and vibrant stock market, and the debt and capital market has become more accessible. These are factors that make it attractive for companies to raise capital and further invest in the country.



“Our enterprise has experienced exceptional growth in recent years, and as we continue to grow, we likewise strengthen our institutions and our governance.”

The PSE index hit record highs in 2012, with investor participation sharply increasing at the stock market. AboitizPower and UnionBank stocks performed very well and we are inspired to see continued keen investor interest in our stocks.

The general business atmosphere has certainly become more competitive on the back of our healthy economic growth. A 6% GDP growth, although considered medium for an economy of our demographics and at our per capita level, is enough to bring us to US\$3,000 per capita and to over a US\$300 billion (bn) economy by 2014. We were at about US\$100 bn a little over a decade ago.

Our economy today is being driven primarily by increased consumer spending and consumption boosted by government spending. The IT-BPO, real estate and housing industries are growing and significant gains are being made in tourism-related services. Growth is also supported by low and stable inflation, and increased inflows of overseas Filipinos' remittances.

At these levels, the purchasing power of many millions of people living in the Philippines is unleashed and the world's interest in us has accelerated.

Some fiscal restructuring in our country is now at play. The sin tax, particularly its indexing, is both structural and progressive. The RH bill puts de-facto economic facilitation in the hands of many of the poorer housewives of our economy. We hear nothing but good results about the government's Conditional Cash Transfer program as it seeks to narrow not just the poverty gaps of the weakest economically but also long-term educational gaps.

With bullishness, we await for the privatization of many major infrastructure projects, among them, the Mactan Cebu International Airport, the LRT 1, Cala X, the NLEX-SLEX Road Connector project, and of some of the remaining National Power Corporation (Napocor) assets. More privatization and other public-private partnerships (PPP) need to be done for our economy to continue growing and for increased and sustained confidence.

We, at Aboitiz, are preparing the structure of our enterprise as we expect GDP to double over the next seven to 10 years. That will bring us rapidly to a US\$600-bn economy, and it will change things again. Our balance sheet is ready. Our cash flows could not be stronger. Our profits are healthy, so financially we are prepared.

Our enterprise has experienced exceptional growth in recent years, and as we continue to grow, we likewise strengthen our institutions and our governance. We adhere to sound business practices underpinned by fundamental Aboitiz values.

While we have come a long way in the area of governance, we believe that we can still enhance it. Governance to us is abiding by a system of rules, practices and processes that guide us, and monitoring the actions of management and directors to ensure that we deliver what we promise into the future. And we are seriously committed to delivering on our promises.

From your Chairmen

Our efforts have not gone unnoticed. All our listed companies have earned their top rankings in corporate governance scorecards for public firms in the Philippines. The Asian region is taking notice too.

In the recent Asian Excellence Recognition Awards 2013 given by Corporate Governance Asia, AEV was recognized as best in Investor Relations and Corporate Social Responsibility (CSR), while AboitizPower earned the award as best in environmental responsibility.

You will see the advances in our thinking about CSR later in this report. We want to evolve from simply being the neighbor of choice of our host communities to becoming a good example to others. We not only want to build infrastructure but build intellectual capital as well. We will involve ourselves in projects that have long-term benefits in the lives of beneficiaries in the communities we serve.

We continue to strengthen our commitment to environmental responsibility and sustainability. Aboitiz business units initiate or pursue projects guided by our five sustainability pillars: rejuvenate nature, re-use/recycle, reduce, utilize renewable energy and recharge communities.

This year, we are going to launch our re-articulated corporate values. These time-honored principles have shaped and guided our organization for over a century now. Values matter because they strengthen institutions and institutions make all the difference in the world.

“We are an organization that is built to last, ready to pursue bountiful opportunities, with the flexibility to reshape ourselves for an even better strategic future.”



Brothers Ramon and Vidal Aboitiz led the Aboitiz enterprise through its evolution from a young shipping and trading firm to a highly diversified group of companies. Succeeding generations continue to pursue growth, executing strategies that are in step with the changing times.

Our values of integrity, innovation, responsibility and teamwork are lived day to day to the best of all our abilities. We need to better communicate these values so they are inculcated in all our team members across the Group.

Our Future

Moving forward and with everyone's collective efforts, we will continue to work at making the AEV Group stronger, more successful, and a truly sustainable enterprise that will continue to thrive for future generations to come. We are an organization that is built to last, ready to pursue bountiful opportunities, with the flexibility to reshape ourselves for an even better strategic future.

We are excited about making even greater headway as we move the corporate headquarters of AEV and AboitizPower from Cebu to Manila. Being in the nation's capital, we are confident this will have a significant positive impact on the future of our enterprise, allowing us to maximize opportunities for growth.

We are grateful to our team leaders and team members across the AEV Group for their valuable contributions, dedication and commitment to the organization. They continue to be driven: driven to lead, driven to excel, and driven to serve.

Our gratitude goes out to our customers, business partners, suppliers and communities for their continued partnership, trust and support.

The next message is that of our group CEO, Montxu, as many call him. He will talk to you about some strategic structural changes in investments like increased stakes, operational highlights and how far along we are in the execution of our strategy.

We wish you all a very prosperous Year of the Snake.

Sincerely yours,



Jon Ramon Aboitiz
Chairman of the Board
Aboitiz Equity Ventures, Inc.



Enrique M. Aboitiz, Jr.
Chairman of the Board
Aboitiz Power Corporation

From your President & CEO

My Fellow Shareholders,

Jon and Endika shared with you our collective thoughts on the country's political and economic highlights. They also discussed what we in the AEV Group are doing in the area of governance. For my part, I will touch on our 2012 operational highlights and some strategic initiatives that will hopefully give you a glimpse of our future.

2012 Results

Despite some challenges, 2012 turned out to be a good year for your company. The AEV Group ended the year with a consolidated net income of Php23.9 bn resulting to an earnings per share of Php4.33, 3% higher than in 2011. Our power business contributed the lion's share equivalent to Php18.8 bn or 78%. Our banking units turned in Php3.9 bn or 16% of AEV's total income. Our food subsidiary contributed the balance of Php1.3 bn.

Your investment in AEV yielded a Total Return to Shareholders (TRS) of Php80 bn, coming from the stock's appreciation of 32% and the Php8.7 bn of cash dividends distributed in April 2013. This translates to a total return of 36% for the year.

We hope you are as pleased as we are with the performance of our businesses and your investment in AEV.

Executing our Strategy

The future of your company is clear in our minds. Your management has set in place strategic initiatives to optimize the potential of our core businesses. We will augment this growth by capitalizing on investment opportunities in other areas.

Over the past six years, we have made a lot of headway in our power business, especially on the generation side. The catalyst to this growth was the successful acquisition of power plants from the privatization of the Napocor. We expect the next chapter of our growth story to be the building of new capacity to support the economic growth that Jon and Endika talked about.

Together with our partners, AboitizPower will be investing about Php190 bn to build new power plants in the next five years bringing our attributable capacity to over 3,500 megawatts (MW), 50% more than what we have today. In 2012, we began the construction of the 300-MW Therma South, Inc. (TSI) baseload power plant in Davao; we expect it to be online by the first quarter of 2015.



“Your management has set in place strategic initiatives to optimize the potential of our core businesses. We will augment this growth by capitalizing on investment opportunities in other areas.”

We expect to commence the construction of two other base load facilities this year: a 600-MW plant in Subic and a 400-MW plant in Pagbilao, Quezon. In the planning board are another 300-MW power plant in Toledo, Cebu and the third 150-MW unit of the TSI facility in Davao. We are firming up soon the construction timelines of these facilities to ensure that they will be available to support the growth in electricity demand that we forecast for Visayas and Mindanao.

To augment these baseload facilities, we also expect to build another 100 MW of run-of-river hydros across the country, adding to our renewable energy mix.

Robust organic growth in electricity sales in our power distribution utilities is expected to accelerate with economic prosperity. We continue to invest in expanding the capacity of our distribution networks to be able to handle more electricity and improve efficiency.

As Open Access is implemented and the power of choice handed over to consumers, AboitizPower aims to expand its role and diversify its market base to include contestable customers.

As part of our strategic intent to build UnionBank into a great retail bank, AEV sold its holdings in CitySavings to UnionBank in early 2013. We remain very bullish in CitySavings' business model and management team who have done a phenomenal job in expanding the bank. We believe their entry into the Luzon market will sustain the bank's growth trajectory. Repositioning CitySavings under the UnionBank umbrella has numerous advantages and will ensure the effective execution of their plans.

Pilmico Foods continues to steadily build its flour, feed and swine businesses, to ensure that it retains its competitive advantage as a low-cost producer. New mooring facilities and dredging work completed in 2012 now allow Panamax vessels to dock at its Iligan port reducing freight costs. Expansion plans of Pilmico's feed milling and swine-growing facilities are also ongoing.

As part of our efforts to augment earnings and the growth potential of our core businesses, we are looking at other investment opportunities that we believe can be built into sizeable businesses. With this in mind, we purchased from Aboitiz & Company 100% of AboitizLand for Php3.2 bn.

AboitizLand has an inventory of existing and potential projects, as well as access to a land bank that will ensure the continuity of development projects. It also has strong recurring income from its industrial estates.

Through AboitizLand, we formed a consortium with Ayala and ADC & HAS Airports, Inc. to bid for the rehabilitation and modernization project of the Mactan Cebu International Airport terminal. ADC & HAS has a proven track record of successfully developing and operating airports around the world.

From your President & CEO

The Mactan Airport project is our first venture in support of the government's public-private partnership (PPP) program. It provides us with the opportunity to enter into a new business segment with significant growth potential that is crucial to developing the country's transportation infrastructure and tourism potential.

In support of our sustainability philosophy, we are always on the lookout for businesses that are positive for the environment. We entered into a joint venture with UK company GazAsia Ltd. to build and operate plants to produce liquid bio methane fuel from organic waste to replace oil used in transportation.

GazAsia will provide the technical know-how, specialized equipment, and project management, while AEV will provide the core funding and marketing of the fuel. An estimated investment of US\$150 million (mn) will be poured into building these facilities over the next five years.

Strengthening our Corporate Center

Alongside the growth of our businesses, we continue to strengthen our corporate center to support the Group's operations. We remain cognizant of the need to clarify the corporate center's role and how it adds value to the Group. We cannot be seen as overhead. Our role centers around: being the expert where it makes sense; instilling best practices and bringing everyone up to the same level of excellence; creating a culture of measuring and managing risk; protecting and enhancing the Aboitiz reputation; and attracting, retaining and optimizing our A-people.

Enterprise Risk Management is a major initiative across the Group and everyone is taking it seriously. We have also taken what we believe is a holistic approach to risk and reputation. With this in mind, we combined our Risk Management and Reputation teams under the same office, enforcing our philosophy that, together with our day-to-day activities and services, a key role of risk management is to build, protect and defend our reputation. We have also integrated strategy, budgeting, risk management, business continuity and audit under a single process.



The new Aboitiz Corporate Center at the NAC Tower, Bonifacio Global City, Taguig

Our passion for better ways continues to drive us to remain relevant and be ahead of the curve.

Riding on the back of a strong economy and a strong management team, we remain optimistic of the continued success and growth of the AEV Group. As we look to 2013 and the years ahead, what will differentiate the Group from other industry players is not just the soundness of our strategies, but the effectiveness and timeliness of our execution.

Our CFOs, Steve and Iker, will not only talk to you about our very encouraging numbers, but the strength of our balance sheet and cash flows that will ensure we have the financial resources to implement our ambitious expansion without putting your investment at risk.

Also coming up are more detailed operating reports from the CEOs of our business units as well as updates from the functional heads at our corporate center. We hope these reports reassure you of our efforts to continually strengthen our processes, systems and people.

In closing, I would like to thank all our stakeholders for your continued trust, confidence and partnership as we pursue our mission of creating value for all of you.



“As we look to 2013 and the years ahead, what will differentiate the AEV Group from other industry players is not just the soundness of our strategies, but the effectiveness and timeliness of our execution.”

Wishing you the very best always,

Erramon Aboitiz

President & CEO

Aboitiz Equity Ventures, Inc.

Aboitiz Power Corporation

Dear Fellow Shareholders,

“AEV posted stellar results for the year ended December 2012, with a consolidated net income after tax of Php23.9 bn, yielding a Return on Equity of 31% and earnings per share of Php4.33.”

Montxu shared with you the highlights of AEV's operating results in 2012, as well as our initiatives that are aligned with executing our business strategy. These strategic initiatives are aimed at ensuring an even more exciting future for the company.

For my part, I will talk about the AEV Group's financial performance in 2012, and our readiness to pursue further growth.

I am pleased to report that AEV posted stellar results for the year ended December 2012, with a consolidated net income after tax of Php23.9 bn, yielding a Return on Equity of 31% and earnings per share of Php4.33.

All our major business segments showed better performances, contributing to a net income growth of 13% year on year. Stripping off the non-recurring items in 2012, which amounted to Php541 mn and originated mostly from our power generation business, AEV ended the year with a net income of Php23.4 bn, a 12% improvement from the prior year.

Cash flow remained healthy across the AEV group, with consolidated Earnings Before Interest Taxes Depreciation & Amortization (EBITDA) at Php40.8 bn, almost Php2 bn more than in 2011. Consequently, group cash balances rose to almost Php34 bn at yearend, even after the pre-payment of Php7.9 bn in long-term debt, which was done to minimize the negative carry on our debt versus the yields earned on our cash deposits.

However, at the subsidiary level, approximately Php11.7 bn of peso term financing was raised, at interest rates ranging between 5.6% and 6.5%, with tenors ranging between 5 and up to 12 years. Additional long-term financing amounting to US\$43 mn was also arranged for a subsidiary, since its revenue stream is wholly denominated in that same currency.

Discussions were also initiated with various lenders for the project finance requirements of RP Energy, TSI, and the Therma Pagbilao 3 projects. Financial closure on these three transactions, which should exceed Php100 bn, is expected within 2013.



“In April 2013, AEV paid out a total of Php8.7 bn in cash dividends, equivalent to 41% of the prior year’s earnings and resulting in a dividend yield of 3.3%. Coupled with the appreciation in its stock price, the company yielded a total return to shareholder of 36%.”

The group spent a total of Php18 bn in capital expenditures (capex), significantly lower than the amount projected at the beginning of the year. Delays in the start of construction of two large power plants in Luzon and Mindanao accounted for this lower spend.

For 2013, the group’s consolidated capex budget is Php59 bn, as we catch up on the delays experienced in 2012, and as a third large power plant is expected to break ground towards the end of this year. The major share of this group budget is allocated to the Power group. AEV’s beneficial share of this capex budget is approximately Php20 bn. The current low-interest-rate environment and the high degree of liquidity in the financial system offer us a great opportunity to pursue our various projects across the different businesses in the group.

*AEV Group Capital Expenditures (billions)**

YEAR	2009	2010	2011	2012	2013 projected
CAPEX	46	16	25	18	59

* includes 100% of subsidiaries & affiliates

Aligned with our overall risk management strategy and to mitigate interest rate and liquidity risk, our debt portfolio is structured such that, at the end of 2012, 94% of our total group debt is fixed-rate, while 95% is long-term. Our beneficial share of the group’s total long-term debt maturing over the period 2013 to 2015 amount to Php9.2 bn, Php8.3 bn and Php10.1 bn respectively, while at the parent company level, there are no long-term debt maturities in these three years.

Although we do have open positions in terms of foreign exchange, particularly in a couple of our power generation businesses, new power supply contracts have been signed, which will lessen this exposure considerably. We continue to hedge these open positions where it makes economic sense to do so.

In April 2012, AEV paid out a total of Php8.7 bn in cash dividends (Php1.58 per share), equivalent to 41% of the prior year's earnings and resulting in a dividend yield of 3.3%. Coupled with the appreciation in its stock price, the company yielded a Total Return to Shareholder (TRS) of 36%. Using the end of 2007 as the base, AEV has yielded an annual total return of 53% over the last five years. Market capitalization at yearend stood at Php292 bn.

AEV's gearing remained relatively low at yearend, with a net-debt-to-equity ratio of 0.45x, and a net-debt-to EBITDA of only 1.38x. Current ratio stood at 2.57:1.

In line with efforts to continuously promote transparency and good corporate governance, we strengthened our activities to reach out to the investing public. We conducted quarterly briefings on AEV's performance as well as participated in select investor conferences around the globe.

We are pleased to note that both FinanceAsia and Corporate Governance Asia have recognized our efforts, citing AEV as one of the best in investor relations for the Philippines in 2012. We are also very encouraged about the positive sentiment shared by many foreign investment funds on the macro-economic fundamentals they see in the country today.

With the Philippines now having secured an investment grade rating, we are optimistic about the country's prospects, and look forward to sustained economic growth, which should drive increasing demand for the different products and services AEV offers.

In the following report, Iker will talk about the good financial performance of AboitizPower, which remains the biggest contributor to AEV's income. He will also reveal strategies that will further strengthen its balance sheet.

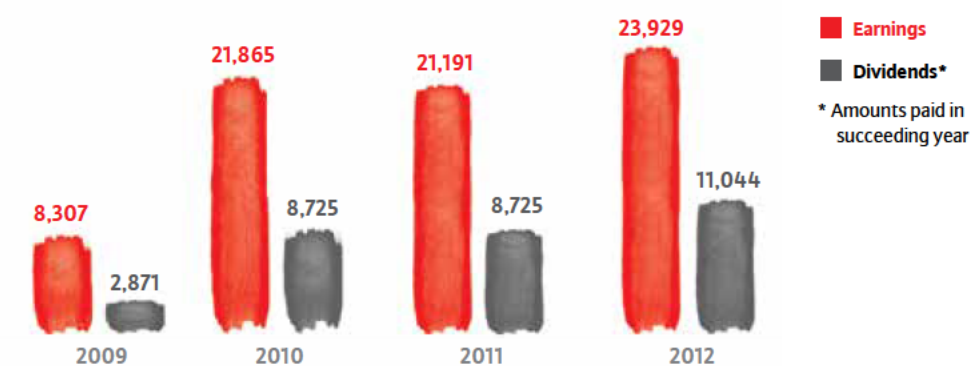
In closing, I wish to thank our many stakeholders – customers, suppliers, creditors, partners, and of course you, our shareholders – for your continued support and confidence in the entire Aboitiz team.

*Sincerely,
Steve*

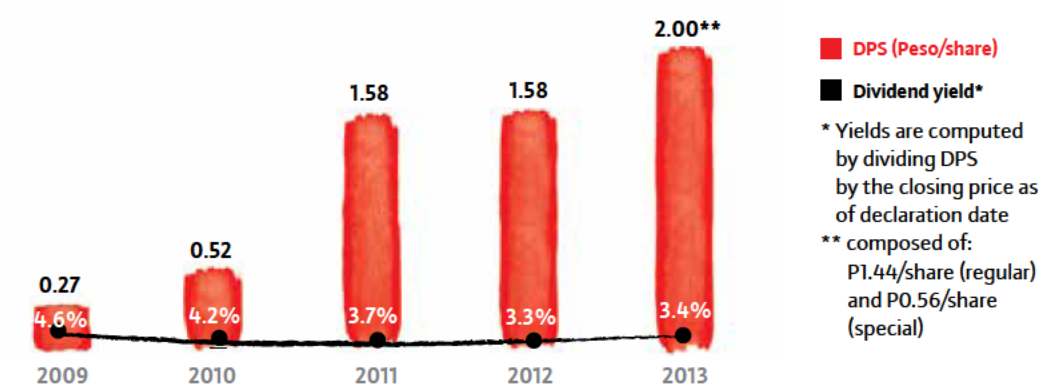
Stephen Paradies
Chief Financial Officer
Aboitiz Equity Ventures, Inc.

Shareholder Value

Earnings and Dividends (2009-2012)
(in Php millions)



Dividend Per Share (DPS) and Dividend Yield



Share Price Performance

	2012	YTD March 2013
AEV	32%	4%
PSEi	33%	18%

AEV Stock Price (Peso/share)

	HIGH	LOW
2012	54.80	40.20
2011	47.00	33.30
2010	40.50	9.00

Total Return to Shareholder (TRS)*

36% → 53%

1 Year 5 Years

* TRS is computed by combining share price appreciation and dividends paid to show total return to shareholder expressed as a compounded annual growth rate (CAGR)

Dear Fellow Shareholder,

Steve earlier reported to you AEV's 2012 financial results, which had AboitizPower contributing the lion's share of the Group's total income.

I am pleased to report that AboitizPower's top line net income in 2012 increased from Php21.6 bn to Php24.4 bn, a 13% increase from the previous year. Adjusted for non-recurring gains and losses, core net income increased by 12%, from Php21.1 bn to Php23.7 bn.

Said non-recurring gains and losses were due to the following:

- Foreign exchange gains on foreign currency-denominated liabilities at both subsidiaries and associates
- Financing-related expenses arising from pre-payment of costly debt
- Write-off of deferred tax assets arising from expiring Net Operating Loss Carryover (NOLCO) and Minimum Corporate Income Tax (MCIT) at the parent and other holding companies
- Revenue-related reversals at a subsidiary due to tariff adjustments mandated by the Energy Regulatory Commission (ERC)
- Reimbursement to a steam supplier for prior period steam-related costs settled in 2012

Return on Equity on a top line coming in at 40% and on a recurring basis at 39% demonstrates the continued healthy returns that the company has committed to its shareholders.

The growth in profitability was led by the generation business, which registered a net income of Php22.8 bn versus the previous year's Php20.4 bn. This increased profitability was mainly brought about by higher capacity sold factors, which, in turn was a result of the careful and steady implementation of AboitizPower's long-term strategy of selling its capacity through well-structured de-risked bilateral contracts.

The distribution business likewise exhibited healthy growth in profitability from Php2.4 bn in 2011 to Php2.8 bn in 2012. This increase of 16% was brought on by increases in both margins earned and volume sold. Distribution margins increased from Php1.44 / kilowatt-hour (kWh) to Php1.60 / kWh on the back of the implementation of the expected regulator pre-approved tariff adjustments and the significant reduction of systems losses of VECO and Cotabato Light. Volume distributed increased by 6% from 3.7 bn kWh in 2011 to 3.9 bn kWh in 2012.

The strong performances by both the generation and distribution businesses resulted in strong cashflow that led to the early retirement of debt at the Parent level totaling Php7.8 bn. In addition, the AboitizPower Board decided to increase the dividend payout ratio this year from one-third to one-half of the previous year's consolidated net income. This decision was made after a careful analysis of the company's future cashflow and investment needs.

AboitizPower's top line net income in 2012 increased from Php21.6 bn to Php24.4 bn, a 13% increase from the previous year.



“Your finance team is in advanced talks with several banks in structuring groundbreaking debt structures that are designed to further increase equity returns by not only taking advantage of the low interest rate environment, but stretching out debt tenors and carefully increasing leverage levels.”

Given the above, the company's balance sheet again exhibits the ability to support a higher dividend yield and fund the capex program over the next five years. AboitizPower, together with partners, will invest about Php190 bn to build new power plants over that period.

In 2013, the company will focus on raising the necessary capital to fund this expansion program that will increase our attributable capacity by 1,197 MW. Your finance team is in advanced talks with several banks in structuring groundbreaking debt structures that are designed to further increase equity returns by, not only taking advantage of the low interest rate environment, but stretching out debt tenors and carefully increasing leverage levels.

Debt to equity ratio improved from 1.19x to 0.97x in 2012 as equity increased from Php70.2 bn to Php82.1 bn in 2012 while total liabilities decreased from Php83.3 bn to Php80.5 bn.

The decrease in leverage managed to fund an increase in assets from Php153.5 bn to Php163.3 bn in 2012. This increase in assets was mainly brought on by investments into TSI for the 300-MW Davao Coal project and the increase in cash generated at both the parent and subsidiary levels.

The company is further decreasing risk and increasing the predictability of cash flows with SN Aboitiz Power (SNAP) new ancillary contract that de-links revenue from the volatile spot market.

Therma Luzon, Inc.'s new ancillary contract with the National Grid Corporation of the Philippines (NGCP) will further increase contracted capacity and again result in cash flows that are more predictable.

These two initiatives are in line with AboitizPower' strategy to strengthen its balance sheet by contracting capacity through bilateral contracts with no volume risk and better revenue-cost matching.

With our strong balance sheet and healthy cash flow, the company can support future expansions of the business, and continue to strengthen its position to deliver greater value to all its stakeholders.

In the succeeding Results of Operations report, you can read more details of the operating highlights of AboitizPower's generation and distribution groups.

Sincerely,

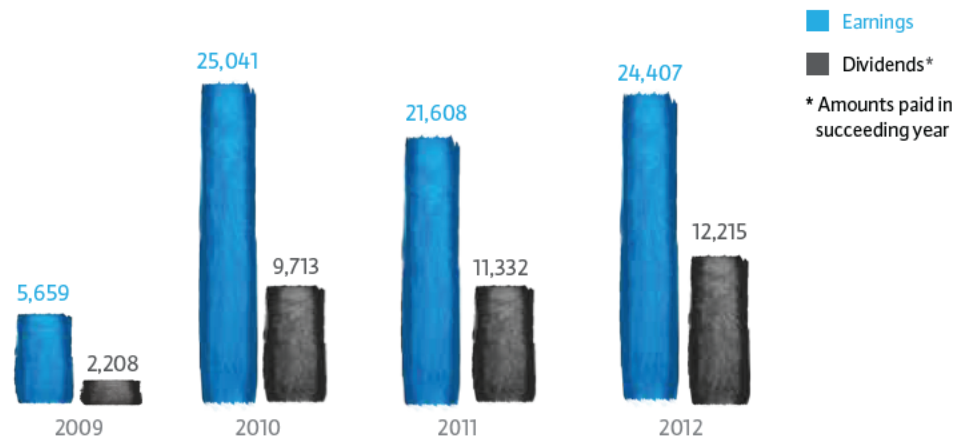


Iker M. Aboitiz
Chief Finance Officer
Aboitiz Power Corporation

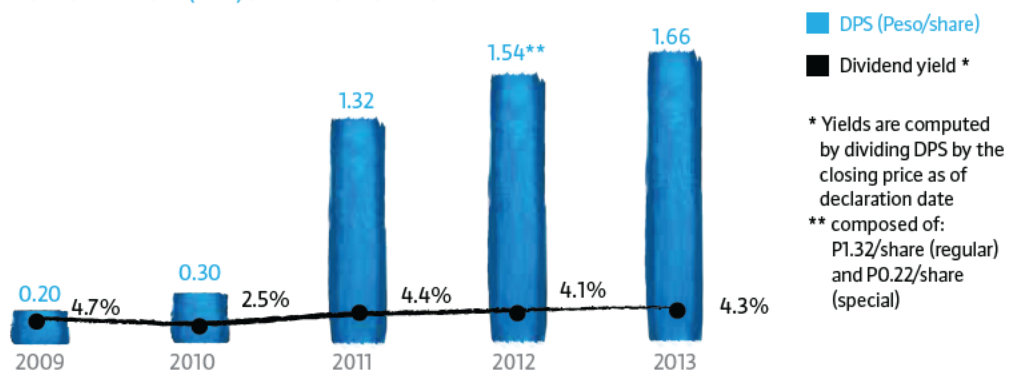
Aboitiz Power Corporation

Shareholder Value

Earnings and Dividends (2009–2012)
(in Php millions)



Dividend Per Share (DPS) and Dividend Yield*



Share Price Performance

	2012	YTD March 2013
AP	24%	0.1%
PSEi	33%	18%

AP Stock Price (Peso/share)

	HIGH	LOW
2012	37.50	28.75
2011	32.60	26.20
2010	35.80	8.60

Total Return to Shareholder (TRS)*

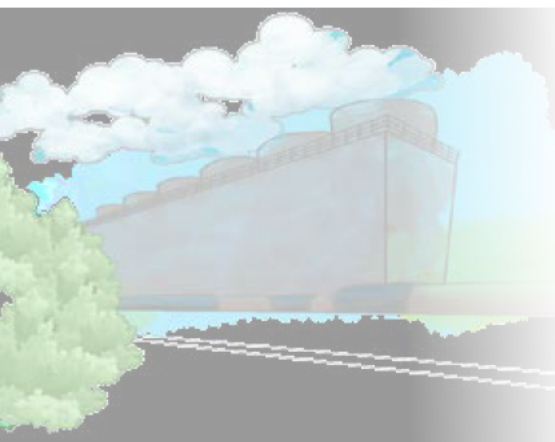
28% → **50%**

1 Year 5 Years

* TRS is computed by combining share price appreciation and dividends paid to show total return to shareholder expressed as a compounded annual growth rate (CAGR)



The Magat Hydro Power Plant located at the border of Ramon, Isabela and Alfonso Lista, Ifugao



It was a steady and productive 2012 for your company as we put to work the various acquisitions and investments that we have made over the years.

Income from main business operations, excluding the impact of special items, reached Php23.7 bn, higher than Php21.1 bn in 2011. This core net income translated to earnings per share of Php3.32 compared to Php2.94 in the previous year.

A combination of higher volume and margin expansion drove your company's profitability during the year. Power sales were up in 2012, thanks to a vibrant economy. Because of having the right mix of good strategy and timely execution, your company was able to maximize the impact of higher consumption and investments in the country.

After years of building our power generation business, we managed to ease our capital spending in 2012. This helped us end the year with a strong cash position and less debt, and put us in a better place where we can pour funds on new projects in 2013 and beyond.

ROO

Power (mn pesos)	2010	2011	2012	% change ('12 vs '11)
Consolidated Revenues	59,551	54,476	62,153	14%
EBITDA	34,362	32,846	34,215	4%
Net Income	25,041	21,608	24,407	13%
Core Net Income	24,428	21,106	23,702	12%
Beneficial (mn pesos)	2010	2011	2012	% change ('12 vs '11)
Revenues	77,622	79,370	90,639	14%
EBITDA	36,632	35,411	36,530	3%



Binga Hydro Power Plant located
in Itogon, Benguet

Power Generation

For our generation business, revenues in 2012 reached Php62.5 bn, a 15% jump from 2011 figures as a result of robust growth in power sales and higher average selling price. With its solid earnings, the generation group's income contribution to AboitizPower increased to Php22.8 bn from Php20.4 bn in 2011.

Power sales for 2012 rose 13% to 10,659 gigawatt-hours (GWh) from 2011 because of a 5% increase in the total Philippine peak demand for electricity, resulting in growth in energy sales from existing and new bilateral contracts. Capacity sales increased to 1,547 MW from 1,413 MW a year before, mainly as a result of additional bilateral contracts.

Our average selling price in 2012 was up 3% largely because of the 40% rise in average selling price of electricity at the Wholesale Electricity Spot Market (WESM).

In 2012, we signed 19 long-term contracts consisting of 654 MW. Out of the total 1,398 GWh that your company sold to the WESM, we directly traded 898.3 GWh that was produced from the Pagbilao coal plant and Tiwi and Makiling-Banahaw (MakBan) geothermal facilities.

Since the implementation of Open Access was deferred more than once, we sold some power through short-term contracts, and the rest to the spot market in preparation for the eventual introduction of the additional marketing channel. During the year, we maintained communication with contestable customers.

Over the past years, AboitizPower has been focused on expanding its power generation business through initiatives that will make power not only available, but also reliable and cost-efficient, while leaving a lighter impact on the environment. We concentrated on what we do best: finding a good mix of harnessing power from renewable and non-renewable sources to meet the country's energy needs.

The Tiwi-MakBan geothermal assets in Southern Luzon that we took over in 2009 proved to be a strategic acquisition. This move diversified our fuel type mix and provided us with base load capacity from renewable resources. During the year, we completed the rehabilitation of all units in Tiwi. MakBan is not far behind with their two remaining units scheduled for completion in 2013.

Power Generation

Power Generation	2010	2011	2012	% change ('12 vs '11)
Revenues (mn pesos)	55,630	54,447	62,539	15%
Income Contribution (mn pesos)	24,390	20,429	22,760	11%
EBITDA (mn pesos)	33,593	31,733	32,121	1%
Attributable Power Sales (GWh)	9,762	9,417	10,659	13%
Attributable Capacity (MW)	2,051	2,350	2,353	0.1%
Attributable Renewable Capacity (MW)	850	906	909	0.3%



The geothermal facility in Makiling-Banahaw with a 467-MW combined capacity with Tiwi.

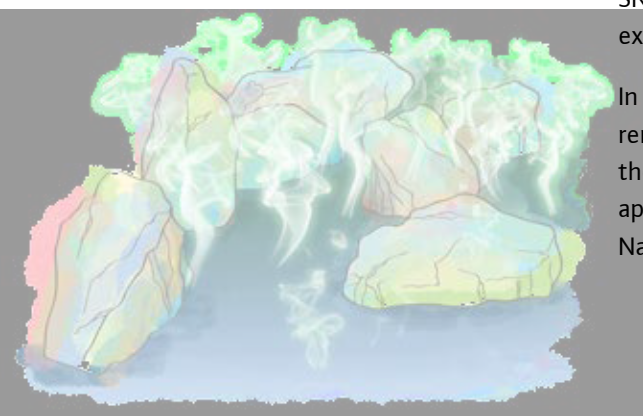
Energy sales from these geothermal plants rose 5% to 3,465 GWh in 2012. This translated to capacity sold factor of 85% against 82% in the previous year.

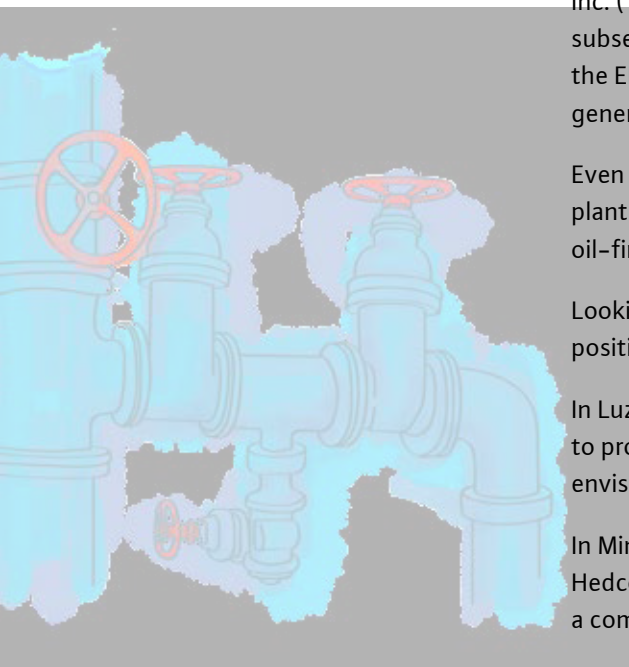
Attributable energy sales from hydroelectric power generation went up 4% to 1,131 GWh. This year, the NGCP purchased a smaller volume of ancillary services capacity to provide stability to the network. This moved ancillary revenues downward during 2012. Consequently, the capacity sold factors of our large hydroelectric power plants were lower than expected, averaging 86% by the end of 2012. The 360-MW Magat Hydro plant, in particular, being our largest ancillary provider, experienced a 4-percentage point decline in its capacity sold factor, from 95% to 91%.

The Luzon Hydro rehabilitation project, originally due to be completed in mid-May 2012, took four additional months to complete. The delay impacted cost and revenue of this business unit.

SNAP-Benguet completed the refurbishment of two units of its Binga Hydro facility expanding its capacity to 110 MW.

In 2012, the ERC decided on a set of Feed-In Tariffs (FIT) applicable to various renewable energy technologies that would be eligible for FIT. For AboitizPower, the immediately relevant rate is the tariff set for run-of-river hydroelectric plants, approved at Php5.9/kWh down from the rate of Php6.15/kWh applied for by the National Renewable Energy Board.





To boost our generation group's reliability, our renewable assets are complemented with coal and oil-powered plants. Attributable energy sales from coal were up 21% to 5,142 GWh; and from oil, up 21% to 936 GWh.

In July 2012, the ERC ruled on the Motion for Reconsideration filed by a Mindanao distribution utility, which effectively reduced the rate charged by Therma Marine, Inc. (TMI) for its Ancillary Service Procurement Agreement with the NGCP. This also subsequently affected TMI's electricity supply contracts with various utilities since the ERC has adopted a policy where rates are based on the cost parameters of a generation plant, rather than on the nature of the contracts themselves.

Even before the decision, TMI had already offered the lowest rates of any oil-fired plant in Mindanao, and with the reduction, can favorably compare with any oil-fired plant in the country.

Looking at the year ahead, we have lined up projects that will help strengthen our position of being a world-class organization.

In Luzon, two hydro and two coal plants are set for completion between 2013–2017 to provide additional capacity of approximately 1,024 MW. In the Visayas, we envision our Cebu coal plant to supply 300 MW by 2017.

In Mindanao, there is an urgent need for additional capacity. To address this, Hedcor, Inc. commenced construction of two run-of-river plants that have a combined capacity of 14 MW. These plants are targeted to be online by 2015.

Hedcor has likewise submitted applications for several other sites. Some of these run-of-river projects in the pipeline are expected to be FIT-eligible. The approved FIT rate should make many of the potential projects viable. The installation target set by the Department of Energy for this type of renewable energy resource is 250 MW for the first three years.

Meanwhile, TSI is currently building the 300-MW Davao coal plant. This plant aims to help balance the power generation mix in Mindanao, which relies heavily on hydroelectric power plants, resulting in severe energy shortfalls during the dry season. The supply of electricity from coal is not dependent on weather conditions. Coal generation also costs substantially lower per kWh than the fuel of oil power plants, which currently provide the capacity shortfall in Mindanao. Thus, a coal plant in the region will have the effect of bringing down average electricity rates. This baseload plant will be able to fulfill its fuel requirement, given the abundant supply of coal in nearby Kalimantan in Indonesia, while complying with stringent Philippine environmental standards. These projects aim to contribute to Mindanao's potential as a destination for business, investment, and tourism.

The challenge for 2013 is to obtain timely approvals for the new power supply agreements of the new projects, especially the greenfield projects.

In the months ahead, we will continue executing our long-term strategy as we further improve the affordability, reliability, and availability of power in the country.

Generation Companies Overview

Portfolio of generation assets accounts for 15% of the country's installed generation capacity

Attributable Capacity by Type		Plant Name	Plant Capacity (MW)	% Ownership	Attributable Capacity (MW)	Management Company	Offtaker
Renewable (909 MW)	Hydro (442 MW)	Ambuklao	105	50	52.5	SNAP Benguet	WESM
		Bakun	70	100	70	Luzon Hydro	NPC (2026) / BOT
		Benguet (1–10)	37.5	100	37.5	HEDCOR	NPC (2018) BOO; Bilateral
		Binga	110	50	55	SNAP Benguet	WESM/NGCP
		Davao (1–5)	4.5	100	4.5	HEDCOR	Davao Light
		Magat	360	50	180	SNAP Magat	WESM/Coops NGCP
		Sibulan	42.5	100	42.5	HEDCOR Sibulan	Davao Light
	Geothermal (467 MW)	Makban	467	100	467	APRI	WESM /Bilaterals
		Tiwi					
Non-Renewable (1,444 MW)	Coal (844 MW)	Mindanao	232	34	79	STEAG State Power	NPC (2031) /BOT
		Pagbilao	700	100	700	TLI	IPPA /Billaterals / WESM
		Toledo	246	26	65	CEDC	Bilaterals
	Oil (600 MW)	Cebu	70	60	42	Cebu Private Power	VECO (2013)
		Cotabato	7	100	7	Cotabato Light	Cotabato Light
		Davao	53	100	53	Davao Light	Davao Light
		General Santos	55	20	11	SPPC	NPC (2016) /BOO
		Mactan	50	50	25	EAUC	MEPZI
		Mobile 1	100	100	100	Therma Marine	Bilaterals
		Mobile 2	100	100	100	Therma Marine	Bilaterals
		Mobile 3–6	242	100	242	Therma Mobile	
		Zamboanga	100	20	20	WMPC	NPC (2015) /BOO
		3,151		2,353			
		(20% of national)		(15% of national)			

Power Distribution

For our distribution business, revenues in 2012 rose 12% to Php27.7 bn as a result of increased electricity demand and improvement in gross margins. The distribution group turned in an income contribution of Php2.8 bn to AboitizPower, 16% higher than 2011.

The implementation of approved tariffs under the Performance Based Regulation (PBR) scheme resulted in an elevated gross margin for the group. The PBR is a rate-setting methodology that allows utilities to recover just and reasonable costs, and make reasonable returns.

Based on a 12-month moving average, the gross margin per kWh sale was Php1.6 in 2012 against Php1.44 in 2011. Subic EnerZone started implementing the PBR in January 2012, while San Fernando Electric (SFELAPCO) began implementing the scheme in March that year. The two distribution utilities were the last from the AboitizPower group to shift to PBR.

The PBR process experienced some delays with the ERC changing its policies on procurement of the consultancy services that it needed to prepare the issues papers, and conduct the asset valuations. The adjustments to recover the revenues lost in the delays will increase the rates for subsequent years. This has been the norm for most utilities, as the ERC allowed more leeway in consumer engagement and participation in the process.

Following the commissioning of new substations in previous years, our distribution utilities became better equipped in dealing with higher electricity demand. In addition, the improvement in infrastructure during 2012 ensured that we did not fall behind industry standards. For instance, Cotabato Light & Power Co. (Cotabato Light) completed the rehabilitation of one of its substations while some EnerZones, particularly Mactan and Balamban, completed the maintenance of their substations.

With economic activity in the upswing, total beneficial power sales went up 6% to 3,934 GWh. The increase was led by the commercial and industrial segment including street light consumption with sales of 2,901 GWh, up 6% and residential segment with sales of 1,034 GWh, up 5%.

Improvements in our systems, processes, and services likewise bore fruit. During 2012, Davao Light & Power Co. (Davao Light) launched the on-site service application processing, and meter installation programs. Visayan Electric Co., Inc. (VECO), meanwhile, signed a five-year collective bargaining agreement in a clear manifestation of a healthy working environment.

Power Distribution

Power Distribution	2010	2011	2012	% change ('12 vs '11)
Revenues (mn pesos)	21,767	24,664	27,726	12%
EBITDA (mn pesos)	3,112	3,869	4,554	18%
Income contribution (mn pesos)	1,933	2,408	2,795	16%
Attributable power sales (GWh)	3,606	3,727	3,934	6%



Davao Light linemen performing routine maintenance work

Truly, better infrastructure and technology are the keys to delivering reliable service to areas served by your distribution companies.

At the end of 2012, the distribution utilities of your company made significant gains in reducing their systems losses. Cotabato Light and VECO recorded losses at 9.5% and 8.9%, respectively. Davao Light and all the EnerZones are well below the regulatory cap of 8.5%. This is important since reduced systems losses do not only enhance service delivery and quality of power, but also improve margins as well.

Beneficial power sales and peak demand

	2008	2009	2010	2011	2012
Power sales (GWh)	3,142	3,322	3,606	3,727	3,934
Peak demand (MW)	775	857	910	954	985
System loss (%)			2010	2011	2012
Davao Light			7.9%	8.4%	7.5%
Cotabato Light			8.6%	10.4%	9.5%
VECO			9.1%	9.7%	8.9%
SFELAPCO			6.7%	4.3%	2.1%
Subic EnerZone			2.5%	4.1%	4.4%
Mactan EnerZone			1.3%	1.3%	1.1%
Balamban EnerZone			2.1%	1.3%	1.6%



A well-maintained substation
in Sta. Ana, Davao

2012 marked the last purchase of electro-mechanical meters in all our utilities. Starting 2013, all meters that have been purchased will be electronic. The end goal is for all meters in service to be electronic by 2021. In fact, it is worth noting that Balamban EnerZone customers are already 100% Smart-metered. Technology will continue to play an important part in the business as the quest for efficiency dictates the need for automation and improved communications.

In the days ahead, the growth potential of your company's distribution business hinges on the healthy organic growth of existing businesses that are located in progressive areas.

OPEN ACCESS

With the onset of Open Access in 2013, which allows end-users with monthly average peak of 1 MW to select their power supplier, competition is expected to intensify and force players to be more efficient and competitive. The Open Access regime will also bring new rules and probably a measure of experimentation. The industry participants, their customers, the regulators and policy makers will need head room to sort out what works and what does not in our operating environment.

Our strategy is to open as many sales channels as we can and choose the most attractive one at any given time. By the time Open Access is implemented in 2013, we expect to be fully contracted.

Your company, having successfully grown its business and established its leadership position, is well-equipped to compete in the market, and nurture the loyalty of its customers.

Banking



Banking subsidiaries UnionBank and CitySavings had a combined income contribution to AEV of Php3.8 bn, a 12% increase from Php3.4 bn of the previous year.

<i>Banking</i>		2010	2011	2012	% Change (2012 vs. 2011)
Income Contribution (mn pesos)		2,628.0	3,445.0	3,851.0	12%
UnionBank		2,313.0	2,914.0	3,331.4	14%
CitySavings		315.0	531.0	519.6	-2%
Net Interest income (bn pesos)		8.1	8.3	8.7	5%
UnionBank		7.1	7.0	7.3	5%
CitySavings		1.0	1.3	1.4	8%
Total Loans (bn pesos)		81.0	97.0	109.7	13%
UnionBank*		74.0	86.6	96.6	12%
CitySavings		7.0	10.0	13.1	31%
Total Deposits (bn pesos)		198.0	212.0	198.6	-6%
UnionBank		193.0	206.7	189.8	-8%
CitySavings		5.0	8.0	8.8	10%
NPL ratio (%)	UnionBank**	3.7	2.3	2.6	13%
	CitySavings	0.8	0.7	1.6	129%
Return on Equity (%)	UnionBank	15.5	16.7	17.0	2%
	CitySavings	50.2	35.8	26.2	-27%
Return on Assets (%)	UnionBank	2.2	2.5	3.0	20%
	CitySavings	6.6	5	3.4	-32%

*Gross Loans and Preferreds only

**Based on Audited figures, net of fully-covered loans classified as loans

2012 was another banner year for UnionBank of the Philippines (UnionBank), as it registered a net income of Php7.6 bn anchored on higher trading gains and an improvement in net interest margin. The bank's record performance translates to a top 3 return on average equity and return on average assets of 17.0% and 3.0%, respectively. Revenue-to-expense ratio is at 2.1x, making UnionBank one of the industry's lowest cost producers.

Notwithstanding the 100 basis points reduction in benchmark policy rates, which brought asset yields to historic lows, as well as increased regulatory costs, net interest income improved by 5% to Php7.3 bn on account of a robust expansion in credit portfolio and a continuous decline in funding costs.

UnionBank's average credit portfolio expanded to Php90 bn, a 15% increase over a year ago. This double-digit growth, supportive of its strategic objective of retail-based asset build-up, was evident across all segments, with auto and mortgage loans growing at 22%; middle-market and SME, 18% and corporate lending, 11%. The auto and mortgage loans account for about a quarter of the net loan portfolio yet contributes more than a third of gross interest income from customer businesses.

Consistent with the bank's thrust of achieving a more cost-effective funding base, peso low cost deposits expanded by 13%, while total deposits contracted due entirely to a strategy of reducing high cost funds and the negative carry on excess liquidity. This resulted to a better funding mix with the share of low cost deposits to total increasing by 6.7 percentage points.





UNIONBANK

To broaden customer base and deepen relationships, the bank will continue to take advantage of its leadership in the field of cash management, achieved through consistent delivery of innovative, customized and relevant business solutions anchored on superior technology, a unique branch sales and service culture and centralized backroom operations.

During the first quarter of 2013, UnionBank purchased City Savings Bank (CitySavings) to tap new markets for teachers' loans and expand CitySavings' loan business model to other civil servant market segments. The acquisition is aligned with the bank's business plans and long-term strategy of building businesses based on consumers.

The bank remains committed in executing its FOCUS 2020 strategy to build a great Retail Bank. It continues to build its unique culture aligned with living its purpose, which is to "Make Da Diff" in the communities it serves, to elevate lives and make dreams come true. This it does by connecting and enabling communities through Smart Banking in the spirit of Ubuntu.



City Savings Bank (CitySavings) extended its branch expansion in 2012 to widen and deepen its presence in the country – a strategy that elevated its goal of being the bank of choice of educators nationwide.

CitySavings' operating expenses grew 26% to Php652 mn in 2012 as a result of its branch expansion. Consequently, the bank's income contribution to AEV declined 2% to Php520 mn during the year.



The bank's strategy of keeping banking simple and straightforward continues to achieve its desired effect. Deposit levels grew 10% to Php8.8 bn, providing an attractive resource for lending. Total resources rose 19% from previous year's level to Php15.5 bn.

Even as CitySavings maintains its “small bank” personality, it continues to grow its network and has embraced technology to offer its customers greater convenience. At the end of 2012, the bank's loan portfolio stood at Php13.1 bn, up 31% from its 2011 level because of higher loan takeup and increase in customer reach due to the opening of new branches. This boosted net interest income to Php1.4 bn, up 8%.

With loan growth outpacing growth in total capital, CitySavings' capital adequacy ratio eased to 16.5% in 2012 from 16.8% in 2011. The bank's total capital rose 25% from previous year's level to Php2.3 bn.



CitySavings offers warm and helpful customer service



The CitySavings head office in Cebu City

The bank's nonperforming loan (NPL) ratio stood at 1.6 % at end-2012 compared with 0.7% at end-2011. The increase was mainly due to regulatory changes that delayed the processing of teachers' salary loan payments.

Given its focus on salary loans to teachers along with its more than 40 years of experience in thrift banking business, CitySavings enjoys a solid market share, particularly in the Visayas, its home base and where its business started.

CitySavings closed 2012 with a total network of 36 branches and extension offices nationwide.

Going forward, CitySavings is looking to expand its operation outside of present coverage to cover the broader civil servant and payrolls market. It plans to implement business process improvements to support its expansion program.

Its increased cooperation with UnionBank beginning in 2013 is expected to improve the thrift bank's technological, as well as financial and management capabilities. UnionBank's buying of the shares of AEV in CitySavings marks the consolidation of the banking interests of the Aboitiz Group.





Pilmico Foods Corporation ended 2012 with revenues of Php15.7 bn, a 6% increase from 2011. EBITDA increased 7% to Php2.1 bn. Its income contribution to AEV reached Php1.3 bn, exceeding the 2011 figure by 5%.

The food group's strong performance was driven by a 6% rise in overall sales as the flour, feeds, and farm divisions all posted increases in sales volume. Sales in the 4th quarter were particularly strong at Php4.2 bn, up 11% year-on-year and outpaced the growth rates in previous quarters.

Performance during the latter part of the year accelerated following the improvement of the group's port facilities and the expansion of its unloading and storage capacities. In October, Pilmico successfully unloaded the very first Panamax vessel M/V Jia Tong, with a maximum capacity of 65,000 metric tons (MT). Preparations to accommodate a vessel of this size started as early as 2010; these included port dredging, installation of structural reinforcements, additional mooring structures, and new steel silos for storage, and the purchase of a 300-MT/hour pneumatic unloader.

Despite increased competition, the overall sales volume of flour posted modest growth. Pilmico managed to address the challenges posed by the lower-priced imported flour in 2012 by introducing the fighter brand Silver Star.

In the feeds division, sales volume rose 9% to 269,492 MT. But due to softer prices and higher input costs, margins fell, offsetting the impact of higher volume. As a result, there was a decline in the division's earnings.

The farms division substantially suffered during the 1st half of 2012 because of low selling prices. The improvement in farm gate prices in the 2nd half, along with tighter cost management, enabled the division to recover finishing the year with a 7% sales volume growth.



Artisan breads using Pilmico flour

Food

	2010	2011	2012	% Change (2012 vs. 2011)
Revenues (in mn pesos)	12,886	14,753	15,700	6%
EBITDA	2,183	1,841	2,054	7%
Income Contribution (in mn pesos)	1,529	1,233	1,299	5%



Pilmico Iligan flour plant

Pilmico's focus on its long-term strategy of maximizing and optimizing resources to remain a low-cost producer should continue to bear fruit. Capacity-raising investments in the farms divisions along with an increase in sow level that will be completed in 2014 should also spell sustained growth in the long term.

The completion of its 2nd Iligan feedmill plant two years down the road means an enhanced focus and core competence in the feed milling industry for Pilmico and its wholly owned subsidiary Pilmico Animal Nutrition Corporation.

In time for the celebration of its 50th anniversary in September 2012, Pilmico launched Project Avensis – the migration to Oracle's R12 version that allows new functionalities and further improvements in the company's enterprise resource management. This project is up for completion in July 2013.

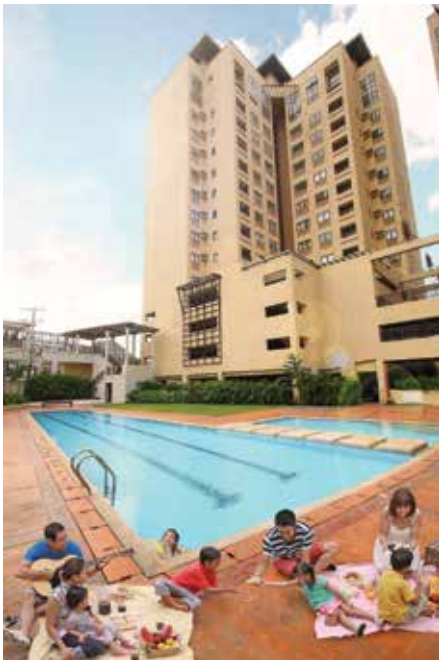


With its sight set on the risks and challenges ahead such as the volatile commodity prices of wheat, corn, and soya bean in the world market and increasing competitiveness in the market, Pilmico is looking to continue building competencies, capacities and capabilities to ensure its organizational readiness for the future.



AboitizLand – Creating and Nurturing Communities That Last

The three attributes that define AboitizLand's culture and business orientation - Nurturing, Assuring, Enduring – are embedded in the company's brand promise and captured in its tagline "Made for Life."



The Persimmon Plus is an urban condominium village in Mabolo, Cebu City

As the real estate arm of the Aboitiz Group, AboitizLand Inc. has long been building and nurturing residential, commercial, and industrial communities in Cebu.

By pioneering designs and implementing projects, AboitizLand has met the needs of its diverse clients, fondly called *vecinos*, a Spanish word for neighbors.

In 2012, AboitizLand posted record-high residential sales of Php1.3 bn, more than 50% growth over the previous year.

The company has also achieved a 38% sales compounded annual growth rate (CAGR) since 2009.

In every undertaking, AboitizLand adheres to the Aboitiz Group's core values and passion for excellence. It believes that the investment in a home could be the single largest decision in the life of a Filipino, which is why it nurtures communities that foster long-term relationships.

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Over the years, AboitizLand has continued to innovate, expand and widen its vast array of products to satisfy the various residential market segments – young and upwardly mobile, professionals, newlyweds, growing families, empty nesters, as well as our Filipinos abroad.

In commercial development, AboitizLand brings into the market IMEZ, a modern multi-use facility and self-sufficient commercial hub suitable for business process outsourcing (BPO) and retail stores; The Persimmon Plus, a commercial area that offers new concepts in dining, retail, and entertainment; and Pueblo Verde, a clustered town center featuring an excellent mix of shopping, dining, retail, service facilities, and modern office space.

In the fourth quarter of 2013, The Outlets at Pueblo Verde, the first outlet mall to rise in the Visayas–Mindanao region, will be launched.

In the industrial segment, AboitizLand is the developer and operator of the Mactan Economic Zone II in Lapu Lapu City, and the West Cebu Industrial Park (WCIP) in Balamban, through its subsidiary, Cebu Industrial Park Developers, Inc. (CIPDI).



Pristina North, a beautiful suburban community located in Talamban, Cebu City.

In 2012, CIPDI celebrated the 20th year of its partnership with Tsuneishi Heavy Industries of Japan. This partnership created the WCIP shipbuilding and repair facility, which helped put the Philippines on the map as the fourth largest shipbuilding country in the world.

AboitizLand's Property Management Team (PMT) provides vecinos the full benefit of professional advice, experience, and expertise as property managers, thus ensuring the enhancement of the property's value. PMT also provides property operations at its optimum efficiency without prejudice to the delivery of a safe, orderly, clean, and comfortable working and living environment.

Given its rich landbank, AboitizLand is poised to pursue more innovative projects, providing a meaningful contribution to AEV's earnings portfolio. There are recurring earnings from its industrial and commercial sectors, as well non-recurring earnings from its various residential projects. AEV acquired full ownership of AboitizLand from Aboitiz & Co. in November 2012 for Php3.2 bn.

In the months ahead, AboitizLand expects exciting times. It is looking forward to the outcome of its bid for the Mactan-Cebu International Airport terminal rehabilitation project under the government's public-private partnership (PPP) program. The bid is in partnership with the Ayala group and US-based airport operator ADC & HAS Airports Corp. This exercise is expected to pave the way for AboitizLand's participation in other PPP projects in the future.

Indeed, as the vibrant Philippine economy continues to brighten the outlook for the property sector, AboitizLand is well positioned to continue serving the global Filipino in a responsive and responsible way.



Our Human Resources

The business of talent in the Aboitiz Group

In HR, our compelling purpose is to “attract, retain and optimize A-people, constantly adding value to the Group”. This is our declaration of intent, our promise when it comes to managing our human capital assets – the Aboitiz way. We devote our greatest efforts and resources into fulfilling this promise so that both our current and future talents are nurtured to reach their highest potential and capability.

“I was very excited and cannot stop thinking of the possible things that await me. I know that my scholarship did not only help me and my family financially but it also helped me prove something to myself, that I am a great individual and will become a good leader someday.”

2011 AEV Scholar
College Senior
Business Administration
Major in Financial Management

“We run our business professionally but we treat our people like family. Aggressive, detailed, fast, pushes and challenges you in a positive way, not nagging...integrity in owning up to mistakes... and changing for the better.”

Sample response of an employee during an agency interview about the Aboitiz Employer Brand

TALENT ATTRACTION

In Aboitiz, we take a proactive stance when it comes to talent attraction. We don't only attract for today, we also attract for tomorrow. Our scholarship program is probably as old as the organization itself. It goes beyond philanthropy; it is about providing self-fulfillment through long-term career goals. To date, 9.6% of our top leaders are products of our scholarship program. We intend to continue producing more leaders out of our scholars in the coming years.

In 2012, we embarked on understanding our employer brand better so we can further strengthen it. A study of the Aboitiz employer brand uncovered great realizations for us in terms of how people, both inside and outside of the organization, perceive us.

We have created a positive employer brand experience to those who have joined the Aboitiz Group. Our name is fast making its way toward becoming an employer of choice for many professionals. We are not necessarily after the best and the brightest talent. For us, it is rather about seeking the best fit.

The people we attract are those that intend to be with us for the long haul, with a clear passion and commitment to excel in whatever they do. Through programs such as the Aboitiz Future Leaders Business Summit (AFLBS), we make an effort to know our potential talents early in their career. We keep track of their professional growth and reel them in at the right time when they are most ready to work in our organization.



Newly awarded 2012 scholars under the Aboitiz College Scholarship Program

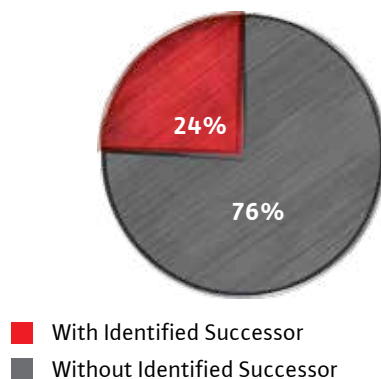
TALENT OPTIMIZATION

2012 was a milestone year for talent optimization in Aboitiz, particularly in the area of Leadership Development. Having completed Key Talent Reviews for all 151 top-level executives across the Group by members of the Group Management Committee, each talent was evaluated for succession and career development options. The evaluation was based on performance, competency, achievement, leadership capability, potential, and even 360 feedback in order to establish the best individual development plans for them and arrive at a proper "build, buy or borrow" succession and replacement strategy for various key leadership positions across the Group.

Consequently, this practice mitigates the risk of talent loss by planning ahead while recognizing signals and threats along the way such as aging workforce, workforce migration, and talent scarcity in jobs requiring specialized skills.

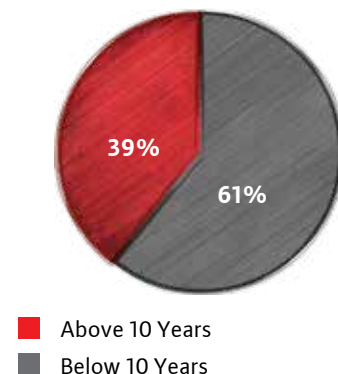
Individual Development Plans are closely monitored to ensure that potential successors are being prepared by providing them with the necessary training intervention to address identified gaps in leadership and technical competencies.

Succession of Key Officers

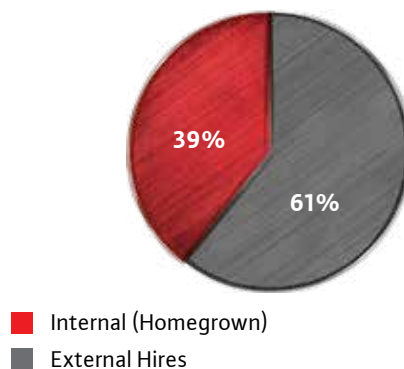


Tenure of Key Officers

Average Tenure: 16 years

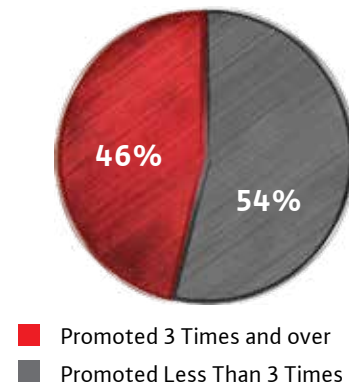


Source of Key Officers



Career Progression of Key Officers

(within an average period of 10 years)



Talent analytics are regularly generated and presented to the Group Management Committee to help us gain a better understanding of the demographics of our top talents as well as other salient information like career aspirations, motivations and preferences, growth and experience, acquired knowledge, intelligence and competencies that help us develop and design the best career and leadership path for them. A system was also put in place to closely monitor the progress of the succession plans to ensure that these stay on track.

TALENT RETENTION

We retain talent by instilling a strong sense of belonging, a greater sense of community among peers and colleagues that instill a greater sense of pride in being a part of the Aboitiz team.

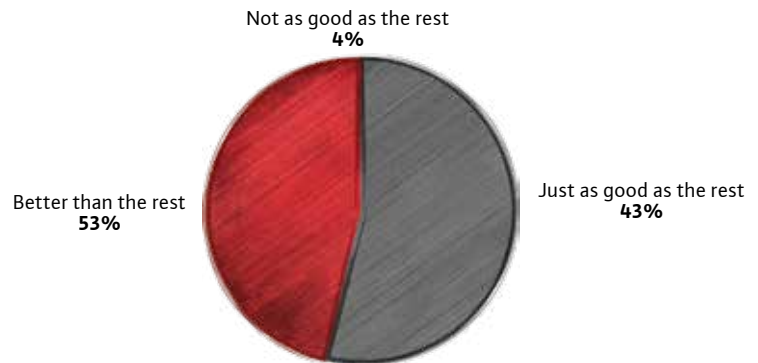
Recently, we set up an exciting project called “My Aboitiz Moment,” an online intranet database where employees can randomly post their most inspiring moments while working in the company. We now have a collection of “My Aboitiz Moments” from various employees that tell us about what keeps people engaged at work.



We bring out the best in our talents. We invest an average of three years of leadership and role-specific training under the Aboitiz Universal Training Plan Program for every team member. Our intent is to ensure that 100% of our team members across the Aboitiz Group are able to complete the program in the next three years. Right now we are at 48%.

We run a corporate assessment or employee satisfaction survey every two years across all companies and our 2012 survey results show how our talents value us as an employer.

ABOITIZ compared to other employers



We recognize our talent for their achievements, both individually and as a team. Our Group-wide team awards program called “Inspired by Passion Team Awards” honor several outstanding team projects across the Group for enhancing customer service, process improvements, increasing efficiency and even for supporting corporate social responsibility programs. Each project becomes a living testament to our brand essence – Passion for Better Ways.

MANAGING PEOPLE THE ABOITIZ WAY

These are the various ways by which we execute our HR strategy, weaving the Aboitiz DNA into each and every talent in the Aboitiz Group, each one uniquely carrying the attributes of being driven – driven to lead, driven to excel, driven to serve.

Our Journey Towards Enterprise Resiliency

**4^{IN}
2013**

Two years after Enterprise Risk Management was launched Groupwide in 2010, AEV and its business units (BUs) embarked on assessing the state of its risk management (RM) maturity and how it fares against leading practices of similar organizations in the region and globally.

The result of the RM maturity index assessment triggered a recalibration of the Group's existing RM program and gave rise to an enhanced 3-year plan geared towards achieving Aon's risk maturity level 4 Groupwide.

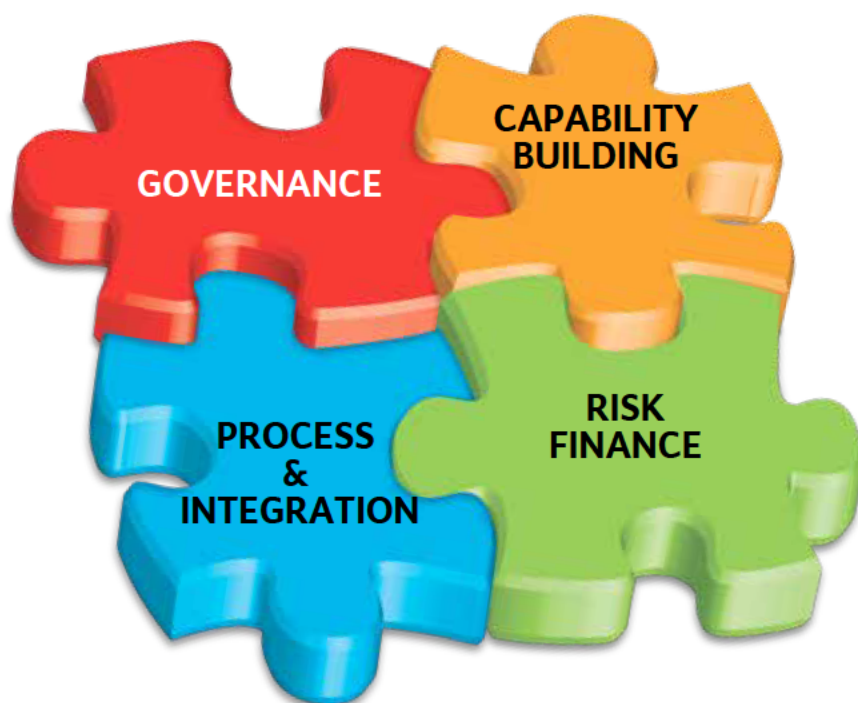
Level 4 represents the Group's goal of having RM policies and practices consistently implemented across the Group by the end of 2013. On a scale of 1 to 5, achieving level 4 moves us closer to Enterprise Resiliency.

While we cannot predict what is going to happen in the future, we aim to be antifragile to overcome any Black Swan event that may occur along the way. The Black Swan, made popular by bestselling author Nassim Taleb, refers to a highly improbable event with three main characteristics: impossible to predict, carries a massive impact, and a stunning shock value as people did not conceive of such an event to happen. Antifragile, also coined by Taleb, is beyond being resilient or robust. The resilient resists shocks and stays the same; the antifragile gets better by optimizing the upside from volatility and disorder.

The essence of RM lies in our ability to anticipate, adapt and respond to impacts of significant events, whether predicted or unforeseen, in a rapidly changing environment where our businesses operate. It is not just about responding to and rebounding from a one-time crisis or setback, but is a continuous strengthening process of anticipating and adjusting to significant trends that can permanently impair the earning power and viability of our businesses.

Our key highlights for 2012 include redefining the Group RM framework into four major pillars: Governance, Process & Integration, Risk Finance and Capability Building:

Risk Management



GOVERNANCE

RM Governance policies and structures that guide and support the RM process across the Group

At the Board level, there was increased focus on Reputation Management. In April 2012, Reputation Management was incorporated in the Board Risk Management Committee oversight, and it is now called the Board Risk and Reputation Management Committee.

There is now a close coordination between the Board Risk and Reputation Management and Audit Committees where joint meetings are being held to discuss programs, developments and key issues affecting governance responsibilities of both committees.

The Board also approved the Group RM Policy setting out the overall RM strategy of the organization, RM structure, roles and responsibilities and the guidelines and protocols that should be followed.

PROCESS AND INTEGRATION

The methodology, tools and Processes for assessing, treating, monitoring and reporting risks, including the Integration with Strategy as well as key internal and external processes

Operational Risk Management was launched in June 2012. This is considered a big step in creating a culture of measuring and managing risks Groupwide as it focuses on the risks of day-to-day business operations and the efforts to mitigate them.

The mandate, framework, policies and guidelines for Project Risk Management were formalized and Strategic Risk Management and Business Continuity Development efforts were pursued.

The integration of RM with key management systems and related processes such as Strategy, Information Security and Internal Audit was also initiated.

RISK FINANCE

Risk Finance is the process for achieving the optimal balance between retaining and transferring risks

Under Risk Finance, Aon was appointed as our new broker. With Aon's global resources, they have been able to contribute to delivering improved RM solutions to our business units.

A structured, best-in-practice approach to formalizing and quantifying insurable risk as well as designing strategies to transfer risks beyond tolerance level was also implemented.

CAPABILITY BUILDING

Development of an RM culture through Capability Building programs to raise awareness and enhance the Group's understanding and appreciation of RM

Risk metrics to track the progress of key programs and the total cost of insurable risks were introduced and monitored.

The communication of RM program and concepts at the operational level has also began.

In the area of training, several sessions have been conducted on various topics on RM, Business Continuity, Project Risk Management and Technical Insurance courses.

Aboitiz Group Top Risks

RISK DESCRIPTION	KEY RISK TREATMENT
<p>REPUTATION RISK</p> <p>Today's world of higher corporate governance standards coupled with the rise of civil society groups, social media, and greater scrutiny from key stakeholders, have created a new environment where our corporate reputation has become a differentiating asset as well as our No. 1 risk.</p>	<ul style="list-style-type: none"> • Build organization capability through a formalized governance structure and an intelligence process • Implement anticipatory issues management • Develop and implement a Group-wide social media policy and strategy • Develop brand champions and brand advocates through effective corporate communication and branding programs • Ensure brand integrity by establishing reputation metrics, aiming to close the gap between how we project ourselves and how others perceive us
<p>COMPETITION RISK</p> <p>As with other businesses, AEV and its subsidiaries and affiliates operate in highly competitive environments. As such, failure to properly consider changes in our respective markets and predict the actions of competitors can greatly diminish our competitive advantage.</p>	<ul style="list-style-type: none"> • Separate business development organizations for power and non-power businesses • Implement a more robust and comprehensive strategic planning process • Integrate Enterprise Risk Management into the Strategic Planning process
<p>REGULATORY RISK</p> <p>The complexity of the business and regulatory landscape is increasing dramatically. Several of AEV's BUs particularly in the power and banking sectors are now being subject to more stringent regulations.</p>	<ul style="list-style-type: none"> • Dedicated regulatory team for our Power Group • Our banking units have full time compliance officers who spearhead the implementation of compliance programs • Maintain good working relations with the Department of Energy, Bangko Sentral ng Pilipinas and other key regulatory agencies • Participate actively in consultative processes that lead to the development of rules and regulatory policy
<p>BUSINESS INTERRUPTION DUE TO NATURAL CALAMITIES AND CRITICAL EQUIPMENT BREAKDOWN</p> <p>The loss of critical functions and equipment caused by natural calamities such as earthquakes, typhoons and floods could result to significant business interruptions.</p> <p>Interruptions may also be caused by other factors such as major equipment failures, fires and explosions, hazardous waste spills, workplace fatalities, product tampering, terrorism, and other serious risks.</p>	<ul style="list-style-type: none"> • Perform regular preventive maintenance of all our facilities • Continually evaluate and strengthen loss prevention controls • Develop business continuity plans per site • Procure Business Interruption insurance to cover the potential loss in profits in the event of a major damage to the Group's critical facilities and assets.
<p>COMMODITY RISK</p> <p>Our food and power businesses have raw material and fuel requirements that are subject to price, freight and foreign exchange volatility factors. A fluctuation in any of these volatile elements individually or combined will result to increases in the operating costs of these companies.</p>	<ul style="list-style-type: none"> • Better understanding of the commodity markets • Enter into contracts and hedge positions with the different suppliers of these commodities • Develop a Commodity Risk Management framework to help improve existing capabilities in managing and reducing uncertainty relating to these commodities
<p>PROJECT RISK</p> <p>Our Power Generation group broke ground on its Greenfield coal plant projects in Subic and Davao and its small hydro projects Tudaya 1 and 2 in Sibulan. Given the magnitude and duration of these projects, there are inherent issues and risks, such as project completion within specifications, budget and timelines.</p>	<ul style="list-style-type: none"> • Partner with contractors and suppliers of established good reputation • Implement Project Risk Management following PMBOK (Project Management Book of Knowledge) framework • Regular review of the project risk register to monitor implementation of risk control measures.

The Heart and Soul of Our 2012 Corporate Governance Practices

Despite the challenges we face, we continue to adhere to our core values and continue to evolve our corporate governance practices, to adapt to the changing conditions.

We in the AEV Group are serious about our commitment to corporate governance. We have invested a lot of time and effort to ensure that we comply with all regulators and regulations not only because these are required but also because we believe that Good Governance equates to Good Business.

According to the United Nations Economic and Social Commission for Asia and Pacific, good governance has eight major characteristics. It is participatory, effective and efficient, equitable and exclusive, and follows the rule of law. It assures that corruption is minimized, the views of the minorities are taken into account, and the voices of the most vulnerable in society are heard in the decision-making. It is also responsive to the present and future needs of society. On the other hand, bad governance is increasingly being regarded as one of the root causes of evil within our societies.

Our Management believes that good governance, especially in the areas of transparency and accountability, builds trust from all our stakeholders whether they are employees, shareholders, investors, bankers, government, customers or the society at large. In our businesses, we hold Trust and Reputation dearly, in all our companies, whether they are private or publicly listed.

The heart and soul of the corporate governance practices of AEV Group companies revolve around the following core principles: (1) the Company's personality is independent from that of its Board, officers and employees; (2) the Company has its own distinct rights and duties; (3) the Board has the original power to decide the Company's policies; (4) the Company can demand loyalty and fealty from the Board; (5) the Company's business must be pursued through a long-term sustainability strategy; (6) the shareholders and stakeholders must be treated equitably and with fairness; (7) there must be a system of accountability; (8)

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

In our businesses, we hold Trust and Reputation dearly, in all our companies, whether they are private or publicly listed companies.



there must be transparency in corporate operations and reporting of transactions; (9) the Company must run an ethical business; (10) corporate social responsibility is an integral part of doing business; and (11) the Company abides by environmental compliance and sustainability principles.

We are witness to the rapid changes in regulations that are game changing, giving rise to new business environments, especially with respect to the businesses of AboitizPower.

For AboitizPower, 2012 gave us a peek into the upcoming pivotal changes in the power industry landscape. With the privatization of NPC assets in Visayas and Mindanao hopefully completing the journey started many years ago with the passage of EPIRA, with the WESM in Luzon and Visayas functioning well, and the preparatory work by the regulators for open access and retail supply market, new players and competitors in the power industry are coming in and the game is changing.

The power industry regulators appear to be tightening the scrutiny over their areas of responsibilities and creating new regulations that are precedent-setting; while the public is becoming more vigilant and involved in the power debate.

In 2012, we are pleased to say that we are thriving in this “new environment” while staying true to our core governance principles. We are especially proud of the health, safety, and environmental track record of our businesses, proving that a business can align itself to the principles of sustainability. We are likewise pleased about our resilience in the face of the dynamic business and regulatory framework of our Group companies. Despite the challenges we face, we continue to adhere to our core values and continue to evolve our corporate governance practices, to adapt to the changing conditions.

In putting these principles to practice in 2012, we have worked to preserve, modify or set up new protocols, systems and policies intended to protect the rights of shareholders; to ensure their equitable treatment; to recognize the value and participatory role of our stakeholders; to practice the appropriate level of transparency and improve corporate disclosures; and to refresh and strengthen the roles and responsibilities of our Board.

We have consistently maintained our corporate compliance and good corporate governance records. There have been no deviations from or violations of the rules set forth in our Manual of Corporate Governance, in the governing laws and regulations, and in our protocols and policies. All in all, we are pleased to say that we have credibly fulfilled the four objectives above.

We believe our 2012 corporate governance scorecard is excellent in the cusp of pivotal changes in our business landscape. Our track record has been duly recognized by independent governance watchdogs who appreciate our achievement in balancing the pursuit of profits and the protection of all our stakeholders, throughout our more than 100 years of doing business.

As part of our commitment to sustainability, we are maximizing the use of digital technology rather than the use of scarce paper sources. We therefore invite you to visit our website www.aboitiz.com for our full Corporate Governance Report detailing our corporate governance practices, our achievements and milestones, as well as our 2012 initiatives.

Aboitiz Foundation Inc.

Financial Highlights*

(in thousand pesos)

Aboitiz Foundation, Inc. is the social development arm of the Aboitiz Group. Established in 1988, the Foundation implements corporate social responsibility (CSR) interventions in areas where Aboitiz companies operate.

In the last 24 years, the Foundation has been working on uplifting the lives of Filipinos, especially in Aboitiz host communities nationwide.

Its projects go beyond charity because it is the Foundation's responsibility to redefine its initiatives to address the changing and growing needs of the communities it serves.

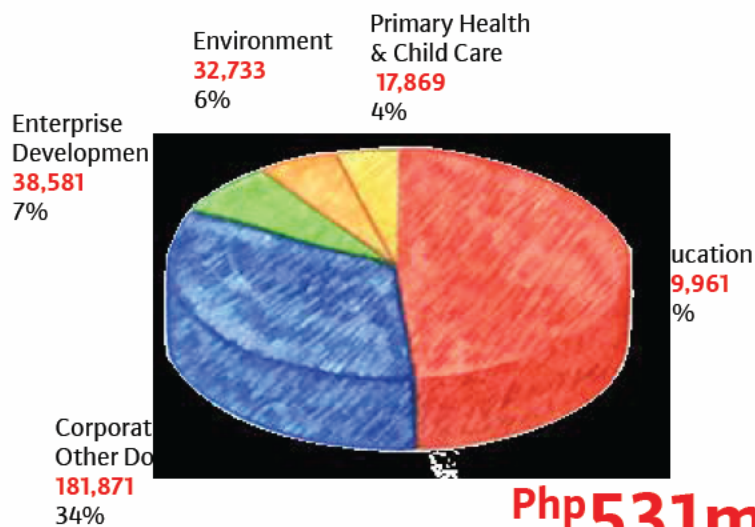
It implements social development projects in four major components:

- Education
- Enterprise Development
- Primary Health & Child Care
- Environment & Sustainability

It also extends assistance to non-government organizations, supports employee-initiated projects and holds disaster relief operations.

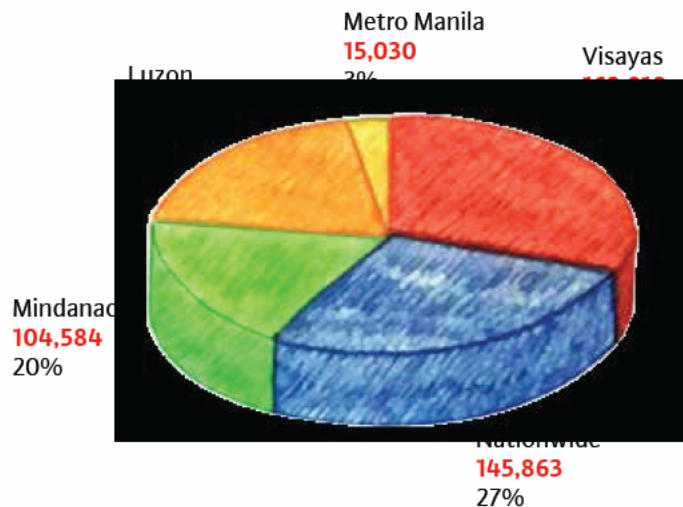
ABOITIZ GROUP INITIATIVES

Program Component



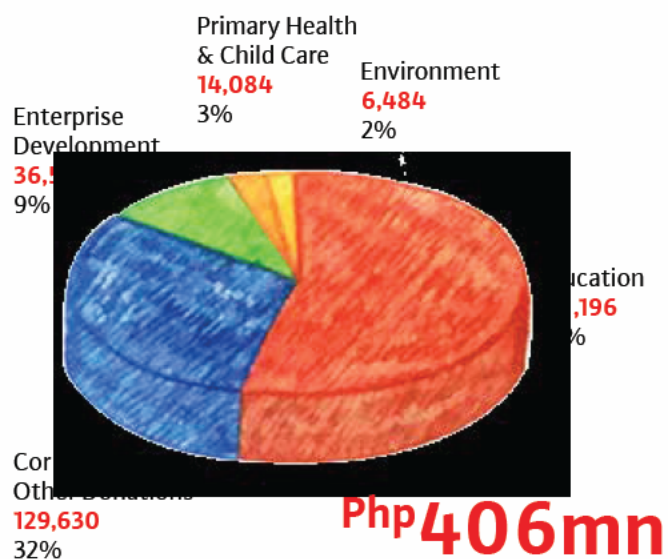
Php 531mn

Area

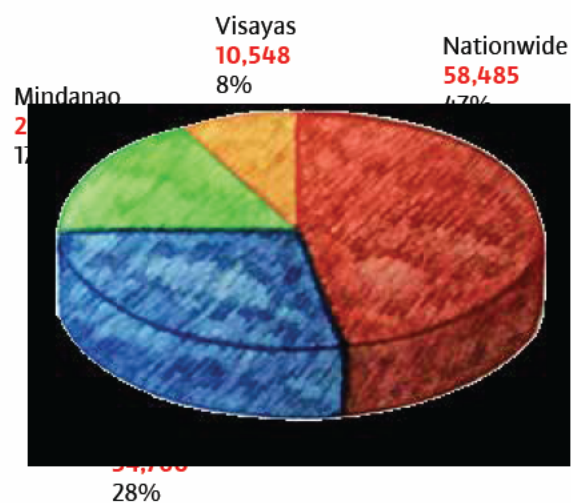
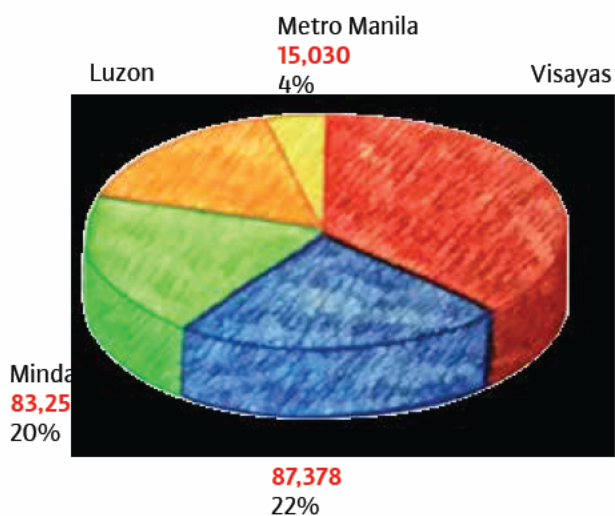
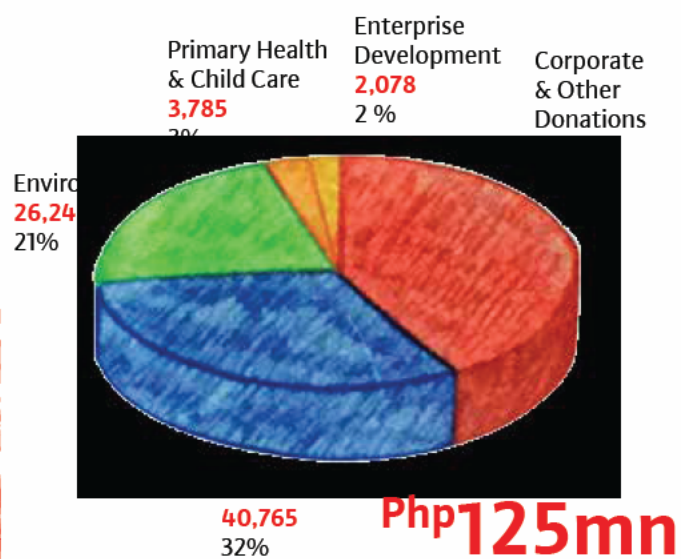


* The graphs in this spread are a visual representation of the breakdown of Aboitiz Foundation's projects in terms of program component and location. Figures under the Aboitiz Group CSR initiatives (1st column) represent the total financial allocation of both the Aboitiz Foundation (2nd column) and business units of the Aboitiz Group (3rd column) for various CSR projects in 2012.

ABOITIZ FOUNDATION, INC.



DIRECT CSR INTERVENTIONS OF ABOITIZ BUSINESS UNITS



Our Growing Commitment to Our Communities

The Aboitiz Group continues to strengthen partnerships with its host communities, implementing more social development projects in more areas across the country.

In 2012, the Aboitiz Foundation, Inc. (Foundation) and the Group's business units (BUs), allocated a total of Php531 mn for various corporate social responsibility (CSR) projects nationwide. The amount, which is a 36% increase from the Php391 mn in 2011, is the biggest ever in the Foundation's 24-year history.

The Foundation continued to implement interventions in the areas of education, enterprise development, primary health & child care, and environment & sustainability, and pursued its partnerships with other like-minded organizations that share its vision of empowering communities.

2012 TOTAL CSR ALLOCATION

P531m

"the largest amount in the 24-year history of the foundation"



The Aboitiz Foundation continues to prioritize education-related initiatives to help produce students who are ready to take on the challenges of the future.



Members of Aboitiz Foundation's partner organizations are also taught livelihood and capability-building skills to give them opportunities for additional income and ensure the sustainability of their projects.

Interventions

Education remained the Foundation's main thrust, with Php260 mn allocated for education-related programs such as infrastructure building, scholarship grants, school computerization, and book donations.

In 2012, 103 regular and 42 kindergarten classrooms were constructed, six science laboratories refurbished, 2,809 students given scholarship grants, and 328 computers donated.

The Foundation provided 73 loan packages worth Php28 mn to 31 multi-purpose cooperatives nationwide and maintained a high collection efficiency rate of 96%. Capability-building activities and training programs were also conducted to complement its microfinance operations and ensure the sustainability of the cooperatives' projects.

Water systems were built in mountain barangays while health, dental and optical missions were conducted to ensure the well-being of community residents.

With environment and sustainability now a major program component, the Group continued to support the Aboitiz Passion for Agroforest and Reforest to Keep (APARK) program by allocating Php33 mn for various sustainability and bio-diversity projects.





With more projects implemented in 2012, team members also had more opportunities to not only help out but also implement their own projects that complemented the Foundation's initiatives. They participated in activities like Adopt-a-School, Brigada Eskwela, Christmas outreach, disaster relief operations, health missions and tree planting.

The Foundation and the BUs also granted corporate donations and other forms of assistance to government and non-government organizations operating in their respective areas. Organizations that promote sports, arts and culture were also given similar assistance. Php100 mn was also to WeatherPhilippines Foundation for the installation of 1,000 automated weather stations nationwide to aid local government units in disaster preparedness.

The Foundation also forged partnerships with local government agencies and non-government organizations to provide various forms of assistance to communities.



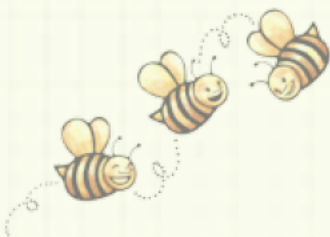
Fueled by their passion to serve, Aboitiz team members are always quick to respond to calls for help.



Aboitiz team members also implement their own CSR projects that complement the Foundation's initiatives.

In 2012, it partnered with the Aklat, Gabay, Aruga Tungo sa Pag-angat at Pag-asa (AGAPP) Foundation to build 42 kindergarten classrooms and provide these with reading materials. Its partnership with HAPINOY and AMORE provides livelihood opportunities and improves the quality of life of rural, off-grid households through sustainable renewable energy projects.

Through AMORE, three barangays in Davao City and Davao del Sur were provided with solar home systems and solar lanterns, while charging stations provided additional income to local organizations. With the help of HAPINOY, charging stations were set up in sari-sari stores in two barangays in Laguna to energize solar lamps and serve other small power needs of the community.



Our Core Commitment to Sustainability

In striking a balance among people, planet and profit, the Aboitiz Group adheres to five sustainability pillars—Rejuvenate Nature, Re-use/Recycle, Reduce, Renewable Energy and Recharge Communities—which establish its reputation as a corporation that fulfills its responsibility to present and future generations.



*Rejuvenate
Nature.*

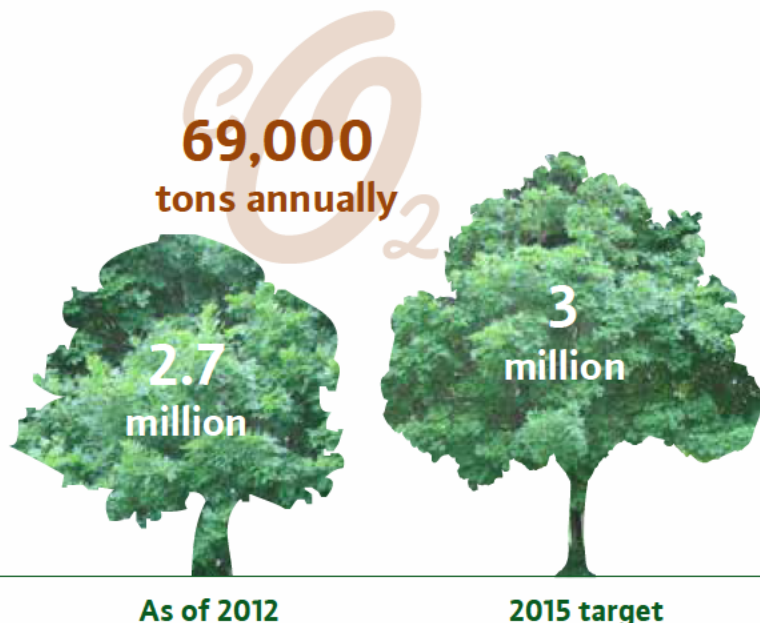
Embodies our commitment to protect and enhance the Earth's natural resources through reforestation and biodiversity restoration.

- The Group is ahead of its schedule to plant 3 million trees by 2015 under the Aboitiz Passion for Agroforest and Reforest to Keep (APARK) program, having already planted a total of 2.7 million trees since APARK started in 2010.
- In 2012, a total of 3,000 volunteers helped plant close to 60,000 trees in Luzon, Visayas and Mindanao in one day alone during the simultaneous tree planting.
- SNAP conducted tree-planting activities to protect the Ambuklao and Binga watersheds. In Ifugao, it converted a five-hectare grassland for muscovado production, planted seedlings and established tree nurseries.
- APRI-MakBan's tree planting efforts recharged abandoned well sites surrounding its generating power plants in MakBan.
- 11 Philippine-endemic bird species were sighted in the 540-hectare Visayan Electric Company (VECO) Park, within the Central Cebu Protected Landscape

APARK Summary 2012

Total no. of trees planted ■

CO₂ sequestered ■





*Re-use/
Recycle*

By re-using and recycling materials, we reduce the volume of wastes that end up in dumpsites and prevent further exploitation of natural resources for raw material production.

- VECO and Davao Light & Power Company converted wooden crates into classroom fixtures for students and teachers in public schools in their communities. Over a thousand classroom fixtures for both teachers and students were produced and donated in 2012.
- APRI-MakBan and VECO sent used oil and spent batteries for recycling and used the proceeds to fund environmental protection projects through Aboitiz Foundation.
- Davao Light turned over nearly 300 used lead acid batteries to the Balik Baterya Project of the Philippine Business for Social Progress (PBSP) and Oriental Motolite; gave Php200,000 proceeds to PBSP projects.

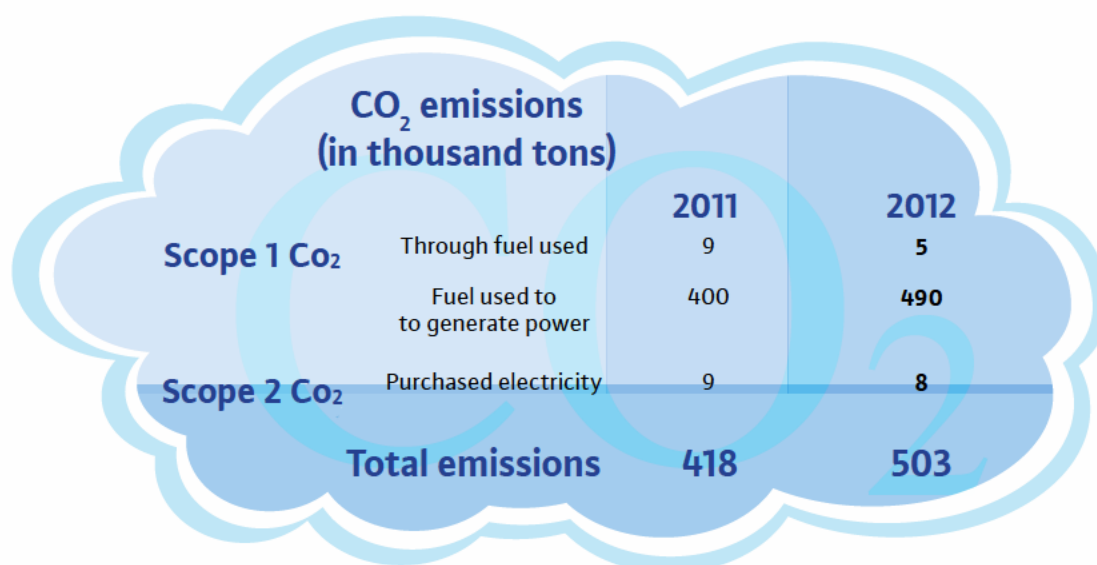




Reduce

By promoting prudent use of resources, the Group aims to lessen the amount of carbon dioxide that is released to the atmosphere.

- Under the Race to Reduce challenge, business units monitor consumption of power, paper and water. The average power consumption of participating offices declined, except for AboitizPower Generation, the Food group and Metaphil due to growth in their business operations. The rest of the business sites will be enrolled in 2013.
- The Group participated in the annual celebration of Earth Hour, a global movement meant to raise awareness on climate change issues. In the 2012 Earth Hour, VECO and Davao Light posted a drop in power consumption at 3 MW and 5 MW, respectively. The figure increased significantly in 2013, with VECO and Davao Light recording reductions at 11 MW and 8 MW, respectively.
- The Group continues to monitor its greenhouse gas emissions (GHGs) by keeping tabs on fuel use of company-owned vehicles and power generation, and purchased electricity. Emissions from generation activities still increased due to a rise in fuel consumption for thermal power generation.



Renewable Energy

The Group produces renewable energy from hydropower and geothermal power plants under the brand, Cleanergy.

- AboitizPower increased its hydropower and geothermal power production in 2012.
- Pilmico Animal Nutrition Corp.'s biogas digester generated a total of 1,445,253 kWh in 2012.
- In cooperation with Aboitiz Foundation and Hapinoy, AboitizPower implemented a solar lamp rental system in three off-grid communities in MakBan, Laguna. AboitizPower also partnered with Aboitiz Foundation and Winrock International to install 261 solar home systems and 165 stand-alone solar lamps in some off-grid areas in Davao.

Renewable energy generated

	2011 (in thousand MWh)	2012 (in thousand MWh)	Avoided CO2 emissions from sold RE in 2011	Avoided CO2 emissions from sold RE in 2012
Geothermal	3,310	3,465	1,640	1,717
Hydroelectric	1,090	1,131	540	560
TOTAL	4,400	4,596	2,180 thousand tons	2,277 thousand tons



Recharge Communities

By recharging communities, the Group addresses the “people” aspect of the triple bottom line ideal. Spearheaded by Aboitiz Foundation, the Group involves improving the well-being of communities through job generation, educational assistance, livelihood programs, disaster preparedness and other social development initiatives.

- Group-wide hiring increased by 12 percent every year since 2010. From 33,025 team members in 2011, the Group's total workforce increased to 37,055 in 2012
- The Aboitiz Group allocated Php527 mn for corporate social responsibility projects in 2012. Details on the Aboitiz Foundation's programs can be found in its Annual Report and on its website at www.aboitizfoundation.org.
- The Group made its single biggest CSR donation in 2012, donating Php100 million to WeatherPhilippines Foundation (WPF) for the installation of 1,000 automated weather stations to help local government units improve their disaster preparedness measures and, in the process, avoid loss of lives and property. Details about this project can be found in WPF's Annual Report or on its website at www.weather.com.ph.





Our Contribution to Severe Weather and Disaster Risk Management

In 2012, the Aboitiz Group embarked on a milestone project, its biggest CSR initiative to date.

We partnered with Meteomedia, a leading Switzerland-based weather services organization, to establish WeatherPhilippines Foundation (WPF). A non-profit organization accredited with the Philippine Council for NGO Certification, it now operates a premiere weather forecasting system that provides free and accurate weather forecasts as a public service to the Filipino nation.

WPF supports the government's efforts in reducing weather-related disaster risks in the country, enabling timely response to variable weather conditions to avoid loss to life and property.

Aboitiz Foundation Inc. and UnionBank provide the funding to purchase and install about 1,000 weather instruments and devices nationwide in WPF's first two years of operations. Meteomedia, for its part, will provide the necessary technology to operate the system and generate accurate and localized weather forecasts.

Strategic pillars

WPF operations are guided by three strategic pillars: technology, partners, and communication.

We install compact, fully automated weather stations (AWS) using the latest weather sensor technology that transmits localized weather information. Each unit measures temperature, pressure, humidity, solar radiation, wind direction and speed, using ultrasonic sensor technology to take wind measurements. It also measures the amount of rainfall in any given location.

Complemented with dataloggers from the Advanced Science and Technology Institute (ASTI) of the Department of Science and Technology (DOST), weather information is transmitted to Meteomedia servers every 10 minutes. These weather stations are unmanned and completely solar powered.

As of March 2013, WPF has deployed a total of 230 AWS nationwide: 117 in Luzon, 47 in Visayas, 56 in Mindanao, and 10 mobile storm trackers.

To ensure the sustainability of WPF, we rally the support of partners. The speedy deployment of the AWS is a result of our partnerships with the League of Provinces of the Philippines (LPP) and League of Cities in the Philippines (LCP).



Senior specialist Mike Padua does "severe weather warnings" and "typhoon tracking" for WeatherPhilippines Foundation



WeatherPhilippines Foundation has hundreds of automated weather stations across the country

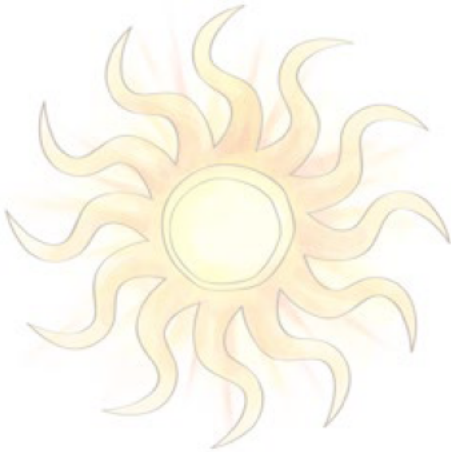
Several donors in the private sector have also pledged to support WPF to make it sustainable. Platinum sponsors SM Investments Corp., Nickel Asia Corp./Sumitomo Metals Mining Co. Ltd., International Container Terminal Services, Inc., and Vista Land & Life Scapes are each donating P25 million over a period of 10 years. Gold sponsors include Aboitiz business units VECO, Davao Light, Hedcor, and SN Aboitiz Power.



We affiliate and coordinate with various scientific, governmental and non-governmental agencies for the supply of weather information. We collaborate with the DOST to improve weather forecasting and develop local weather equipment and technology with the ASTI. We are working to build on this partnership, further, by working on areas for collaboration with PAGASA and Project NOAH.

Communication enables the maximum effectiveness of the WPF. We capitalize on the power and reach of the Internet and social media but also make use of traditional TV, print, radio and LGU media channels to ensure that critical localized weather information reaches every barangay even in far-flung areas.

Through Pilmico, we disseminate the information through LCD screens set up in its retail outlets nationwide. Similarly, SM Malls with their lobby LCD screens will provide additional venues to communicate WPF's localized weather information.



Our Forecast for the Future

WPF will step up its deployment plan and install an additional 550 AWS and 55 lightning detectors in 2013 to further strengthen technical differentiation. Other donors will also enhance WPF's ability to secure more weather assets.

We will continue to conduct city and provincial instructional sorties for our stakeholders on the use of the WPF portal, www.weather.com.ph, which features a wealth of weather information. Provincial and city public information officers, disaster risk reduction and management leaders, and administrators will be invited to attend these instructional sessions.

WPF and the LCP recently signed a memorandum of understanding to establish a collaborative link for weather-related disaster risk reduction and management capacity-building.

We are also working out partnerships with news and media organizations so weather information gathered through WPF can also be disseminated through additional tri-media channels. We will work to employ SMS and social media technologies to widen our receiving audience.

We will pursue securing additional donors and sponsors to ensure WPF's sustainability in at least the next 10 years.

As WPF continues to get more support and commendations nationwide, it is well on track to realizing its vision to be the trusted and most reliable private weather information organization in the country.

Mindanao
Sulu Sea

Valley
uzon
ZON
PA

Visayas
isayas
isayas

ga Peninsula
Mindanao

ARGEN

Automated Weather Stations

Aboitiz Equity Ventures, Inc.
Board of Directors

From left:

Jon Ramon Aboitiz
Chairman

Erramon I. Aboitiz
Director

Roberto E. Aboitiz
Director

Enrique M. Aboitiz, Jr.
Director



Jon

Montxu

Bobby

Endika

From left:

Jose C. Vitug
Independent Director

Raphael P.M. Lotilla
Independent Director

Justo A. Ortiz
Director

Antonio R. Moraza
Director

Stephen T. Cullnjieng
Independent Director



*Justice
Vitug*

Popo

Tito

Tony

Stephen

Aboitiz Equity Ventures, Inc.
Corporate Officers

From left:

Stephen G. Paradies

Senior Vice President
Chief Financial Officer
Corporate Information Officer

Enrique M. Aboitiz, Jr.

Senior Vice President

Xavier Jose M. Aboitiz

Senior Vice President
Chief Human Resources Officer

Román V. Azanza III

First Vice President
Business Development



Steve

Endika

Txabi

Román

From left:

Mikel A. Aboitiz

Senior Vice President
Chief Information Officer

Gabriel T. Mañalac

Senior Vice President
Group Treasurer

Joseph Trillana T. Gonzales

Vice President
Legal and Corporate Services

Melinda R. Bathan

First Vice President
Controller



Mikel



Gabby



Joseph



Melinda

Corporate Officers

From left:

Luis Miguel O.Aboitiz

First Vice President

Narcisa S. Lim

First Vice President

Human Resources and Quality

Patrick B. Reyes

First Vice President

Chief Strategy Officer



Miguel

Nancy

Patrick

From left:

Horacio C. Elicano

First Vice President
Chief Technology Officer

Susan V. Valdez

First Vice President
Chief Reputation Officer
Chief Risk Management Officer

M. Jasmine S. Oporto

Senior Vice President
Chief Legal Officer
Corporate Secretary
Chief Compliance Officer

Juan Antonio E. Bernad

Senior Vice President



Hoton

Susan

Jazz

Cholo

Aboitiz Equity Ventures, Inc.
Business Unit Heads

From left:

Antonio R. Moraza

Executive Vice President
Chief Operating Officer
Power Generation Group
Aboitiz Power Corporation

Mikel A. Aboitiz

Director & President
Chief Executive Officer
City Savings Bank, Inc.

Jaime Jose Y. Aboitiz

Executive Vice President &
Chief Operating Officer
Power Distribution Group
Aboitiz Power Corporation

Justo A. Ortiz

Chairman & Chief Executive Officer
UnionBank of the Philippines

Sabin M. Aboitiz

President & Chief Executive Officer
Pilmico Foods Corporation

Andoni F. Aboitiz

President & Chief Executive Officer
AboitizLand, Inc.



Tony

Mikel

Jim

Tito

Sabin

Andoni

LIST OF DIRECTORS AND OFFICERS 2012-2013

Board of Directors

Jon Ramon Aboitiz Chairman of the Board	Enrique M. Aboitiz, Jr. Director	Jose C. Vitug Independent Director
Erramon I. Aboitiz Director	Justo A. Ortiz Director	Stephen T. CuUnjieng Independent Director
Roberto E. Aboitiz Director	Antonio R. Moraza Director	Raphael P.M. Lotilla Independent Director

Corporate Officers

Jon Ramon Aboitiz Chairman of the Board	Luis Miguel O. Aboitiz First Vice President	Annacel A. Natividad Assistant Vice President Financial Risk Management	Dave Michael V. Valeriano Assistant Vice President Investor Relations
Erramon I. Aboitiz President & Chief Executive Officer	Horacio C. Elicano First Vice President Chief Technology Officer	Julie Ann T. Diongzon Assistant Vice President Treasury	Jose – Angelo T. Fernandez Assistant Vice President Business Development
Stephen G. Paradies Senior Vice President Chief Financial Officer Corporate Information Officer	Patrick B. Reyes First Vice President Chief Strategy Officer	Aylmerita C. Peñaloza Assistant Vice President Treasury	Francisco Victor G. Salas Assistant Vice President Corporate Branding & Communication
Mikel A. Aboitiz Senior Vice President Chief Information Officer	Román V. Azanza III First Vice President Business Development	Noemi G. Sebastian Assistant Vice President Human Resources and Quality	Francis S. Cabanban Assistant Vice President IT Architect
Enrique M. Aboitiz, Jr. Senior Vice President	Melinda R. Bathán First Vice President–Controller	Marilou P. Plando Assistant Vice President Business Administrator for Legal and Corporate Services	Jose Grego U. Sitoy Assistant Vice President IT Operations and Information Security
Juan Antonio E. Bernad Senior Vice President	Narcisa S. Lim First Vice President Human Resources and Quality	Maria Lourdes Y. Tanate Assistant Vice President Audit	Maria Luisa L. Marasigan Assistant Vice President Sustainability, Corporate Branding & Communication
Xavier Jose M. Aboitiz Senior Vice President Chief Human Resources Officer	Joseph Trillana T. Gonzales Vice President Legal and Corporate Services	Andy G. Torrato Assistant Vice President Plant Security	
Gabriel T. Mañalac Senior Vice President Group Treasurer	Susan S. Policarpio Vice President Government Relations	Joseph Y. Tugonon Assistant Vice President Tax Management Services for Legal and Corporate Services	
M. Jasmine S. Oporto Senior Vice President Chief Legal Officer Corporate Secretary Chief Compliance Officer	Robin Patrick R. Sarmiento Assistant Vice President Strategy and Corporate Finance	Catherine R. Atay Assistant Vice President Corporate Secretarial and Compliance Services for Legal and Corporate Services Assistant Corporate Secretary	
Susan V. Valdez First Vice President Chief Reputation Officer Chief Risk Management Officer	Vivien Vicente–Limjoco Assistant Vice President Strategy and Corporate Finance		
	Ronaldo S. Ramos Assistant Vice President Business Risk Management		

BOARD COMMITTEES 2012-2013

Board Corporate Governance Committee

Jon Ramon Aboitiz Chairman of the Committee Chairman of the Board	Jose C. Vitug Independent Director	Stephen T. CuUnjieng Independent Director	Xavier Jose M. Aboitiz Ex-officio member, Chief Human Resources Officer
Roberto E. Aboitiz Director	Raphael P.M. Lotilla Independent Director	M. Jasmine S. Oporto Ex-officio member, Chief Compliance Officer	

Board Audit Committee

Jose C. Vitug Chairman of the Committee Independent Director	Stephen T. CuUnjieng Independent Director	Justo A. Ortiz Director
Raphael P.M. Lotilla Independent Director	Roberto E. Aboitiz Director	

Board Risk and Reputation Management

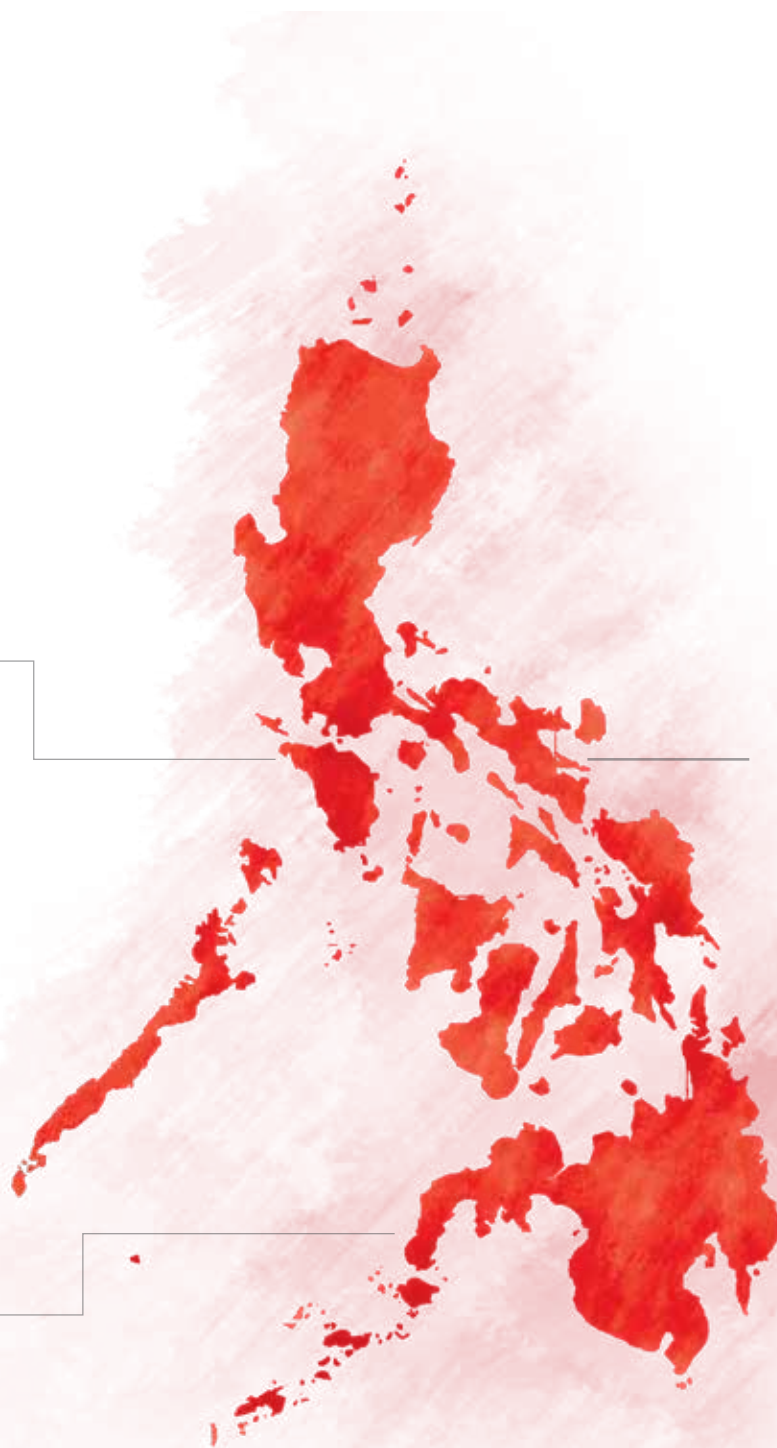
Enrique M. Aboitiz, Jr. Chairman of the Committee Director	Jon Ramon Aboitiz Chairman of the Board	Stephen G. Paradies Ex-officio member, Chief Financial Officer	Susan V. Valdez Ex-officio member, Chief Reputation Officer Chief Risk Management Officer Chief Risk Management Officer
Justo A. Ortiz Director	Stephen T. CuUnjieng Independent Director		

Location of Operations

SN Aboitiz Power-Magat, Inc. •
SN Aboitiz Power-Benguet, Inc. •
SN Aboitiz Power-Res, Inc. •
Luzon Hydro Corporation •
Hedcor, Inc. •
Pilmico Animal Nutrition Corporation •
San Fernando Electric Light & Power Company •
Aboitiz Jebsen Bulk Transport Corporation •
Aboitiz Jebsen Manpower Solutions, Inc. •
Therma Mobile, Inc. •
Jebsen Maritime, Inc. •
Subic EnerZone Corporation •
Union Bank of the Philippines •
Therma Luzon, Inc. •
Redondo Peninsula Energy, Inc. •
AP Renewables, Inc.-MakBan •
AP Renewables, Inc.-Tiwi •

Aboitiz Equity Ventures, Inc. •
Aboitiz Power Corporation •
Visayan Electric Company, Inc. •
Aboitiz Foundation, Inc. •
AboitizLand, Inc. •
Aboitiz Construction Group, Inc. •
Metaphil International, Inc. •
Tsuneishi Heavy Industries (Cebu), Inc. •
Cebu Private Power Corporation •
East Asia Utilities Corporation •
City Savings Bank •
Aboitiz Energy Solutions, Inc. •
Advent Energy, Inc. •
Prism Energy, Inc. •
Aboitiz Jebsen •
Mactan EnerZone Corporation •
Balamban EnerZone Corporation •
Cebu Energy Development Corporation •
Cebu Praedia Development Corporation •

STEAG State Power, Inc. •
Pilmico Foods Corporation •
Davao Light & Power Company, Inc. •
Hedcor Sibulan, Inc. •
Hedcor Tamugan, Inc. •
Therma Marine, Inc. 1 & 2 •
Therma South, Inc. •
Cotabato Light & Power Company •
Southern Philippines Power Corporation •
Western Mindanao Power Corporation •



Corporate Structure

(as of end-2012)

POWER OWNERSHIP (%)

Aboitiz Power Corporation 76

POWER DISTRIBUTION

DAVAO LIGHT & POWER CO. INC.	99.93
COTABATO LIGHT & POWER CO.	99.94
VISAYAN ELECTRIC CO., INC.	55.25
SAN FERNANDO ELECTRIC & POWER CO., INC.	43.78
SUBIC ENERZONE CORP.	99.97
MACTAN ENERZONE CORP.	100
BALAMBAN ENERZONE CORP.	100

POWER GENERATION

THERMA POWER, INC.	100
THERMA LUZON, INC.	100
THERMA MARINE, INC.	100
THERMA MOBILE, INC.	100
THERMA SOUTH, INC.	100
THERMA POWER VISAYAS, INC.	100
THERMA SUBIC, INC.	100
THERMA SOUTHERN MINDANAO, INC.	100
THERMA CENTRAL VISAYAS, INC.	100
THERMA VISAYAS, INC.	100
PAGBILAO ENERGY, INC.	100
ABOVANT HOLDINGS, INC.	60
CEBU ENERGY DEVT. CORP.	44
REDONDO PENINSULA ENERGY, INC.	25
CEBU PRIVATE POWER CORP.	60
EAST ASIA UTILITIES CORP.	50
STEAG STATE POWER INC.	34
SOUTHERN PHILIPPINES POWER CORP.	20
WESTERN MINDANAO POWER CORP.	20
ABOITIZ RENEWABLES, INC.	100
HEDCOR, INC.	100
AP RENEWABLES, INC.	100
LUZON HYDRO CORP.	100
HEDCOR SIBULAN, INC.	100
HEDCOR TAMUGAN, INC.	100
HEDCOR SABANGAN, INC.	100
HEDCOR TUDAYA, INC.	100
CLEANERGY, INC.	100
HEDCOR BOKOD, INC.	100
HEDCOR BUKIDNON, INC.	100
MANILA-OSLO RENEWABLE ENTERPRISE, INC.	83.33
SN ABOITIZ POWER – MAGAT, INC.	60
SN ABOITIZ POWER – BENGUET, INC.	60
SN ABOITIZ POWER – RES, INC.	60

RETAIL ELECTRICITY SERVICES

ABOITIZ ENERGY SOLUTIONS, INC.	100
ADVENTENERGY, INC.	100
PRISM ENERGY, INC.	60

BANKING

UNION BANK OF THE PHILS.	44.82
--------------------------	-------

FOOD

PILMICO FOODS CORP.	100
PILMICO ANIMAL NUTRITION CORP.	100
FILAGRI, INC.	100

LAND

ABOITIZ LAND, INC.	100
PROPIEDAD DEL NORTE, INC.	100
CEBU INDUSTRIAL PARK DEVELOPMENT CORP.	60
CEBU PRAEDIA DEVT. CORP.	100

INTEGRATED MARITIME SERVICES

ABOITIZ JEBSEN CO. INC.	62.50
ABOITIZ JEBSEN MANPOWER SOLUTIONS, INC.	62.50
JEBSENS MARITIME INC.	62.50

OTHERS

ASEAGAS CORPORATION	100
AEV AVIATION, INC.	50.75

Board of Directors

From left:

Enrique M. Aboitiz, Jr.
Chairman

Jon Ramon Aboitiz
Vice Chairman

Jakob G. Disch
Independent Director

Erramon I. Aboitiz
Director



Endika

Jon

Jakob

Montxu

From left:

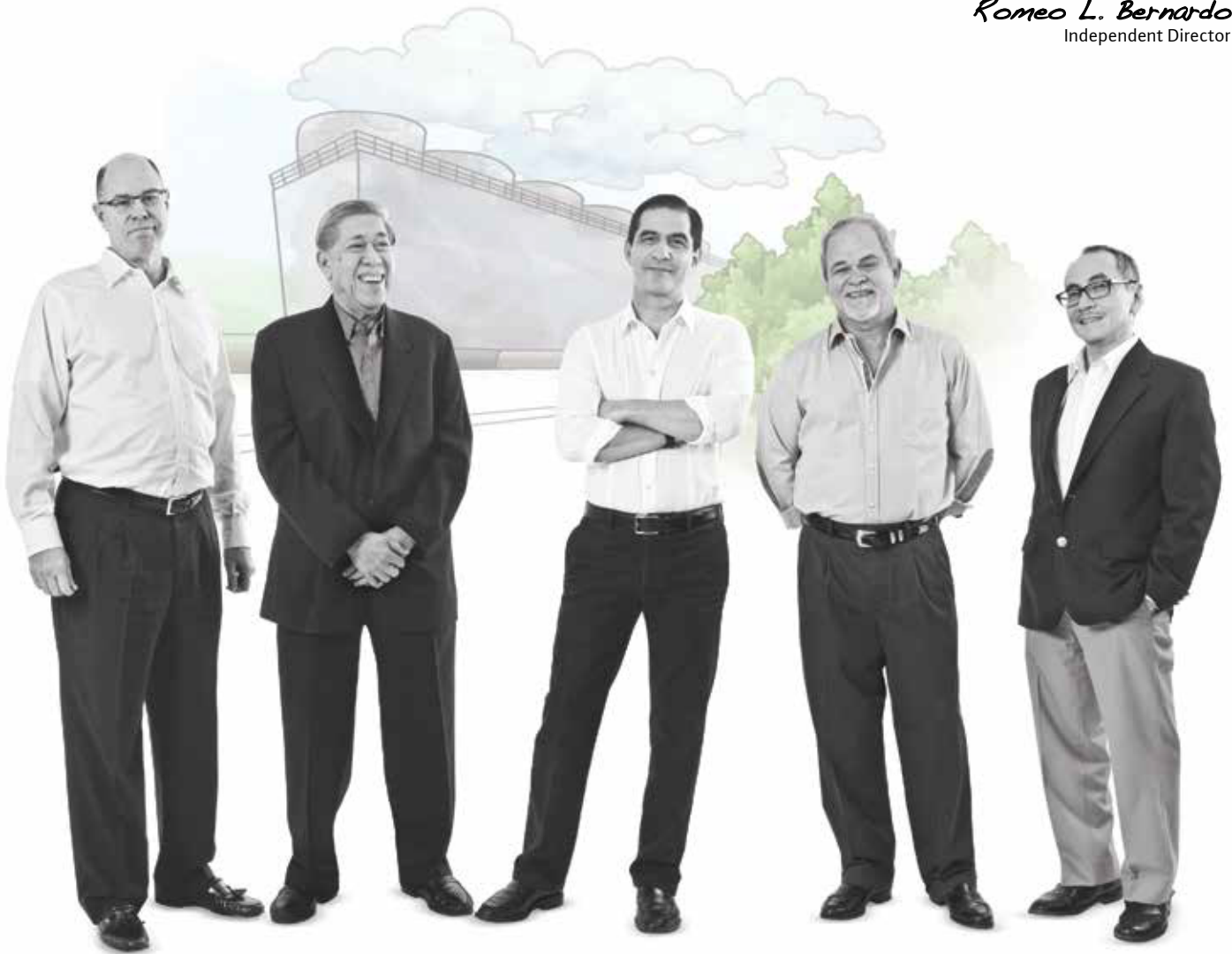
Antonio R. Moraza
Director

Jose R. Facundo
Independent Director

Jaime Jose Y. Aboitiz
Director

Mikel A. Aboitiz
Director

Romeo L. Bernardo
Independent Director



Tony

Joe

Jim

Mikel

Romy

Corporate Officers

From left:

Erramon I. Aboitiz

President
Chief Executive Officer

Jaime Jose Y. Aboitiz

Executive Vice President
Chief Operating Officer
Power Distribution Group

Antonio R. Moraza

Executive Vice President
Chief Operating Officer
Power Generation Group

Juan Antonio E. Bernad

Executive Vice President
Strategy and Regulation

Susan V. Valdez

First Vice President
Chief Reputation Officer
Chief Risk Management Officer

Iker M. Aboitiz

First Vice President
Chief Financial Officer
Corporate Information Officer



Montxu

Jim

Tony

Cholo

Susan

Iker

From left :

Wilfredo R. Bacareza, Jr.

Vice President
Project Development

Luis Miguel O. Aboitiz

Senior Vice President
Power Marketing and Trading

William L. Ruccius

Vice President
Business Development

Thomas J. Sliman, Jr.

First Vice President
Business Development

Bienamer D. Garcia

Vice President
Customer Services
Power Distribution Group



Wong

Miguel

Bill

Tommy

Bien

Corporate Officers

From left:

Gabriel T. Mañalac

Senior Vice President
Treasurer

Raymond E. Cunningham

First Vice President
Business Development

Manuel R. Lozano

First Vice President
Chief Financial Officer
Power Generation Group

Raul C. Lucero

Vice President
Engineering
Power Distribution Group

Roland U. Gaerlan

Vice President
Marketing



Gabby

Ray

Dmi

Raul

Roland

From left:

Ma. Chona Y. Tiu

Vice President
Chief Financial Officer
Power Distribution Group

M. Jasmine S. Oporto

Senior Vice President
Corporate Secretary
Chief Compliance Officer

Manuel M. Orig

First Vice President
Mindanao Affairs

Ana Liza M. Aleta

Vice President
IT Director
Power Generation Group

Susan S. Policarpio

Vice President
Government Relations

Alvin S. Arco

Vice President
Regulatory Affairs



Chona

Jazz

Bobby

Ana

Susan

Alvin

Business Unit Heads

From left:

Benjamin A. Cariaso, Jr.

President
Chief Operating Officer
Therma Luzon, Inc.
and Therma South, Inc.

Emmanuel V. Rubio

President
Chief Executive Officer
SN Aboitiz Power Group

Arturo M. Milan

Executive Vice President
Chief Operating Officer
Davao Light and Cotabato Light

Jose Venancio P. Batiguin

President
Chief Operating Officer
Therma Marine, Inc.
and Therma Mobile, Inc.

Rodger S. Velasco

Senior Vice President
Chief Operating Officer
Cotobato Light & Power Company, Inc.



Benjie

Manny

Art

Jovy

Rodger

From left :

Michael B. Pierce

President
Chief Operating Officer
AP Renewables, Inc.

Rene B. Ronquillo

President
Chief Operating Officer
Hedcor Group

Sebastian R. Lacson

Senior Vice President
Chief Operating Officer
Visayan Electric Company

Dante T. Pollescas

Senior Vice President
Chief Operating Officer
Subic, Balamban and
Mactan EnerZones



Mike

Rene

Basti

Dante

LIST OF DIRECTORS AND OFFICERS 2012-2013

Board of Directors

Enrique M. Aboitiz, Jr.
Chairman of the Board

Jon Ramon Aboitiz
Vice Chairman

Erramon I. Aboitiz
Director

Antonio R. Moraza
Director

Mikel A. Aboitiz
Director

Jaime Jose Y. Aboitiz
Director

Jose R. Facundo
Independent Director

Romeo L. Bernardo
Independent Director

Jakob G. Disch
Independent Director

Corporate Officers

Enrique M. Aboitiz, Jr.
Chairman of the Board

Jon Ramon Aboitiz
Vice Chairman of the Board

Erramon I. Aboitiz
President &
Chief Executive Officer

Antonio R. Moraza
Executive Vice President &
Chief Operating Officer
Power Generation Group

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

Juan Antonio E. Bernad
Executive Vice President
Strategy and Regulation

Luis Miguel O. Aboitiz
Senior Vice President
Power Marketing and Trading

Gabriel T. Mañalac
Senior Vice President
Treasurer

Iker M. Aboitiz
First Vice President
Chief Financial Officer
Corporate Information Officer

Manuel R. Lozano
First Vice President
Chief Financial Officer
Power Generation Group

Raymond E. Cunningham
First Vice President
Business Development

Thomas J. Sliman, Jr.
First Vice President
Business Development

M. Jasmine S. Oporto
Senior Vice President
Corporate Secretary
Chief Compliance Officer

Susan V. Valdez
First Vice President
Chief Reputation Officer
Chief Risk Management Officer

Kenton E. Heuertz
Vice President
Asset Management
Power Generation Group

Manuel M. Orig
First Vice President
Mindanao Affairs

Ma. Chona Y. Tiu
Vice President & Chief Financial
Officer
Power Distribution Group

Alvin S. Arco
Vice President
Regulatory Affairs

Wilfredo R. Bacarez, Jr.
Vice President
Project Development

Raul C. Lucero
Vice President
Engineering
Power Distribution Group

William L. Ruccius
Vice President
Business Development

Roland U. Gaerlan
Vice President Marketing

Bienamer D. Garcia
Vice President
Distribution
Customer Services

Susan S. Policarpio
Vice President
Government Relations

Ana Liza M. Aleta
Vice President & IT Director
Power Generation Group

Dennis A. de la Serna
Assistant Vice President
Regulatory Affairs

Nestor F. Aliman
Assistant Vice President
Business Development

Rodrigo M. San Pedro, Jr.
Assistant Vice President
Business Development
Commercial

Maria P. Garcia
Assistant Vice President
Power Economics

Cristina B. Beloria
Assistant Vice President
Controller

Ma. Cynthia C. Hernandez
Assistant Vice President
Finance

Paquita S. Tiguer-Rafols
Assistant Vice President
Corporate Services
Power Generation (Oil Group)

Arazeli L. Malapad
Assistant Vice President
Accounting
Power Generation Group
(Luzon)

Carlos Copernicus S. Payot
Assistant Vice President
Controller
Power Distribution Group

Clovis B. Racho
Assistant Vice President
Procurement and Logistics
Power Distribution Group

Aladino B. Borja, Jr.
Assistant Vice President
Information Services
Power Distribution Group

Ronald Enrico V. Abad
Assistant Vice President
Business Development

Roberto V. Orozco
Assistant Vice President
Civil Site Construction

Ma. Kristina C.V. Rivera
Assistant Vice President
Human Resources and Quality
Power Generation Group

Crisanto R. Laset, Jr.
Assistant Vice President
Trading

Juan Manuel J. Gatmaitan
Assistant Vice President
Marketing

Katrina Michaela D. Calleja
Assistant Vice President
Branding

Ma. Cielita C. Añiga
Assistant Vice President
Human Resources and Quality
Power Distribution Group

Irwin C. Pagdalian
Assistant Vice President
Special Projects
Power Distribution Group

Socorro L. Patindol
Assistant Vice President for
Environmental Management
Power Generation Group

Dave Michael V. Valeriano
Assistant Vice President
Investor Relations

Katrina M. Platon
Assistant Vice President
Legal and Regulatory Affairs

Joseph Trillana T. Gonzales
Assistant Corporate Secretary

BOARD COMMITTEES 2012-2013

Board Corporate Governance Committee

Jon Ramon Aboitiz
Chairman of the Committee
Vice Chairman

Erramon I. Aboitiz
Director

Jose R. Facundo
Independent Director

Romeo L. Bernardo
Independent Director

Jakob G. Disch
Independent Director

M. Jasmine S. Oporto
Ex-officio member,
Chief Compliance Officer

Xavier Jose M. Aboitiz
Ex-officio member,
Chief Human Resources Officer

Board Audit Committee

Jose R. Facundo
Chairman of the Committee
Independent Director

Romeo L. Bernardo
Independent Director

Jakob G. Disch
Independent Director

Mikel A. Aboitiz
Director

Jaime Jose Y. Aboitiz
Director

Board Risk and Reputation Management Committee

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

Erramon I. Aboitiz
Director

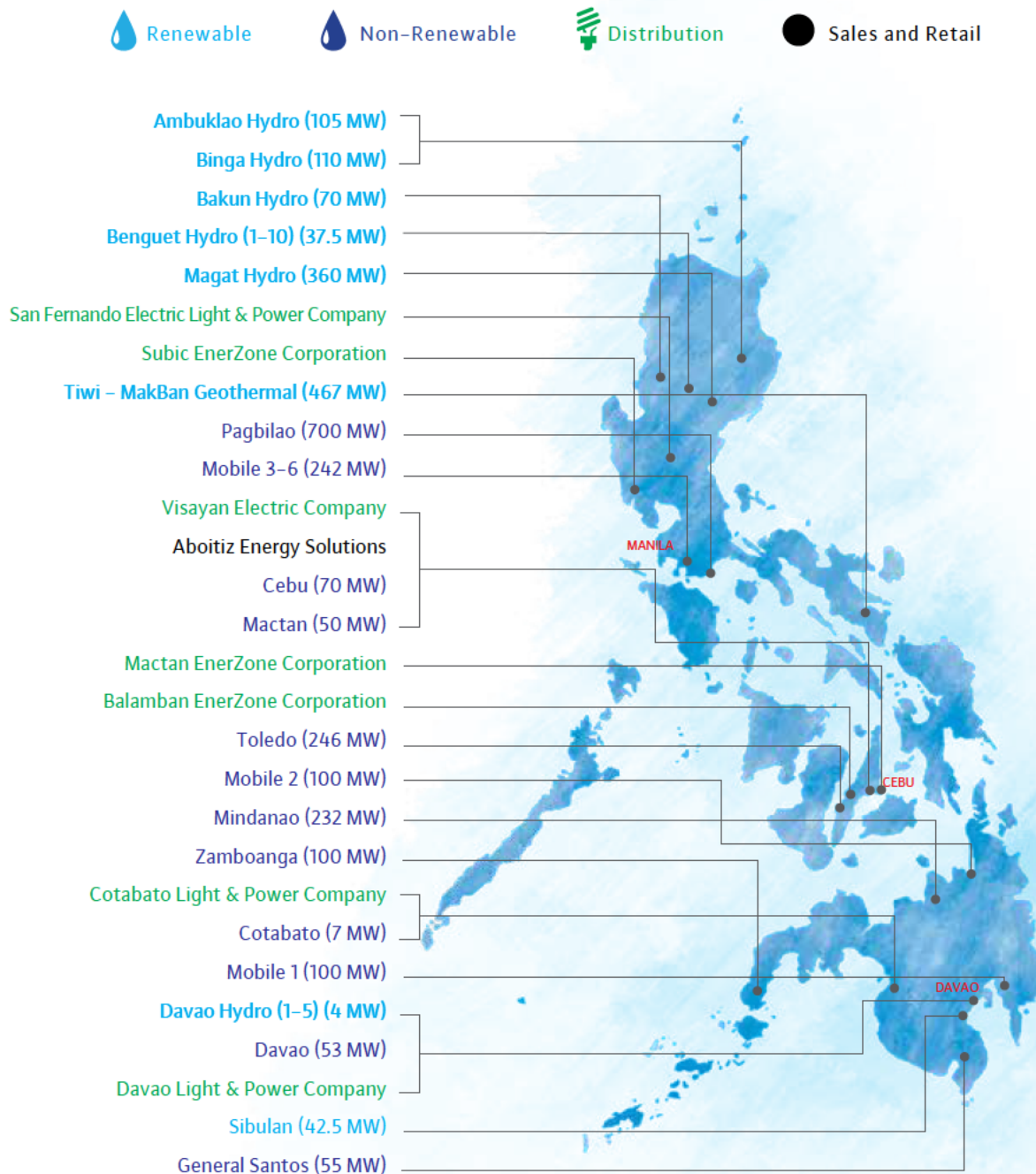
Jose R. Facundo
Independent Director

Jakob G. Disch
Independent Director

Iker M. Aboitiz
Ex-officio member,
Chief Financial Officer

Susan V. Valdez
Ex-officio member,
Chief Reputation Officer
Chief Risk Management Officer

A diversified portfolio with assets located all over the country (with installed plant capacities)



Board of Trustees

From left:

Erramon I. Aboitiz

Chairman

Jon Ramon Aboitiz

President

Augusto P.I. Carpio III

Managing Trustee

Romy S. Ronguillo

Trustee



Montxu

Jon

Sonny

Romy

From left :

Stephen G. Paradies
Trustee

Roberto E. Aboitiz
Trustee

Susan V. Valdez
Trustee

Xavier Jose M. Aboitiz
Trustee

Jaime Jose Y. Aboitiz
Trustee



Steve

Bobby

Susan

Txabi

Jim

Board of Trustees

From left:

Enrique M. Aboitiz, Jr.
Chairman

Manuel B. Zamora, Jr.
Trustee, Corporate Secretary
and Treasurer

Fulgencio S. Factoran, Jr.
Independent Trustee

Susan V. Valdez
Trustee, President

Martin Kurer
Trustee

Celso C. Caballero III
General Manager



Endika

Manny

Jun

Susan

Martin

Celso

Aboitiz Equity Ventures, Inc.
Audited Consolidated Financial Statements

The Audit Committee Report to the Board of Directors

The Board Audit Committee's roles and responsibilities are embodied in the Board Audit Committee Charter approved by the Board of Directors. It provides assistance to the Board of Directors in fulfilling the Board's oversight responsibility to the shareholders relating to: (a) the quality and integrity of the Company's accounting, auditing, legal, ethical and regulatory compliance; (b) risk management; (c) financial reporting practices; and (d) corporate governance. Any proposed changes to the Audit Committee Charter are referred to the Board for approval.

Membership

As of December 31, 2012, the Board Audit Committee is composed of five (5) members, three (3) of whom are independent directors.

Jose C. Vitug, a retired Justice of the Supreme Court (Independent Director) – Chair of the Committee is ably assisted by Atty. Raphael P. M. Lotilla (Independent Director), Stephen T. CuUnjieng (Independent Director), Justo A. Ortiz (Executive Director) and Roberto E. Aboitiz (Executive Director).

Meetings

In compliance with the Board Audit Committee Charter, four (4) regular meetings were held during the year: February 29, May 3, August 2, and October 30, 2012. Two (2) joint meetings with the Board Risk & Reputation Committee were also held on August 1 and Dec 6, 2012; and one (1) special meeting was called on March 1, 2012. Also present in these meetings is the Group Internal Audit Head, the Chief Reputation and Risk Management Officer, and by invitation, the Chief Financial Officer and AEV First Vice President–Controller.

Financial Reports

On a high level basis, we reviewed, discussed, and endorsed for the approval of the Board the quarterly unaudited consolidated financial statements and the annual audit financial statements of Aboitiz Equity Ventures, Inc. and Subsidiaries, including the Management's Discussion and Analysis of Financial Condition and Results of Operations following prior review and discussion with management, the internal auditors and SyCip Gorres Velayo & Co. (SGV), the company's independent auditor.

The activities of the Audit Committee were performed in the following context:

- That management has the primary responsibility for the financial statements and the financial reporting process; and
- That SGV is responsible for expressing an opinion on the conformity of the Company's audited financial statements with Philippine Financial Reporting Standards.

Independent Auditors

The overall scope and audit plan of SGV were reviewed and approved. The terms of engagement which covers audit-related services provided by SGV and its related fees were also reviewed. There was no non-audit related service provided for the year 2012.

We also discussed with SGV the results of the SGV's audits and its assessment of the overall quality of the financial reporting process. SGV also presented the effects of changes in relevant accounting standards and presentation of financial statements that impact on the reported results.

We also noted and approved the delegation of the appointment of the Company's external auditors for 2012 by the shareholders to the Board of Directors.

Internal Auditors

A reorganization of the Internal Audit department took effect in August 2012. Majority of the auditors were deployed to the different business units where resident internal audit teams were formed to handle finance and operations audits.

The corporate team, now referred to as Group Internal Audit (GIA), continues to take the lead in setting the standards, initiatives and overall direction. A new Information Systems audit team was formed within GIA to handle the review of the basic stack of potential technical subject areas such as networks, data center facilities, system platforms, databases, applications and general controls. GIA remains as the single point of contact of the Board Audit Committee.

The decision to restructure the internal audit organization underwent careful and deliberate consideration after fully understanding the factors with the end goal of promoting and improving the state of internal controls and adding value to the Company by recommending cost-effective solutions for addressing issues via specific areas of expertise. The creation of resident audit teams would not only increase the scope and coverage of audits undertaken but would also facilitate specialization and in-depth understanding of the business and increase the visibility of internal audit in the different business units.

We reviewed and approved the annual audit program for the year which also covers the adequacy of resources, qualifications and competency of the staff and independence of the internal auditor.

In our review of the performance of internal audit for 2012, we confirm that the auditors of GIA conducted its responsibilities objectively and in an unbiased manner. Its position in the organization was further strengthened by moving the administrative reporting line from the Chief Risk Management Officer to the President and Chief Executive Officer effective July 2012. GIA continues to functionally report to the Board Audit Committee.

Also, based on audit reports and highlights presented to the Committee, we concur with GIA's assessment that the system of internal controls in effect during the year 2012, taken as a whole, provides reasonable assurance about the effectiveness of the Company's internal control systems. The policies and procedures in place serve as reasonable and effective safeguards of company resources and the integrity of its programs. Action plans to address control gaps and weaknesses raised have been agreed, timelines set and regular status monitoring strengthened to ensure achievement of more efficient and effective processes as well as general reduction of operational risks. With the synergy of all its control activities, the Company's overall system of internal controls is adequate and is operating as intended.

Finally, we reviewed and endorsed for approval the revised Audit Committee Charter which was duly approved by the full Board in its meeting held September 27, 2012. Together with the revised Charter is the approval of the Board Audit Committee Self-Assessment Form. Based on the Self-Assessment conducted, the Committee achieved a "Substantive" compliance rating of 98% for the year 2012. The rating indicates that the Committee substantially complies with the requirements set forth in its charter. The Committee demonstrates evidence that its members are meeting most of the requirements set by global standards and practices.

Risk Management

The revised Audit Committee charter includes a new section on the joint duties and responsibilities of audit with the Board Risk and Reputation Committee. Included in this new provision is our role to refer to the Risk and Reputation committee significant reports and findings by internal audit as well as regulatory and government agencies with respect to risk management activities and compliance issues, together with management's responses. Discussions on items that have significant financial statement impact or required significant financial statement or regulatory disclosures; and other significant issues, including, but not limited to, significant compliance issues, shall be covered during the joint meeting of the Board Audit Committee with the Board Risk and Reputation Committee.

We have approved the inclusion in the audit master plan for next year governance audits which includes the risk management process audit and validation of the risk treatment plans committed by the different business units. These audits will give us a better picture of the adequacy and effectiveness of the risk management processes within the organization.

In behalf of the Committee,



Jose C. Vitug

(Retired Justice, Supreme Court/Independent Director)
Chairman


Statement of Management's Responsibility for Financial Statements


Securities and Exchange Commission
SEC Building, EDSA Greenhills
Mandaluyong, Metro Manila


The management of Aboitiz Equity Ventures, Inc. is responsible for the preparation and fair presentation of the consolidated financial statements for the years ended December 31, 2012 and 2011, including the additional components attached therein, in accordance with the prescribed financial reporting framework indicated therein. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The Board of Directors reviews and approves the consolidated financial statements and submit the same to the stockholders.

SyCip Gorres Velayo & Co., the independent auditors, appointed by the stockholders for the period December 31, 2012 and 2011 has examined the consolidated financial statements of the company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such examination.


JON RAMON M. ABOITIZ
Chairman of the Board


ERRAMON I. ABOITIZ
President & Chief Executive Officer


STEPHEN G. PARADIES
Senior Vice President – Chief Finance Officer

Signed this 5th day of March, 2013.

Republic of the Philippines)
City of Cebu) S.S.


Before me, a notary public in and for the city named above, personally appeared:

Name	Passport/CTC No.	Date/Place Issued
Jon Ramon M. Aboitiz	XX4393111 00637419	August 18, 2009, Cebu City January 30, 2013, Cebu City
Erramon I. Aboitiz	EB7151577 00661610	January 14, 2013; Cebu City February 7, 2013, Cebu City
Stephen G. Paradies	EB5007289 00591287	March 16, 2012, Cebu City February 11, 2013, Cebu City

who are personally known to me and to me known to be the same persons who presented the foregoing instrument and signed the instrument in my presence, and who took an oath before me as to such instrument.

Witness my hand and seal this MAR 11 day of 2013 2013.

Doc. No. 18 ;
Page No. 4 ;
Book No. XX ;
Series of 2013


MAKICAR SUICO-LE
NOTARY PUBLIC
UNTIL DECEMBER 31, 2013
NOTARIAL COMMISSION NO. 014-10
ROLL NO. 40815
PTR NO. 2682121; 1/4/13-CEBU CITY
IBP NO. 812340; 1/4/13 - CEBU CITY
2-C CAPITOL CENTER ESCARIO ST. CEBU CITY

Independent Auditors' Report

The Stockholders and the Board of Directors
Aboitiz Equity Ventures, Inc.

We have audited the accompanying consolidated financial statements of Aboitiz Equity Ventures, Inc. and Subsidiaries, which comprise the consolidated balance sheets as at December 31, 2012 and 2011, and the consolidated statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2012, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Philippine Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Aboitiz Equity Ventures, Inc. and Subsidiaries as at December 31, 2012 and 2011, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2012 in accordance with Philippine Financial Reporting Standards.

SYCIP GORRES VELAYO & CO.



Leovina Mae V. Chu

Partner

CPA Certificate No. 99910

SEC Accreditation No. 1199-A (Group A),

March 15, 2012, valid until March 14, 2015

Tax Identification No. 209-316-911

BIR Accreditation No. 08-001998-96-2012,

January 11, 2012, valid until January 10, 2015

PTR No. 3670038, January 2, 2013, Makati City

March 5, 2013

Independent Auditors' Report on Supplementary Schedules

The Stockholders and the Board of Directors
Aboitiz Equity Ventures, Inc.
Aboitiz Corporate Center
Gov. Manuel A. Cuenco Avenue, Cebu City

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 5, 2013. 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 financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.



Leovina Mae V. Chu

Partner

CPA Certificate No. 99910

SEC Accreditation No. 1199-A (Group A),

March 15, 2012, valid until March 14, 2015

Tax Identification No. 209-316-911

BIR Accreditation No. 08-001998-96-2012,

January 11, 2012, valid until January 10, 2015

PTR No. 3670038, January 2, 2013, Makati City

March 5, 2013

Consolidated Balanced Sheets

(Amounts in Thousands)

	December 31	
	2012	2011
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	₱33,730,531	₱29,543,492
Trade and other receivables (Note 5)	24,436,347	22,024,385
Inventories (Note 6)	5,821,033	4,932,659
Derivative asset (Note 33)	2,631	—
Other current assets (Notes 7 and 8)	2,482,311	2,220,068
Total Current Assets	66,472,853	58,720,604
Noncurrent Assets		
Investments in and advances to associates (Note 10)	48,807,361	48,762,926
Property, plant and equipment (Notes 12a and 18)	90,228,776	82,608,589
Intangible asset – service concession rights (Note 13)	3,685,417	4,162,768
Land and improvements (Note 12b)	1,584,203	—
Investment properties (Notes 3, 12c and 26)	4,012,665	341,381
Trade receivables – net of current portion (Note 5)	207,160	—
Available-for-sale (AFS) investments (Note 3)	74,539	74,569
Net pension asset (Note 27)	284,702	190,270
Deferred income tax assets (Note 28)	200,995	268,664
Goodwill (Notes 9 and 11)	1,639,518	1,639,518
Other noncurrent assets (Notes 8 and 15)	5,569,979	4,222,586
Total Noncurrent Assets	156,295,315	142,271,271
TOTAL ASSETS	₱222,768,168	₱200,991,875
LIABILITIES AND EQUITY		
Current Liabilities		
Bank loans (Note 16)	₱6,594,043	₱5,301,008
Trade and other payables (Notes 17, 31 and 35)	14,143,696	12,667,610
Income tax payable	214,560	222,895
Current portions of:		
Long-term debts (Note 18)	4,072,757	1,604,750
Long-term obligation on Power Distribution System (PDS) (Note 13)	40,000	40,000
Obligations under finance lease (Notes 12 and 20)	725,471	—
Payable to preferred shareholder of a subsidiary	20,705	16,902
Derivative liabilities (Note 33)	29,173	7,580
Total Current Liabilities	₱25,840,405	₱19,860,745

(Forward)

December 31

	2012	2011
Noncurrent Liabilities		
Noncurrent portions of:		
Obligations under finance lease (Notes 12 and 20)	₱53,654,843	₱52,714,959
Long-term debts (Note 18)	19,967,827	26,077,970
Deposit liabilities of CSB (Note 17)	5,431,967	4,472,252
Long-term obligations on PDS (Note 13)	230,843	237,046
Payable to preferred shareholder of a subsidiary	25,363	46,068
Trade payables (Notes 17 and 31)	444,522	–
Customers' deposits (Note 19)	2,493,421	2,170,028
Net pension liability (Note 27)	16,152	37,092
Deferred income tax liabilities (Note 28)	1,159,559	397,988
Total Noncurrent Liabilities	83,424,497	86,153,403
Total Liabilities	109,264,902	106,014,148
Equity Attributable to Equity Holders of the Parent		
Capital stock (Note 21)	5,694,600	5,694,600
Additional paid-in capital	6,110,957	6,110,957
Net unrealized valuation gain on AFS investments	4,852	9,638
Cumulative translation adjustments (Note 33)	(132,763)	(43,706)
Share in cumulative translation adjustments of associates (Note 10)	(648,552)	(417,661)
Share in net unrealized valuation gains on AFS investments of an associate (Note 10)	850,631	1,116,924
Gain on dilution (Notes 2 and 10)	5,376,176	5,376,176
Acquisition of non-controlling interest (Note 2)	(1,165,931)	(527,203)
Excess of book value over acquisition cost of an acquired subsidiary (Note 9)	469,540	–
Retained earnings (Note 22)	76,257,409	61,053,322
Treasury stock at cost (Note 21)	(1,295,163)	(1,295,163)
	91,521,756	77,077,884
Non-controlling Interests	21,981,510	17,899,843
Total Equity	113,503,266	94,977,727
TOTAL LIABILITIES AND EQUITY	₱222,768,168	₱200,991,875

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Income

(Amounts in Thousands, Except Earnings Per Share Amounts)

	Years Ended December 31		
	2012	2011	2010
CONTINUING OPERATIONS			
REVENUES (Note 23)			
Sale of:			
Power and electricity	₱61,837,754	₱54,301,601	₱59,543,462
Goods	14,506,723	13,636,184	11,817,769
Bank revenues (Notes 4, 5, 9 and 23)	2,202,204	1,965,953	1,471,458
Fair value of swine (Note 8)	1,181,061	1,116,652	1,061,815
Service fees (Note 35)	416,387	550,348	435,443
Real estate	237,553	—	—
Others (Note 31)	636,118	426,635	220,755
	81,017,800	71,997,373	74,550,702
COSTS AND EXPENSES			
Cost of generated and purchased power (Notes 5, 24 and 35)	31,893,729	26,279,180	25,883,895
Cost of goods sold (Notes 6 and 24)	12,686,202	11,857,616	9,944,591
Operating expenses (Notes 24, 31, 35 and 36)	12,483,956	10,156,133	9,153,560
Bank interest expense (Notes 17 and 18)	776,187	629,497	436,992
Cost of real estate sales (Note 6)	187,029	—	—
Overhead expenses (Note 24)	90,193	150,086	262,910
	58,117,296	49,072,512	45,681,948
OPERATING PROFIT	22,900,504	22,924,861	28,868,754
Share in net earnings of associates (Note 10)	13,311,552	11,229,066	6,843,156
Interest expense (Notes 20, 31 and 32)	(7,571,446)	(7,856,654)	(7,034,751)
Interest income (Notes 4, 31 and 32)	1,008,811	1,084,379	287,691
Dividends on redeemable preferred shares (Note 21)	—	(119,112)	(126,646)
Other income – net (Notes 26 and 31)	2,352,475	1,051,861	2,065,725
INCOME BEFORE INCOME TAX	32,001,896	28,314,401	30,903,929
PROVISION FOR INCOME TAX (Note 28)	1,897,326	1,728,814	1,624,634
NET INCOME FROM CONTINUING OPERATIONS	30,104,570	26,585,587	29,279,295
DISCONTINUED OPERATIONS			
Net loss from discontinued operations (Note 14)	—	—	(1,466,348)
NET INCOME	₱30,104,570	₱26,585,587	₱27,812,947

(Forward)

	Years Ended December 31		
	2012	2011	2010
ATTRIBUTABLE TO:			
Equity holders of the parent	P23,928,645	P21,191,344	P21,865,302
Non-controlling interests	6,175,925	5,394,243	5,947,645
	P30,104,570	P26,585,587	P27,812,947
EARNINGS PER SHARE (Note 29)			
Basic and diluted, for net income for the year attributable to ordinary equity holders of the parent	P4.333	P3.838	P3.960
EARNINGS PER SHARE FOR CONTINUING OPERATIONS (Note 29)			
Basic and diluted, for net income for the year from continuing operations attributable to ordinary equity holders of the parent	P4.333	P3.838	P4.196

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		
	2012	2011	2010
NET INCOME ATTRIBUTABLE TO:			
Equity holders of the parent	P23,928,645	P21,191,344	P21,865,302
Non-controlling interests	6,175,925	5,394,243	5,947,645
	30,104,570	26,585,587	27,812,947
OTHER COMPREHENSIVE INCOME			
Share in movement in cumulative translation adjustments of associates (see Note 10)	(300,837)	(668,165)	(51,895)
Share in movement in unrealized valuation gains (losses) on AFS investments of an associate (see Note 10)	(259,283)	800,381	386,149
Movement in cumulative translation adjustments	(114,799)	(57,598)	(1,721)
Movement in unrealized valuation gains (losses) on AFS investments	(3,749)	16,179	6,598
Total other comprehensive income	(678,668)	90,797	339,131
TOTAL COMPREHENSIVE INCOME	P29,425,902	P26,676,384	P28,152,078
ATTRIBUTABLE TO:			
Equity holders of the parent	P23,337,618	P21,489,650	P22,209,052
Non-controlling interests	6,088,284	5,186,734	5,943,026
	P29,425,902	P26,676,384	P28,152,078

See accompanying Notes to Consolidated Financial Statements.

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See accompanying Notes to Consolidated Financial Statements.

Attribute to equity holders of the parent

	Capital Stock: Common (Note 21)	Additional Paid-in Capital	Net Unrealized Valuation Gain on AFS Investments	Cumulative Translation Adjustments	Share in Cumulative Translation Adjustments of Associates (Note 10)	Share in Unrealized Valuation Gains (Losses) on AFS Investments of an Associate (Note 10)	Gain on Dilution	Acquisition of Non-controlling Interest	Retained Earnings (Note 22)	Treasury Stock (Note 21)	Total	Non-controlling Interests	Total
Balances at January 1, 2011	P5,694,600	P6,110,957	P7,443	P—	P44,606	P314,840	P5,376,176	(P527,203)	P48,586,535	(P1,295,163)	P64,312,791	P14,004,637	P78,317,428
Net income for the year	—	—	—	—	—	—	—	—	21,191,344	—	21,191,344	5,394,243	26,585,587
Other comprehensive income	—	—	2,195	(43,706)	(462,267)	802,084	—	—	—	—	298,306	(207,509)	90,797
Total comprehensive income for the year	—	—	2,195	(43,706)	(462,267)	802,084	—	—	21,191,344	—	21,489,650	5,186,734	26,676,384
Cash dividends – P1.58 per share (Note 22)	—	—	—	—	—	—	—	—	(8,724,557)	—	(8,724,557)	—	(8,724,557)
Cash dividends paid to non-controlling interests	—	—	—	—	—	—	—	—	—	—	—	(2,374,427)	(2,374,427)
Changes in non-controlling interests	—	—	—	—	—	—	—	—	—	—	—	1,082,899	1,082,899
Balances at December 31, 2011	P5,694,600	P6,110,957	P9,638	(P43,706)	(P417,661)	P1,116,924	P5,376,176	(P527,203)	P61,053,322	(P1,295,163)	P77,077,884	P17,899,843	P94,977,727

See accompanying Notes to Consolidated Financial Statements.

Attribute to equity holders of the parent

	Capital Stock: Common (Note 21)	Additional Paid-in Capital	Net Unrealized Valuation Gain on AFS Investments	Cumulative Translation Adjustments of Associates (Note 10)	Share in Cumulative Translation Adjustments of Associates (Note 10)	Share in Net Unrealized Valuation Gains (Losses) on AFS Investments of an Associate (Note 10)	Excess of book value over acquisition cost of an acquired subsidiary	Gain on Dilution	Acquisition of Non-controlling Interest	Retained Earnings (Note 22)	Treasury Stock (Note 21)	Total	Non-controlling Interests	Total
Balances at January 1, 2012	P5,694,600	P6,110,957	P9,638	(P43,706)	(P132,763)	P1,116,924	P—	P5,376,176	(P527,203)	P610,533,322	(P1,295,163)	P77,077,884	P17,895,843	P94,977,727
Net income for the year	—	—	—	—	—	—	—	—	—	23,928,645	—	23,928,645	6,175,925	30,104,570
Other comprehensive income	—	—	(4,786)	(89,057)	(230,891)	(266,293)	—	—	—	—	—	(591,027)	(87,641)	(678,668)
Total comprehensive income for the year	—	—	(4,786)	(89,057)	(230,891)	(266,293)	—	—	—	23,928,645	—	23,337,618	6,088,284	29,425,902
Acquisition of a subsidiary (Note 9)	—	—	—	—	—	—	469,540	—	—	—	—	469,540	—	469,540
Excess of acquisition cost over carrying value of non-controlling interests (Note 10)	—	—	—	—	—	—	—	—	(638,728)	—	—	(638,728)	1,117	(637,611)
Cash dividends – P1.58 per share (Note 22)	—	—	—	—	—	—	—	—	—	(8,724,558)	—	(8,724,558)	—	(8,724,558)
Cash dividends paid to non-controlling interests	—	—	—	—	—	—	—	—	—	—	—	—	(2,712,541)	(2,712,541)
Changes in non-controlling interests	—	—	—	—	—	—	—	—	—	—	—	—	704,807	704,807
Balances at December 31, 2012	P5,694,600	P6,110,957	P4,852	(P132,763)	(P648,552)	P850,631	P469,540	P5,376,176	(P1,165,931)	P76,257,409	(P1,295,163)	P91,521,756	P21,981,510	P113,503,266

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

(Amounts in Thousands)

	Years Ended December 31		
	2012	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax from continuing operations	P32,001,896	P28,314,401	P30,903,929
Loss before income tax from discontinued operations	–	–	(1,877,315)
Income before income tax	32,001,896	28,314,401	29,026,614
Adjustments for:			
Interest expense and dividends on redeemable preferred shares (Note 32)	7,571,446	7,975,766	7,390,275
Depreciation and amortization (Note 24)	3,974,281	3,706,834	4,653,476
Provision for decline in value of various assets, project costs and others	875,541	52,638	95,390
Share in net earnings of associates (Note 10)	(13,311,552)	(11,229,066)	(6,883,363)
Unrealized foreign exchange gains	(1,670,536)	(2,841)	(1,515,043)
Interest income (Note 32)	(1,008,811)	(1,084,379)	(292,954)
Loss (gain) on sale of: (Note 26)			
AFS investments	(30,956)	–	(57,895)
Property, plant and equipment	(24,103)	(20,248)	19,710
Investment in subsidiary and associate	–	–	431,580
Gain on redemption of shares of an associate (Note 10)	(27,095)	–	–
Unrealized valuation gains on derivatives	(1,826)	(5,990)	(22,977)
Dividend income (Note 26)	(561)	(1,365)	(54)
Impairment loss on property and equipment	–	–	778,830
Reversal of provision for losses on project costs, investments in shares of stock and advances to investees	–	(40,247)	–
Unrealized valuation gain on investment property – net	–	–	(66,282)
Operating income before working capital changes	28,347,724	27,665,503	33,557,307
Decrease (increase) in:			
Trade and other receivables	(4,544,845)	(4,114,822)	(4,743,174)
Inventories	126,717	(853,564)	(1,488,182)
Other current assets	(118,974)	(135,491)	(827,734)
Increase in:			
Trade and other payables	2,990,316	2,601,104	4,419,963
Customers' deposits	262,872	159,811	223,268
Net cash generated from operations	27,063,810	25,322,541	31,141,448
Service fees paid	(40,000)	(40,000)	(40,000)
Income and final taxes paid	(1,595,124)	(1,713,852)	(1,550,586)
Net cash flows from operating activities	P25,428,686	P23,568,689	P29,550,862

(Forward)

	Years Ended December 31		
	2012	2011	2010
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividends received (Note 10)	₱14,811,410	₱4,641,898	₱2,363,909
Interest received	1,040,179	1,013,147	291,171
Proceeds from redemption of preferred shares of associates (Note 10)	574,401	–	–
Proceeds from sale of:			
Property, plant and equipment	40,886	43,359	369,974
AFS investments	28,589	–	64,905
Acquisitions of subsidiaries, net of cash acquired (Note 9)	(3,191,731)	313,469	(241,652)
Additions to:			
Property, plant and equipment (Note 12)	(11,291,424)	(8,570,388)	(8,342,674)
Investments in and advances to associates (Note 10)	(881,242)	(1,399,445)	(2,738,311)
Land and improvements (Note 12)	(515,761)	–	–
Increase in other noncurrent assets (Note 15)	(1,383,643)	(1,718,083)	(153,570)
Acquisition of non-controlling interests	(638,728)	–	–
Increase in intangible asset – service concession rights (Note 13)	(100,101)	(115,794)	(104,250)
Investments in subsidiary, net of cash disposed	–	–	2,770,924
Net cash flows used in investing activities	(1,507,165)	(5,791,837)	(5,719,574)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from availment of long-term debts	5,819,121	8,930,792	5,286,067
Net proceeds from (settlements of) bank loans	1,281,534	(366,332)	(1,123,536)
Payments of:			
Long-term debts	(10,854,568)	(5,946,251)	(252,417)
Obligations under finance lease (Note 20)	(2,476,221)	(1,102,065)	(1,125,746)
Payable to preferred shareholder of a subsidiary	(31,070)	(31,070)	(31,070)
Redeemable preferred shares	–	(1,500,000)	(860,749)
Cash dividends paid to equity holders of the parent (Note 22)	(8,724,558)	(8,724,557)	(2,871,373)
Cash dividends paid and others to non-controlling interest	(2,906,981)	(3,165,264)	(860,749)
Interest and dividends on redeemable preferred shares paid	(1,800,877)	(2,429,240)	(2,307,103)
Sale of non-controlling interests	–	–	31,475
Net cash flows used in financing activities	(19,693,620)	(14,333,987)	(3,254,452)
NET INCREASE IN CASH AND CASH EQUIVALENTS	4,227,901	3,442,865	20,576,836
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(40,862)	3,424	(61,861)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	29,543,492	26,097,203	5,582,228
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	₱33,730,531	₱29,543,492	₱26,097,203

See accompanying Notes to Consolidated Financial Statements.

Investor Information

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Tel (6332) 411-1800 • Fax (6332) 231-4037

Metro Manila:

110 Legazpi Street
Legaspi Village, Makati City 1229
Metro Manila, Philippines
Tel (632) 793-2800 • Fax (632) 817-3560

Common Stock

The Company's common stock is listed and traded on the Philippine Stock Exchange.

Stockholders' Meeting

The Company's regular stockholders' meeting is held on the third Monday of May of every year.

Stockholder Services and Assistance

The Hongkong and Shanghai Banking Corporation Limited (HSBC) serves as the Company's stock transfer agent and registrar.

For matters concerning dividend payments, account status, lost or damaged stock certificates and change of address, please write or call:

THE HONGKONG AND SHANGHAI BANKING
CORPORATION LIMITED
Attention: Mr. Jun Madrid
7/F HSBC Centre, 3058 Fifth Avenue
West Bonifacio Global City, Taguig City 1634,
Philippines
Telephone No.: (632) 581-7519 / (632) 581-7594 to 95
Fax No.: (632) 755-5058
Email Address: junmadrid@hsbc.com.ph

Aboitiz Equity Ventures, Inc. welcomes inquiries from institutional investors, analysts and the financial community.

Please write or call:

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Aboitiz Power Corporation

Audited Consolidated Financial Statements

The Board Audit Committee Report to the Board of Directors

The Board Audit Committee's roles and responsibilities are embodied in the Board Audit Committee Charter approved by the Board of Directors. It provides assistance to the Board of Directors in fulfilling the Board's oversight responsibility to the shareholders relating to: (a) the quality and integrity of the Company's accounting, auditing, legal, ethical and regulatory compliance; (b) risk management; (c) financial reporting practices; and (d) corporate governance. Any proposed changes to the Audit Committee Charter are referred to the Board for approval.

Membership

As of December 31, 2010, the Audit Committee is composed of five members – three independent directors and two As of December 31, 2012, the Board Audit Committee is composed of five (5) members, three (3) of whom are independent directors.

I, Jose R. Facundo, Independent Director and Chair of the Committee is ably assisted by Romeo L. Bernardo (Independent Director), Jakob G. Disch (Independent Director), Mikel A. Aboitiz (Executive Director) and Jaime Jose Y. Aboitiz (Executive Director).

Meetings

In compliance with the Board Audit Committee Charter, four (4) regular meetings were held during the year: February 29, May 3, August 2, and October 30, 2012. Two (2) joint meetings with the Board Risk & Reputation Committee were also held on August 1 and Dec 6, 2012; and one (1) special meeting was called on March 1, 2012. Also present in these meetings is the Group Internal Audit Head, the Chief Reputation and Risk Management Officer, and by invitation, the Aboitiz Power Corporation's Chief Financial Officer and Assistant Vice President–Controller.

Financial Reports

On a high level basis, we reviewed, discussed, and endorsed for the approval of the Board the quarterly unaudited consolidated financial statements and the annual audit financial statements of Aboitiz Power Corporation and Subsidiaries, including the Management's Discussion and Analysis of Financial Condition and Results of Operations following prior review and discussion with management, the internal auditors and SyCip Gorres Velayo & Co. (SGV), the company's independent auditor.

The activities of the Audit Committee were performed in the following context:

- That management has the primary responsibility for the financial statements and the financial reporting process; and
- That SGV is responsible for expressing an opinion on the conformity of the Company's audited financial statements with Philippine Financial Reporting Standards.

Independent Auditors

The overall scope and audit plan of SGV were reviewed and approved. The terms of engagement which covers audit-related services provided by SGV and its related fees were also reviewed. There was no non-audit related service provided for the year 2012.

We also discussed with SGV the results of the SGV's audits and its assessment of the overall quality of the financial reporting process. SGV also presented the effects of changes in relevant accounting standards and presentation of financial statements that impact on the reported results.

We also noted and approved the delegation of the appointment of the Company's external auditors for 2012 by the shareholders to the Board of Directors.

Internal Auditors

TA reorganization of the Internal Audit department took effect in August 2012. Majority of the auditors were deployed to the different business units where resident internal audit teams were formed to handle finance and operations audits. For AboitizPower, a resident audit team was set up each for the Power Generation Group and the Power Distribution Group.

The corporate team, now referred to as Group Internal Audit (GIA), continues to take the lead in setting the standards, initiatives and overall direction. A new Information Systems audit team was formed within GIA to handle the review of the basic stack of potential technical subject areas such as networks, data center facilities, system platforms, databases, applications and general controls. GIA remains as the single point of contact of the Board Audit Committee.

The decision to restructure the internal audit organization underwent careful and deliberate consideration after fully understanding the factors with the end goal of promoting and improving the state of internal controls and adding value to the Company by recommending cost-effective solutions for addressing issues via specific areas of expertise. The creation of resident audit teams would not only increase the scope and coverage of audits undertaken but would also facilitate specialization and in-depth understanding of the business and and increase the visibility of internal audit in the different business units.

We reviewed and approved the annual audit program for the year which also covers the adequacy of resources, qualifications and competency of the staff and independence of the internal auditor.

In our review of the performance of internal audit for 2012, we confirm that the internal auditors conducted their responsibilities objectively and in an unbiased manner. GIA's position in the organization was further strengthened by moving the administrative reporting line from the Chief Risk Management Officer to the President and Chief Executive Officer effective July 2012. GIA continues to functionally report to the Board Audit Committee.

Also, based on audit reports and highlights presented to the Committee, we concur with GIA's assessment that the system of internal controls in effect during the year 2012, taken as a whole, provides reasonable assurance about the effectiveness of the Company's internal control systems. The policies and procedures in place serve as reasonable and effective safeguards of company resources and the integrity of its programs. Action plans to address control gaps and weaknesses raised have been agreed, timelines set and regular status monitoring strengthened to ensure achievement of more efficient and effective processes as well as general reduction of operational risks. With the synergy of all its control activities, the Company's overall system of internal controls is adequate and is operating as intended.

Finally, we reviewed and endorsed for approval the revised Audit Committee Charter which was duly approved by the full Board in its meeting held September 27, 2012. Together with the revised Charter is the approval of the Board Audit Committee Self-Assessment Form. Based on the Self-Assessment conducted, the Committee achieved a "Substantive" compliance rating of 98% for the year 2012. This rating indicates that the Committee substantially complies with the requirements set forth in its charter. The Committee demonstrates evidence that its members are meeting most of the requirements set by global standards and practices.

Risk Management

The revised Audit Committee charter includes a new section on the joint duties and responsibilities of audit with the Board Risk and Reputation Committee. Included in this new provision is our role to refer to the Risk and Reputation committee significant reports and findings by internal audit as well as regulatory and government agencies with respect to risk management activities and compliance issues, together with management's responses. Discussions on items that have significant financial statement impact or required significant financial statement or regulatory disclosures; and other significant issues, including, but not limited to, significant compliance issues, shall be covered during the joint meeting of the Board Audit Committee with the Board Risk and Reputation Committee.

We have approved the inclusion in the audit master plan for next year governance audits which includes the risk management process audit and validation of the risk treatment plans committed by the different business units. These audits will give us a better picture of the adequacy and effectiveness of the risk management processes within the organization.

In behalf of the Committee,



José R. Facundo

Chairman, Independent Director

Statement of Management's Responsibility for Financial Statements

Securities and Exchange Commission


SEC Building, EDSA Greenhills


Mandaluyong, Metro Manila


The management of Aboitiz Power Corporation is responsible for the preparation and fair presentation of the consolidated financial statements for the years ended December 31, 2012 and 2011, including the additional components attached therein, in accordance with Philippine Financial Reporting Standards. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The Board of Directors reviews and approves the financial statements and submits the same to the stockholders.

SyCip Gorres Velayo & Co., the independent auditors, appointed by the stockholders for the period December 31, 2012 and 2011, has examined the consolidated financial statements of the company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such examination.


ENRIQUE M. ABOITIZ, JR.
Chairman of the Board


ERRAMON I. ABOITIZ
President & Chief Executive Officer


IKER M. ABOITIZ
First Vice President /Chief Financial Officer/
Corporate Information Officer

Signed this 5th day of March 2013.

Republic of the Philippines)
City of Cebu) S.S.

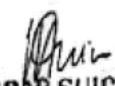
Name	Passport/CTC No.	Date/Place Issued
Enrique M. Aboitiz, Jr.	EA0008887 00661678	December 8, 2009, Manila February 7, 2013, Cebu City
Erramon I. Aboitiz	EB7151577 00661610	January 14, 2013; Cebu City February 7, 2013, Cebu City
Iker M. Aboitiz	XX3643697 00661676	May 6, 2009, Cebu City February 7, 2013, Cebu City

* Before me, a notary public in and for the city named above, personally appeared:

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 15 2013.

Doc. No. 117 ;
Page No. 24 ;
Book No. 10 ;
Series of 2013


MARICAR SUICO-LE
NOTARY PUBLIC
UNTIL DECEMBER 31, 2013
NOTARIAL COMMISSION NO. 014-10
ROLL NO. 40615
PTR NO. 2682121; 1/4/13-CEBU CITY
IBP NO. 912340; 1/4/13 - CEBU CITY
2-C CAPITOL CENTRUM ESCARIO ST. CEBU CITY

Independent Auditors' Report

The Stockholders and the Board of Directors
Aboitiz Power Corporation

We have audited the accompanying consolidated financial statements of Aboitiz Power Corporation and Subsidiaries, which comprise the consolidated balance sheets as at December 31, 2012 and 2011, and the consolidated statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2012, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Philippine Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Aboitiz Power Corporation and Subsidiaries as at December 31, 2012 and 2011, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2012 in accordance with Philippine Financial Reporting Standards.

SYCIP GORRES VELAYO & CO.



Leovina Mae V. Chu

Partner

CPA Certificate No. 99910

SEC Accreditation No. 1199-A (Group A),

March 15, 2012, valid until March 14, 2015

Tax Identification No. 209-316-911

BIR Accreditation No. 08-001998-96-2012,

January 11, 2012, valid until January 10, 2015

PTR No. 3670038, January 2, 2013, Makati City

March 5, 2013

Independent Auditors' Report

The Stockholders and the Board of Directors
Aboitiz Power Corporation
Aboitiz Corporate Center
Gov. Manuel A. Cuenco Avenue
Kasambagan, Cebu City

We have audited the accompanying consolidated financial statements of Aboitiz Power Corporation and Subsidiaries, which comprise the consolidated balance sheets as at December 31, 2012 and 2011, and the consolidated statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2012, and a summary of significant accounting policies and other explanatory information.

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In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Aboitiz Power Corporation and Subsidiaries as at December 31, 2012 and 2011, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2012 in accordance with Philippine Financial Reporting Standards.

SYCIP GORRES VELAYO & CO.



Leovina Mae V. Chu

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January 11, 2012, valid until January 10, 2015

PTR No. 3670038, January 2, 2013, Makati City

March 5, 2013

Independent Auditors' Report on Supplementary Schedules

The Stockholders and the Board of Directors
Aboitiz Power Corporation
Aboitiz Corporate Center
Gov. Manuel A. Cuenco Avenue
Kasambagan, Cebu City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Aboitiz Power Corporation and Subsidiaries as at December 31, 2012 and 2011 and for each of the three years in the period ended December 31, 2012 included in this Form 17-A and have issued our report thereon dated March 5, 2012. 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 financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.



Leovina Mae V. Chu

Partner

CPA Certificate No. 99910

SEC Accreditation No. 1199-A (Group A),

March 15, 2012, valid until March 14, 2015

Tax Identification No. 209-316-911

BIR Accreditation No. 08-001998-96-2012,

January 11, 2012, valid until January 10, 2015

PTR No. 3670038, January 2, 2013, Makati City

March 5, 2013

Consolidated Balanced Sheets

(Amounts in Thousands)

	December 31	
	2012	2011
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	₱30,678,493	₱23,391,561
Trade and other receivables (Note 5)	8,115,031	9,505,778
Derivative assets (Note 33)	2,631	—
Inventories - cost (Note 6)	2,173,999	2,173,617
Other current assets (Note 7)	1,038,678	1,107,039
Total Current Assets	42,008,832	36,177,995
Noncurrent Assets		
Investments in and advances to associates (Note 9)	25,866,855	29,121,693
Property, plant and equipment (Note 11)	85,145,298	78,708,118
Intangible asset - service concession rights (Note 12)	3,685,417	4,162,768
Investment property	10,000	10,000
Available-for-sale (AFS) investments - net of impairment of ₱5,254	3,744	3,744
Goodwill (Note 10)	996,005	996,005
Net pension assets (Note 26)	188,834	168,299
Deferred income tax assets (Note 28)	156,811	226,872
Other noncurrent assets (Note 13)	5,209,972	3,952,445
Total Noncurrent Assets	121,262,936	117,349,944
TOTAL ASSETS	₱163,271,768	₱153,527,939
LIABILITIES AND EQUITY		
Current Liabilities		
Bank loans (Note 15)	₱1,277,000	₱1,614,600
Trade and other payables (Note 14)	10,052,055	7,121,754
Derivative liabilities (Note 33)	29,173	7,580
Income tax payable	123,631	142,683
Current portions of:		
Long-term debts (Note 16)	3,582,308	1,504,800
Finance lease obligation (Note 34)	725,471	—
Long-term obligation on power distribution system (Note 12)	40,000	40,000
Payable to a preferred shareholder of a subsidiary (Note 18)	20,705	16,902
Total Current Liabilities	15,850,343	10,448,319
Noncurrent Liabilities		
Noncurrent portions of:		
Long-term debts (Note 16)	7,593,641	17,300,182
Finance lease obligation (Note 34)	53,654,843	52,714,959
Long-term obligation on power distribution system (Note 12)	230,843	237,046
Payable to a preferred shareholder of a subsidiary (Note 18)	25,363	46,068
Customers' deposits (Note 17)	2,404,361	2,164,195
Net pension liabilities (Note 26)	3,475	26,965
Deferred income tax liabilities (Note 28)	700,223	397,988
Total Noncurrent Liabilities	64,612,749	72,887,403
Total Liabilities	80,463,092	83,335,722

(Forward)

	December 31	
	2012	2011
Equity Attributable to Equity Holders of the Parent		
Capital stock (Note 19a)	P7,358,604	P7,358,604
Additional paid-in capital	12,588,894	12,588,894
Share in net unrealized valuation gains on AFS investments of an associate (Note 9)	85,296	73,952
Cumulative translation adjustments (Note 33)	(169,845)	(57,668)
Share in cumulative translation adjustments of associates (Note 9)	(847,589)	(546,753)
Acquisition of non-controlling interests	(259,147)	(259,147)
Retained earnings (Note 19b)	62,475,256	49,400,692
	81,231,469	68,558,574
Non-controlling Interests	1,577,207	1,633,643
Total Equity	82,808,676	70,192,217
TOTAL LIABILITIES AND EQUITY	P163,271,768	P153,527,939

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Income

(Amounts in Thousands, Except Earnings Per Share Amounts)

	Years Ended December 31		
	2012	2011	2010
OPERATING REVENUES			
Sale of power (Notes 20 and 30):			
Generation	₱46,031,304	₱39,944,982	₱46,313,904
Distribution	15,849,591	14,356,619	13,064,593
Services	15,004	51,917	62,524
Technical, management and other fees (Note 31)	257,266	122,119	110,437
	62,153,165	54,475,637	59,551,458
OPERATING EXPENSES			
Cost of generated power (Note 22)	18,721,284	15,082,003	15,882,326
Cost of purchased power (Note 21)	13,184,697	11,205,168	10,001,570
Depreciation and amortization (Notes 11, 12 and 13)	3,516,396	3,345,782	3,003,977
Operations and maintenance (Note 24)	2,844,029	2,218,047	2,437,928
General and administrative (Note 23)	3,450,465	2,259,831	1,986,826
Cost of services	6,302	9,391	7,251
	41,723,173	34,120,222	33,319,878
FINANCIAL INCOME (EXPENSES)			
Interest income (Notes 4 and 31)	928,913	861,521	224,158
Interest expense and other financing costs (Note 32)	(7,001,842)	(7,345,575)	(6,678,293)
	(6,072,929)	(6,484,054)	(6,454,135)
OTHER INCOME			
Share in net earnings of associates (Note 9)	9,938,709	8,436,906	4,625,883
Other income - net (Note 27)	1,983,606	692,849	1,600,399
INCOME BEFORE INCOME TAX	26,279,378	23,001,116	26,003,727
PROVISION FOR INCOME TAX (Note 28)	1,382,984	1,117,209	920,697
NET INCOME	₱24,896,394	₱21,883,907	₱25,083,030
ATTRIBUTABLE TO:			
Equity holders of the parent	₱24,406,815	₱21,608,253	₱25,041,116
Non-controlling interests	489,579	275,654	41,914
	₱24,896,394	₱21,883,907	₱25,083,030
EARNINGS PER COMMON SHARE (Note 29)			
Basic and diluted, for income for the year attributable to ordinary equity holders of the parent	₱3.32	₱2.94	₱3.40

See accompanying Notes to Consolidated Financial Statements.

	Years Ended December 31		
	2012	2011	2010
NET INCOME ATTRIBUTABLE TO:			
Equity holders of the parent	₱4,406,815	₱21,608,253	₱25,041,116
Non-controlling interests	489,579	275,654	41,914
	24,896,394	21,883,907	25,083,030
OTHER COMPREHENSIVE INCOME (LOSS)			
Share in net unrealized valuation gains (losses) on AFS investments of an associate (Note 9)	11,344	(4,166)	78,118
Movement in cumulative translation adjustments	(112,177)	(57,668)	—
Share in movement in cumulative translation adjustment of associates (Note 9)	(300,836)	(604,675)	(57,324)
Total other comprehensive income for the year, net of tax	(401,669)	(666,509)	20,794
TOTAL COMPREHENSIVE INCOME	₱24,494,725	₱21,217,398	₱25,103,824
ATTRIBUTABLE TO:			
Equity holders of the parent	₱24,005,146	₱20,941,744	₱25,061,910
Non-controlling interests	489,579	275,654	41,914
	₱24,494,725	₱21,217,398	₱25,103,824

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Changes in Equity

For the years ended December 31, 2012, 2011 and a 2010

(Amounts in Thousands, Except Dividends Per Share Amounts)

	Attributable to Equity Holders of the Parent								
	Capital Stock (Note 19a)	Additional Paid-in Capital	Unrealized Valuation Gains on AFS Investments of an Associate (Note 9)	Movement in Cumulative Translation Adjustments (Note 9)	Share in Cumulative Translation Adjustments of Associates (Note 9)	Acquisition of Non- controlling Interests	Retained Earnings (Note 19b)	Non- controlling Interests	Total
Balances at January 1, 2012	₱7,358,604	₱12,588,894	₱73,952	(₱57,668)	(₱546,753)	(₱259,147)	₱49,400,692	₱1,633,643	₱70,192,217
Net income for the year	-	-	-	-	-	-	24,406,815	489,579	24,896,394
Other comprehensive income (loss)	-	-	11,344	(112,177)	(300,836)	-	-	-	(401,669)
Total comprehensive income (loss) for the year	-	-	11,344	(112,177)	(300,836)	-	24,406,815	489,579	24,494,725
Cash dividends - ₱1.54 a share (Note 19b)	-	-	-	-	-	-	(11,332,251)	-	(11,332,251)
Cash dividends paid to non-controlling interests	-	-	-	-	-	-	-	(431,308)	(431,308)
Change in non-controlling interests	-	-	-	-	-	-	-	(114,707)	(114,707)
Balances at December 31, 2012	₱7,358,604	₱12,588,894	₱85,296	(₱169,845)	(₱847,589)	(₱259,147)	₱62,475,256	₱1,577,207	₱82,808,676
Balances at January 1, 2011	₱7,358,604	₱12,588,894	₱78,118	₱-	₱57,922	(₱259,147)	₱37,505,797	₱404,022	₱57,734,210
Net income for the year	-	-	-	-	-	-	21,608,253	275,654	21,883,907
Other comprehensive loss	-	-	(4,166)	(57,668)	(604,675)	-	-	-	(666,509)
Total comprehensive income (loss) for the year	-	-	(4,166)	(57,668)	(604,675)	-	21,608,253	275,654	21,217,398
Cash dividends - ₱1.32 a share (Note 19b)	-	-	-	-	-	-	(9,713,358)	-	(9,713,358)
Cash dividends paid to non-controlling interests	-	-	-	-	-	-	-	(79,633)	(79,633)
Change in non-controlling interests	-	-	-	-	-	-	-	1,033,600	1,033,600
Balances at December 31, 2011	₱7,358,604	₱12,588,894	₱73,952	(₱57,668)	(₱546,753)	(₱259,147)	₱49,400,692	₱1,633,643	₱70,192,217

(Forward)

Attributable to Equity Holders of the Parent

	Capital Stock (Note 19a)	Additional Paid-in Capital	Unrealized Valuation Gains on AFS Investments of an Associate (Note 9)	Share in Net Cumulative Translation Adjustments of Associates (Note 9)	Acquisition of Non- controlling Interests	Retained Earnings (Note 19b)	Non- controlling Interests	Total
Balances at January 1, 2010	₱7,358,604	₱12,588,894	₱—	₱115,246	(₱259,147)	₱14,672,262	₱571,068	₱35,046,927
Net income for the year	—	—	—	—	—	25,041,116	41,914	25,083,030
Other comprehensive income (loss)	—	—	78,118	(57,324)	—	—	—	20,794
Total comprehensive income (loss) for the year	—	—	78,118	(57,324)	—	25,041,116	41,914	25,103,824
Cash dividends - ₱0.30 a share (Note 19b)	—	—	—	—	—	(2,207,581)	—	(2,207,581)
Cash dividends paid to non-controlling interests	—	—	—	—	—	—	(94,240)	(94,240)
Change in non-controlling interests	—	—	—	—	—	—	(114,720)	(114,720)
Balances at December 31, 2010	₱7,358,604	₱12,588,894	₱78,118	₱57,922	(₱259,147)	₱37,505,797	₱404,022	₱57,734,210

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

(Amounts in Thousands)

	Years Ended December 31		
	2012	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	P26,279,378	P23,001,116	P26,003,727
Adjustments for:			
Interest expense and other financing costs (Note 32)	7,001,842	7,345,575	6,678,293
Depreciation and amortization (Notes 11 and 12)	3,509,974	3,339,445	3,003,977
Provision for (reversal of) impairment losses on receivables (Note 23)	819,024	(32,349)	292,065
Amortization of software (Note 13)	6,422	6,337	—
Loss (gain) on sale of property, plant and equipment	3,616	81	(75)
Share in net earnings of associates (Note 9)	(9,938,709)	(8,436,906)	(4,625,883)
Net unrealized foreign exchange gains	(1,658,983)	(2,565)	(1,504,650)
Interest income (Notes 4 and 31)	(928,913)	(861,521)	(224,158)
Gain on redemption of shares of associates (Note 27)	(27,087)	—	—
Unrealized fair valuation gains on derivatives	(1,826)	(5,991)	(22,977)
Gain on sale of investments in shares of stock	—	(16,612)	—
Write-off of project costs and assets	—	—	42,217
Operating income before working capital changes	25,064,738	24,336,610	29,642,536
Decrease (increase) in:			
Trade and other receivables	(1,379,002)	219,225	(2,691,936)
Inventories	203,211	(328,030)	(734,948)
Other current assets	68,361	(147,686)	(448,445)
Increase (decrease) in:			
Trade and other payables	1,769,105	(470,868)	1,685,285
Customers' deposits	240,166	159,811	223,268
Net cash generated from operations	25,966,579	23,769,062	27,675,760
Income and final taxes paid	(1,084,609)	(1,086,945)	(770,382)
Service fees paid (Note 12)	(40,000)	(40,000)	(40,000)
Net cash flows from operating activities	24,841,970	22,642,117	26,865,378
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash dividends received (Note 9)	13,977,589	3,982,322	1,818,359
Interest received	953,637	792,989	215,259
Proceeds from redemption of shares of associates	573,236	—	—
Net collection of (additional) advances to associates (Note 9)	151,947	367,565	(1,060,396)
Proceeds from sale of property, plant and equipment	412	8,449	1,778
Additions to:			
Property, plant and equipment (Notes 11 and 35)	(9,856,235)	(7,462,398)	(4,208,027)
Intangible assets - service concession rights (Note 12)	(48,953)	(64,860)	(104,250)
Decrease (increase) in other noncurrent assets	(1,208,006)	533,633	410,269
Additional investments in associates (Note 9)	(1,648)	(1,148,266)	(1,031,232)
Proceeds from sale of investments in shares of stock	—	50,000	—
Net cash received on step acquisition to subsidiary (Note 8)	—	314,852	—
Advances to contractors	—	(2,353,605)	—
Net cash flows from (used in) investing activities	4,541,979	(4,979,319)	(3,958,240)

(Forward)

	Years Ended December 31		
	2012	2011	2010
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from availment of long-term debt - net of transaction costs (Note 16)	P1,540,280	P5,520,966	P870,000
Cash dividends paid (Note 19b)	(9,713,358)	(9,713,358)	(2,207,581)
Payments of:			
Long-term debt (Note 16)	(9,156,183)	(4,205,685)	(442,564)
Finance lease obligation	(2,476,221)	(1,094,845)	(1,118,880)
Interest paid	(1,255,161)	(1,815,548)	(1,622,023)
Changes in non-controlling interests	(625,748)	(870,470)	(208,960)
Net payment of bank loans (Note 15)	(337,600)	(365,200)	(3,597,038)
Payments to a preferred shareholder of a subsidiary (Note 18)	(31,070)	(31,070)	(31,070)
Net cash flows used in financing activities	(22,055,061)	(12,575,210)	(8,358,116)
 NET INCREASE IN CASH AND CASH EQUIVALENTS	 7,328,888	 5,087,588	 14,549,022
 EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	 (41,956)	 2,128	 (62,083)
 CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	 23,391,561	 18,301,845	 3,814,906
 CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	 P30,678,493	 P23,391,561	 P18,301,845

See accompanying Notes to Consolidated Financial Statements.

Investor Information

Head Office:

Aboitiz Corporate Center
Gov. Manuel A. Cuenco Avenue
Kasambagan, Cebu City 6000
Philippines
Tel (6332) 411-1800 • Fax (6332) 231-4037

Metro Manila:

110 Legazpi Street
Legaspi Village, Makati City 1229
Metro Manila, Philippines
Tel (632) 793-2800 • Fax (632) 817-3560

Common Stock

The Company's common stock is listed and traded on the Philippine Stock Exchange.

Stockholders' Meeting

The Company's regular stockholders' meeting is held on the third Monday of May of every year.

Stockholder Services and Assistance

The Hongkong and Shanghai Banking Corporation Limited (HSBC) serves as the Company's stock transfer agent and registrar.

For matters concerning dividend payments, account status, lost or damaged stock certificates and change of address, please write or call:

THE HONGKONG AND SHANGHAI BANKING
CORPORATION LIMITED
Attention: Mr. Jun Madrid
7/F HSBC Centre, 3058 Fifth Avenue
West Bonifacio Global City, Taguig City 1634,
Philippines
Telephone No.: (632) 581-7519 / (632) 581-7594 to 95
Fax No.: (632) 755-5058
Email Address: junmadrid@hsbc.com.ph

AboitizPower welcomes inquiries from institutional investors, analysts and the financial community.

Please write or call:

Investor Relations

Mr. Dave Michael V. Valeriano
Aboitiz Power Corporation
Tel (632) 793 -2702 • Fax (632) 817-3560
Email: ap_investor@aboitiz.com
www.aboitizpower.com



“No defined style is my style,” says Ed De Guzman, whose works can be summarized in one word: eclectic.

This is not an exaggeration. Edeguz, as he is fondly called by fellow artists, has been a painter all his life. His experience in various media ranges from acrylic, watercolor, charcoal, and pastel, to digital artwork. When the mood strikes, he produces sculptures. A natural-born artist, he has the skillful hand and eye for art and beauty.

Edeguz paints obsessively, as true artists tend to do. Inspiration comes to him suddenly, as though his inner life and the rest of the universe guide him to create brilliant images that can never be recreated the exact way. “Unpredictable,” he calls his art, adding, “I want to start my painting sessions without any notion of what will come out.” This is what makes Edeguz’ works masterpieces — they are products of overwhelming spontaneity.

Our cover on the 2012 annual report represents optimism, as farmers anticipate their bounty. Edeguz executes this image in his signature dream-like style, illustrating a vision of a bright future.

Credits

Cover Concept: AEV and ArtOne Design and Communications, Inc.

Design and Layout: ArtOne Design and Communications, Inc.

Photography: Albert Labrador and Toto Labrador (Portraiture)