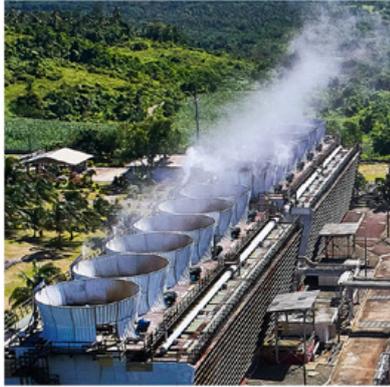


ADVANCING BUSINESS AND COMMUNITIES



What's Inside

Table of Contents

3	Advancing Business and Communities
4	About the Report
6	Our Businesses
8	Providing Stakeholder Value
10	Financial Highlights
14	Aboitiz BetterWorld
16	Message of the Chairmen
22	Message of the Chief Executive Officer
30	Message of the Chief Financial Officers
38	Business Review and ABC Stories
96	Corporate Social Responsibility
118	Management Approach
136	Corporate Governance
146	Group Awards
	Aboitiz Equity Ventures, Inc.
148	Board of Directors
150	Corporate Officers
152	Business Unit Heads
154	Management Directory
155	Corporate Structure
	Aboitiz Power Corporation
156	Board of Directors
158	Corporate Officers
161	Business Unit Heads
162	Management Directory
163	Location of Operations
	Audited Consolidated Financial Statements
164	Aboitiz Equity Ventures, Inc.
188	Aboitiz Power Corporation
212	GRI Standards Content Index



ADVANCING BUSINESS AND COMMUNITIES

Our commitment to driving progress has defined us for over 100 years.

It is how we have grown businesses and industries, lives and livelihoods. And as we forge ahead, it will continue to be our singular thread, our North Star.

Because for us at Aboitiz, advancing business and communities is one and the same. Creating value, led by values. Delivering profits, guided by purpose. Our approach is anchored in our belief that the growth of people – and their interests – is fundamental to the development of our society, our country, and the world.

It's why we are focused on creating the foundation people need to grow, from nation-building infrastructure to smart banking, from supporting entrepreneurs to providing expert solutions.

And at the heart of all we do will always be our deep sense of responsibility – relentlessly seeking ways to integrate economic growth with societal good to create meaningful progress that drives change for a better world.

Aboitiz. Advancing Business and Communities.



About the Report



We are pleased to present to you the 2017 Aboitiz Consolidated Annual and Sustainability Report. This is the second year that we are adopting the integrated format to corporate reporting, consolidating the Aboitiz Equity Ventures, Inc. Aboitiz Power Corporation, and Aboitiz Group Sustainability Reports. This format underscores our commitment to a holistic and transparent manner of reporting our performance in business, impact on society, and our stakeholders.

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

This report documents the Group's people, planet, and profit focus areas anchored on our Group purpose and brand promise "to drive change for a better world by advancing business and communities". We share with you the progress we made in 2017 in our areas of focus: team member engagement and development, corporate social responsibility, customer focus, disaster resilience, carbon emissions reduction, resource efficiency, renewable energy, waste management, financial growth, and financial returns.

We worked closely with the sustainability stewards from the Group's various business units nationwide using a standardized data collection, monitoring, and

processing system. The business units covered in this report are:

Power

Aboitiz Power Corporation (AboitizPower)

- Hedcor Companies
- SN Aboitiz Power Group
- AP Renewables, Inc. (APRI)
- Therma South, Inc. (TSI)
- Therma Marine, Inc. (TMI)
- Therma Mobile, Inc. (TMO)
- Cebu Private Power Corporation (CPPC)
- East Asia Utilities Corporation (EAUC)
- Davao Light & Power Company, Inc. (Davao Light)
- Cotabato Light and Power Company (Cotabato Light)
- Visayan Electric Company, Inc. (VECO)
- Subic EnerZone Corporation (SEZ)
- Mactan EnerZone Corporation (MEZ)
- Balamban EnerZone Corporation (BEZ)
- LiMA EnerZone Corporation (LEZ)

Banking and Financial Services

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

Food

- Pilmico Foods Corporation (Pilmico)
- Pilmico Animal Nutrition Corporation (PANC)

Infrastructure

Aboitiz InfraCapital, Inc. (Aboitiz InfraCapital)

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

Land

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

Corporate Social Responsibility

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

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

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

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

Materiality 102-45, 102-46

Materiality, as defined by the GRI reporting framework, includes topics and indicators that reflect the Group's significant economic, environmental, and social impacts or those that

would substantially influence the assessments and decisions of stakeholders.

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

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

Our ABC stories

We invite you to learn more about how we are delivering our brand promise of advancing business and communities (ABC). Following our three-year ABC roadmap, we will regularly report our performance through stories as told from the point of view of our stakeholders, culminating in 2020 when we celebrate the centennial anniversary of our parent company Aboitiz & Co.

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

Restatements and Improvements

The data collected for this report were gathered using the robust systems and tools currently in place among our participating business units. The continuous improvement of our data collection and analysis processes is an ongoing focus. Notes on restatements of key performance indicators are declared in the appendix section and in pages where they appear.

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

Our Businesses

Aboitiz Equity Ventures, Inc. (AEV)

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

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

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

Power



Aboitiz Power Corporation (AboitizPower) is a vertically integrated company engaged in power generation, distribution, and retail electricity services.

The Generation Group harnesses power from a right-mix portfolio of renewable (hydro, geothermal, and solar) and non-renewable (coal and oil) sources through its 47 generation facilities across the country. The company's hydro group is the pioneering industry leader in the development of small to medium hydroelectric plants over the past 40 years.

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

Banking and Financial Services



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

City Savings Bank, Inc. (CitySavings) is the thrift bank subsidiary of UnionBank. It is creating shared value through its portfolio of products that target the underserved market. CitySavings has embarked on an expansion program that acquired rural banks that are into microfinance loans like FAIRBank and PR Savings Bank.

PETNET, Inc. (PETNET) is the country's largest Western Union agent location network with over 2,700 branches composed of company-owned and sub-agent locations. PETNET's new retail brand, PERA HUB, is geared towards providing complementary products, cash, and payment-related solutions to its growing market, such as foreign exchange, bills payment, airline ticketing, cellphone loads, ATM withdrawals, micro-loans, and micro-insurance.

Food



Pilmico Foods Corporation (Pilmico) is the integrated agribusiness and food company of AEV. Composed of four divisions – Flour, Feeds and Animal Health, Farms, and Trading – the company is well positioned at the beginning of the food value chain.

The company operates in the Philippines and Vietnam and exports products to the following ASEAN countries: Vietnam, Thailand, Indonesia, Malaysia, Myanmar, and Hong Kong.

Pilmico advances business and communities by providing business solutions and building partnerships for growth.

Infrastructure



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

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

Apo Agua Infraestructura, Inc. (Apo Agua), Lima Water Corporation (LWC) and Balibago Waterworks System, Inc. (BWSI) enable the infrastructure business to provide innovative solutions to water and wastewater-related services to residential, commercial, and industrial customers. These projects are key to achieving Aboitiz InfraCapital's goal of building franchises across the entire water value chain.

Land



Aboitiz Land, Inc. (AboitizLand), the real estate arm of the Aboitiz Group, is engaged in the design and development of distinct communities for residential, industrial, and commercial use. After over two decades of operation, it is today one of the country's most trusted companies in real estate development. It continues to strengthen its position by expanding geographically through land banking in key growth areas across the country while continuously delivering dream homes and commercial spaces.

AboitizLand is also proudly homegrown, having nurtured Cebu's residential, industrial, and commercial communities with pioneering concepts and ambitious development undertakings. With increasing quality projects to its name, its customer base has dynamically grown along with the company. Today, the Land Group is geared towards growth in all of its business units, aiming to become a stronger player in the national real estate scene by curating and nurturing communities for better lives.

Corporate Social Responsibility



Aboitiz Foundation, Inc. (Aboitiz Foundation) is the corporate foundation of the Aboitiz Group established in 1988. It implements CSR interventions focused on education, enterprise development, environment, and health and well-being in communities where Aboitiz companies operate.

WeatherPhilippines Foundation, Inc. (WeatherPhilippines), which provides the country with a premier weather sensing and forecasting system, was established by the Aboitiz Foundation and UnionBank in 2012. Its technology partner is Meteologix AG, an international weather information provider based in Switzerland. WeatherPhilippines' services complement the government's nationwide efforts on disaster risk reduction.

Social Enterprise



Weather Solutions, Inc. (Weather Solutions) is the first social enterprise venture of the Aboitiz Group that is focused on using technology to provide weather-oriented solutions for business. Weather Solutions provides a platform-based suite of services that can help customers interpret weather data to mitigate operational risks as well as develop industry-specific solutions to boost performance. Weather Solutions will provide real-time and comprehensive weather-related solutions to relevant industries, establish the Philippines Weather Platform and use it as a springboard for partnership and collaboration for analytics, artificial intelligence, and the Internet of Things, and educate the public by providing accurate weather readings and forecasts that will positively affect their everyday lives.

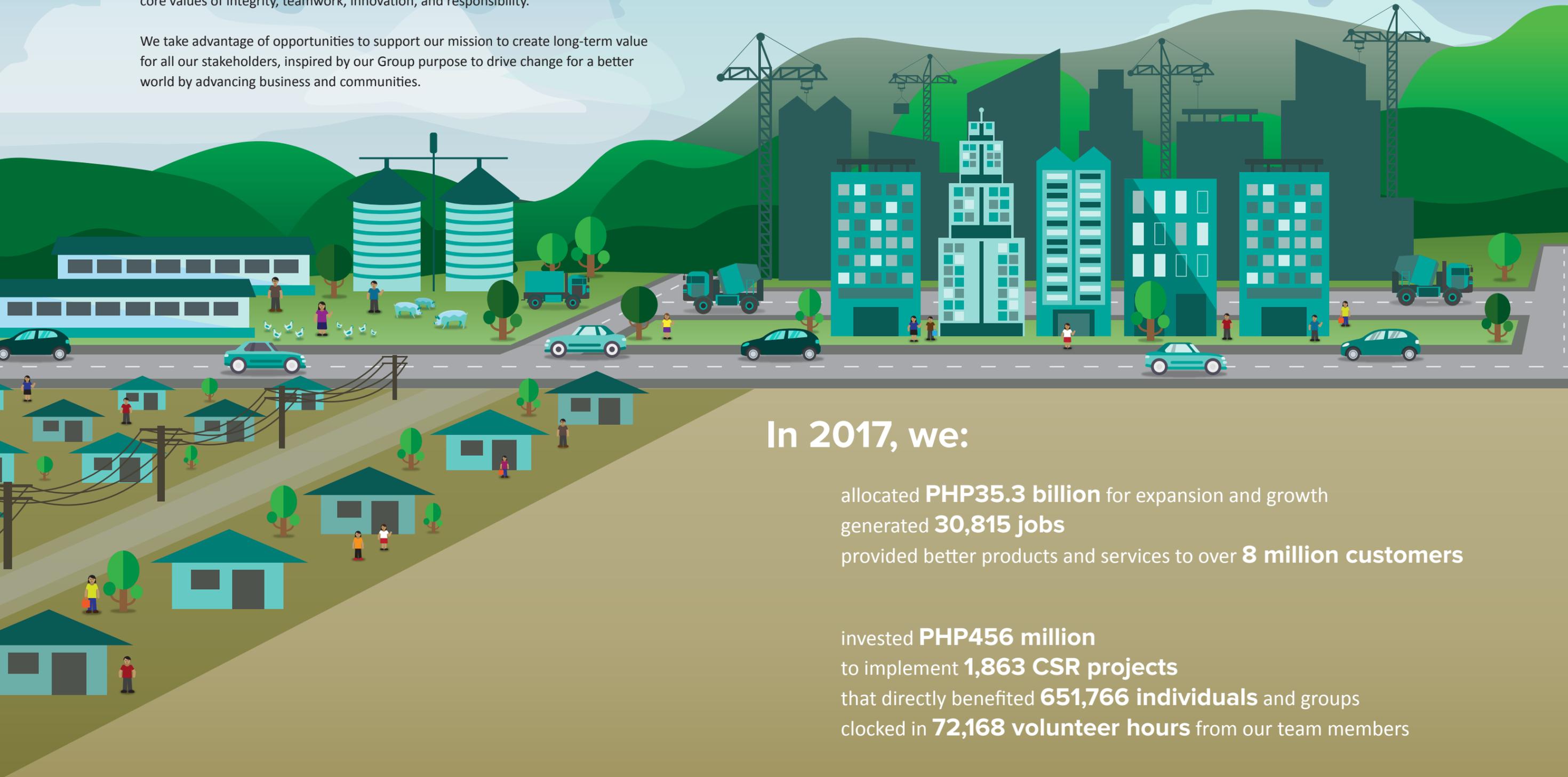
By harnessing WeatherPhilippines' automated weather stations deployed across the country, Weather Solutions will provide long-term support to its #WeatherWiser Nation advocacy.

Providing Stakeholder Value

The Aboitiz Group believes that financial gains should translate into meaningful benefits for society. We are committed to providing solutions that address the needs of our customers, which generate revenues that allow us to pay taxes, royalties, and financial benefits to the government and our host communities.

From empowering our A-People and promoting environmental sustainability to pursuing our growth objectives, our actions and decisions are deeply grounded on our core values of integrity, teamwork, innovation, and responsibility.

We take advantage of opportunities to support our mission to create long-term value for all our stakeholders, inspired by our Group purpose to drive change for a better world by advancing business and communities.



In 2017, we:

allocated **PHP35.3 billion** for expansion and growth
generated **30,815 jobs**
provided better products and services to over **8 million customers**

invested **PHP456 million**
to implement **1,863 CSR projects**
that directly benefited **651,766 individuals** and groups
clocked in **72,168 volunteer hours** from our team members



developed renewable energy projects
with **1,263 MW** net sellable capacity
planted **5.7 million** A-Park trees
in over **5,600 hectares**

generated **PHP21.6 million** net income after tax
paid **PHP7.5 billion** in shareholder dividends
paid **PHP21.7 billion** to government in taxes

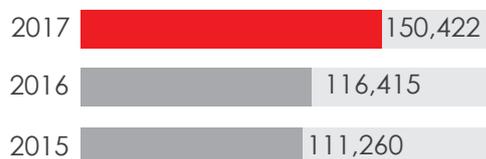
Financial Highlights

Aboitiz Equity Ventures, Inc.

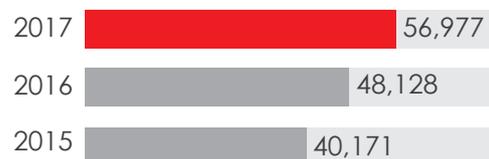
201-1

(in PHP millions)

Revenues



EBITDA



Net Income to Equity Holders of the Parent



Core Net Income



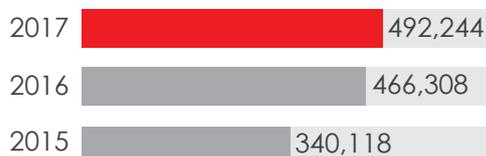
Cash Dividend Paid to Common



Cash and Cash Equivalents



Total Assets



Equity Attributable to Equity Holders of the Parent



Market Capitalization



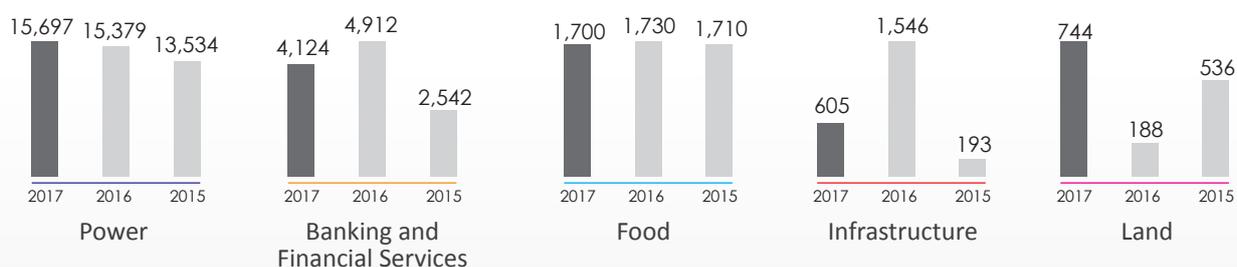
Financial Summary

(in PHP millions)	2015	2016	2017	% Change (2017 vs. 2016)
INCOME STATEMENT				
Revenues	111,260	116,415	150,422	29.2%
Operating costs & expenses	(83,842)	(87,494)	(113,846)	
Operating profit	27,418	28,921	36,576	26.5%
Equity in net earnings of associates	6,589	9,652	9,054	-6.2%
Other charges	(6,525)	(5,630)	(11,768)	109.0%
Income before income tax	27,482	32,943	33,862	2.8%
Provision for income tax	(4,325)	(4,290)	(4,583)	6.8%
Net Income before non-controlling interests	23,157	28,653	29,279	2.2%
Non-controlling interests	(5,478)	(6,180)	(7,670)	
Net income attributable to equity holders of parent	17,679	22,473	21,609	-3.8%
EBITDA	40,171	48,128	56,977	18.4%
FINANCIAL CONDITION*				
Total assets	340,118	466,308	492,244	5.6%
Total liabilities	193,133	292,332	299,661	2.5%
Non-controlling interests	28,764	33,700	37,573	11.5%
Equity attributable to equity holders of the parent	118,220	140,275	155,011	10.5%
RATIOS				
Per Share (Pesos)				
Earnings	3.18	4.02	3.84	-4.5%
Book Value	21.28	24.90	27.51	10.5%
Cash dividend to common	1.11	1.06	1.33	25.5%
Return on equity	17.1%	19.7%	16.0%	
Current ratio	2.84	2.51	1.56	
Debt/Equity	1.31	1.68	1.56	
Net debt/Equity	0.66	1.10	1.01	

* Certain 2016 balance sheet accounts were restated to consider the adjustments resulting from the finalization in 2017 of the purchase price allocation on the 2016 acquisition of GNPowr Mariveles Coal Plant Ltd. Co. (GMCP).

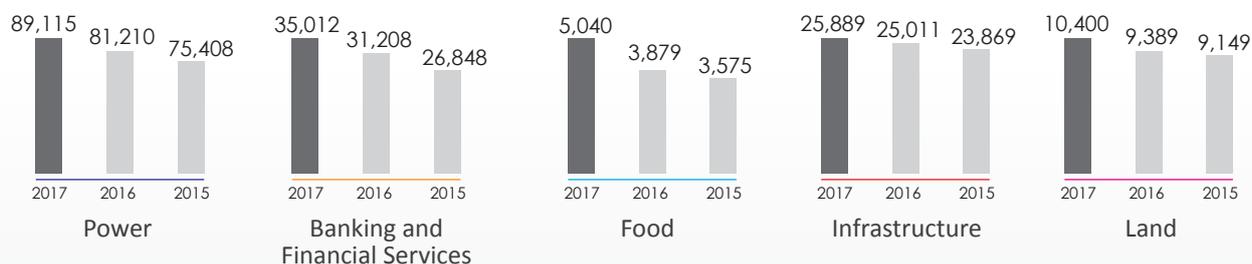
Income Contribution Breakdown Per Business Segment

(in PHP millions)



Equity Investment Breakdown Per Business Segment

(in PHP millions)



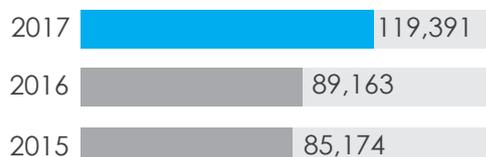
Financial Highlights

Aboitiz Power Corporation

201-1

(in PHP millions)

Revenues



EBITDA



Net Income to Equity Holders of the Parent*



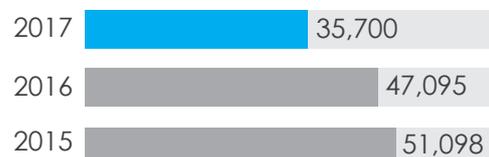
Core Net Income



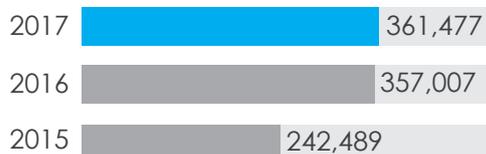
Cash Dividend Paid to Common



Cash and Cash Equivalents



Total Assets



Equity Attributable to Equity Holders of the Parent



Market Capitalization



*AboitizPower

Financial Summary

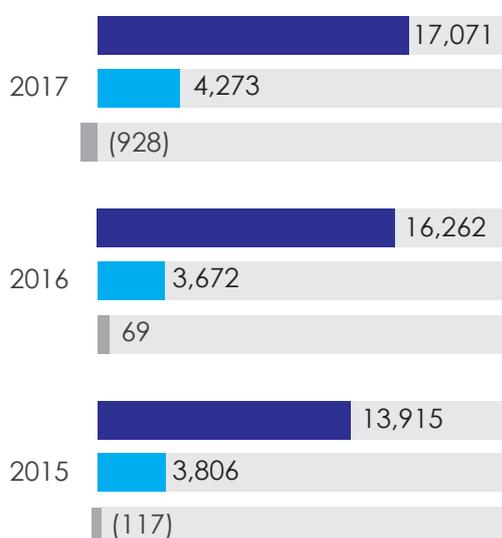
(in PHP millions)	2015	2016	2017	% Change (2017 vs. 2016)
INCOME STATEMENT				
Operating revenues	85,174	89,163	119,391	34%
Operating expenses	60,487	62,853	85,218	36%
Operating profit	24,687	26,310	34,174	30%
Share in net earnings of associates and joint ventures	3,980	3,641	4,698	29%
Other income (charges)	(6,124)	(4,951)	(12,025)	143%
Income before income tax	22,542	25,000	26,847	7%
Provision for income tax	3,590	3,496	3,858	10%
Net income before non-controlling interests	18,953	21,504	22,988	7%
Net income attributable to non-controlling interests	(1,349)	(1,502)	(2,572)	71%
Net income attributable to equity holders of the parent	17,604	20,003	20,416	2%
EBITDA	33,664	38,086	47,650	25%
FINANCIAL CONDITION				
Total assets	242,489	357,007	361,477	1%
Total liabilities	140,876	244,798	237,499	-3%
Non-controlling interests	4,045	7,095	8,582	21%
Equity attributable to equity holders of the parent	97,569	105,114	115,396	10%
RATIOS				
Per Share (Pesos)				
Earnings	2.39	2.72	2.77	
Book Value	13.26	14.28	15.68	
Cash dividend to common	1.66	1.66	1.36	
Return on equity	21%	23%	21%	
Current ratio	3.12	2.25	1.38	
Debt/Equity	1.39	2.18	1.92	
Net debt/Equity	0.63	1.49	1.35	

* Certain 2016 balance sheet accounts were restated to consider the adjustments resulting from the finalization in 2017 of the purchase price allocation on the 2016 acquisition of GMCP.

Income Contribution Breakdown

Per Business Segment (in PHP millions)

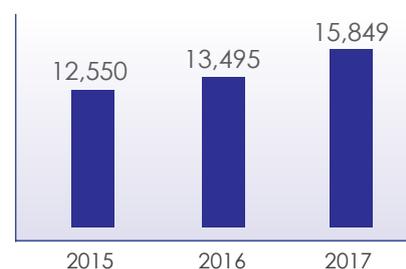
● Generation ● Distribution ● Parent & Others



Attributable Power Sales

(in GWh)

Generation



Distribution



Aboitiz BetterWorld

We continue to make headway in our sustainability journey in 2017. This is reflected in the performance highlights of our triple bottom line.

PEOPLE

Goal: Partner with our stakeholders to create shared value



30,815 TMs
2016: 31,070 TMs
team members (TMs)
employed groupwide



72,168 hrs
2016: 49,146 Hrs
47% increase in TM
volunteer hours



826 AWS
2016: 792 AWS
4% increase in deployed
automated weather
stations (AWS)



651,766 beneficiaries
2016: 484,205 beneficiaries
35% increase in direct and
group beneficiaries



1,772 individuals
2016: 2,402 individuals
no. of individuals who participated
in capacity-building trainings



PHP456 million
2016: PHP442 M
3% increase in CSR fund allocation



1,863 CSR projects
2016: 1,526 projects
22% increase in CSR projects

PLANET

Goal: Minimize our environmental impact

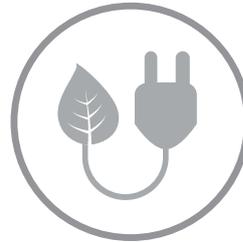


5.7 million trees

2016: 5.4 M trees
63% of the 9 million trees 2020 target

9.8 million trees planted inclusive of RAFI's contribution*

**Ramon Aboitiz Foundation, Inc.*



0.39

2016: 0.43
Carbon Productivity
(PHP million revenue/tCO2e)



1,263 MW

2016: 1,263 MW
renewable energy (Cleanergy)
net sellable capacity



32 tons

2016: 80 tons
of waste material recycled

PROFIT

Goal: Grow profitably



PHP21.6 billion

2016: PHP22.5 B
4% decrease from previous year's Net Income After Tax



16%

2016: 19.7%
19% decrease from previous year's ROE



PHP57.0 billion

2016: PHP48.1 B
19% increase from previous year's EBITDA



9% (5 years)

2016: 15% (5 years)
Total Return to Shareholder per year compounded annually

Chairmen's Message

102-14

Dear Fellow Shareholders,

Our warmest greetings to all of you!

The global economic growth in 2017 was marked by multi-sectoral gains that many saw as a sign that the 2008 financial crisis is subsiding. There was an upswing from the Euro zone as it joined the US and Asian economies in driving growth. A booming economy, however, is accompanied by rising interest rates that could raise debt and commodity prices, which will impact anti-poverty efforts of developing countries.

For the Philippines, the economy grew by 6.7% to sustain its six-year streak of above-6% annual growth while keeping inflation rates at low levels. Just before the year ended, Fitch Ratings upgraded the





With our strong leadership bench and pool of young and bright talents, solid financial position, strong corporate governance and social responsibility practice, and digital transformation program, we have the capability to further push our growth as we ride on the positive outlook on the Philippine economy.



country's long-term credit rating to "BBB". The Philippines' consistent economic performance is attributed to a stable macroeconomic environment, tax reform, strong anti-corruption drive, an achievable infrastructure development plan, and a young and hardworking workforce. Overall, Filipinos can look forward to a more equitable kind of growth, one that raises the level of human development.

For Aboitiz, a similar growth story continues to unfold. With our strong leadership bench and pool of young and bright talents, solid financial position, strong corporate governance and social responsibility practice, and digital transformation program, we have the capability to further push our growth as we ride on the positive outlook on the Philippine economy. Our balance sheet remains strong, which further enables us to judiciously adjust to movements at the macro level. With this, we are confident that we can carry out our mission to create long-term value for all our stakeholders guided by our purpose and promise to drive change for a better world by advancing business and communities.

Leading a culture that performs

When Aboitiz started more than a hundred years ago, we did not have such an extensive

appreciation of culture and how it can make or break an organization. But right from the start, all our actions, conduct, and engagements with our customers, partners, shareholders, and communities have always been founded on a bedrock of deep personal values.

Since then, these values have guided us in the way we do things in the company and silently dictated what was acceptable and what was not, repeatedly practiced and carried over from one generation to another until they became distinctly ours. We became known for these values until eventually, the mention of Aboitiz stood for stories of integrity, teamwork, innovation, and responsibility in the workplace and in the business community.

At the 2nd Aboitiz Leaders Conference in February 2018, 190 of our top leaders gathered to learn from one another and be reminded that protecting, preserving, and promoting our culture is our most important work and biggest responsibility. But we risk eroding our culture when people fail to interpret it into the day-to-day things they do at work. This creates a kind of tension between what we say about culture and what gets manifested and practiced in our

Chairmen's Message

102-14



Our integrated report chronicles the many ways that the Aboitiz Group is advancing business and communities by seeking opportunities to not only help accelerate our country's economic growth but, more importantly, to translate these into meaningful benefits for society through our products and services.



policies and procedures. Leaders need to Say, Behave, and Operationalize in order to maximize our impact in driving culture.

Advancing Business and Communities

This integrated report chronicles the many ways that the Aboitiz Group is advancing business and communities by seeking opportunities to not only help accelerate our country's economic growth but, more importantly, to translate these into meaningful benefits for society through our products and services.

In 2017, we invested PHP35.3 billion in capital expenditure for our Group's expansion and growth plans that generated revenue. This was funneled back into society in the form of taxes, royalties, payments to the government and suppliers, and benefits for our host communities.

We are proud of our 31,000-strong team members who are our lifeblood and have dedicated their talent to serving the needs of our over eight million customers. Inspired

by our core value of responsibility, our team members also shared their time to clock in a total of 72,000 volunteer hours to support various corporate social responsibility (CSR) programs Group-wide.

To create more impactful CSR programs, we work with our partners in government and the private sector to co-create safe, empowered, and sustainable communities. We invested PHP456 million in 1,863 projects under our program areas of education, enterprise development, and environment. These projects benefitted 651,766 stakeholders and various groups nationwide.

Helping build a #WeatherWiser nation

With the Philippines ranking third among countries that are most vulnerable to strong typhoons, we all have a role in finding solutions to help curb its impact on our communities. We founded WeatherPhilippines in 2012 to help Filipinos become proactive in disaster preparedness by providing them with free and localized weather information.

We are once again blazing the trail with the launch in 2017 of Weather Solutions, Inc., a weather social enterprise that is the first of its kind in the country. We are excited to take our advocacy to the next level as we create breakthrough platforms that will change the way businesses operate, especially around communities that they support. Technology integration will allow Weather Solutions to offer smart, proactive, and weather-responsive products and solutions while ensuring steady support for WeatherPhilippines Foundation.

Special assistance to Marawi

The Aboitiz Group seeks to be among the first responders in situations where we are

needed. The Aboitiz Foundation rallied our team leaders and team members to volunteer and help in various areas. Through our business units, Aboitiz was on the ground to bring PHP21 million worth of immediate relief in the form of food, water, hygiene kits, medicine, and livelihood kits for displaced families. We also made sure to take care of our troops by providing them with livelihood training and supplies to jumpstart their new business opportunities.

Our work continues in 2018 by helping rebuild lives in Marawi. In partnership with other organizations, our combined efforts in the Group are quietly working to restore the local economy and make life better for our affected fellowmen in the region.



Pilmico Foods Corporation CEO Sabin Aboitiz explains to President Rodrigo Duterte the egg-laying machines donated by the Aboitiz group to wounded soldiers and military camps. (Photo courtesy of RTVM)

Chairmen's Message

102-14



We are once again blazing the trail with the launch in 2017 of Weather Solutions, Inc., a weather social enterprise that is the first of its kind in the country. We are excited to take our advocacy to the next level as we create breakthrough platforms that will change the way businesses operate, especially around communities that they support.



Celebrating milestones

In 2017, we celebrated the 10th year and 25th year listing anniversaries of AboitizPower and UnionBank, respectively, at the Philippine Stock Exchange. The AboitizPower initial public offering (IPO) gave us greater muscle to start new projects, seize better opportunities, and build it into an integrated power company. We also broke ground on Hedcor's 19-MW Bineng Combination Hydro project in La Trinidad, Benguet, and completed the commissioning of SNAP's 8.5-MW Maris Canal hydro plant in Isabela.

The UnionBank IPO allowed us to grow assets by over 40 times and consistently provided our stockholders with a good return on their investment. Through digital transformation, UnionBankers will continue to make the bank a great place to work and provide our customers with smart banking solutions that elevate lives.

In August 2017, we forayed into the water infrastructure sector after Aboitiz InfraCapital

acquired LiMA Water from AboitizLand. This establishes our position as a provider of water and wastewater-related services to residential, commercial and industrial customers. Aboitiz InfraCapital also acquired a minority stake in Balibago Waterworks System, Inc., previously held by San Fernando Electric Light & Power Co.

On the international front, we entered Vietnam's animal feeds market with Pilmico's acquisition of a majority stake in Europe Nutrition Joint Stock Company. Together with our current aqua feeds business in Vinh Hoan Feeds, we are strengthening our foothold in the ASEAN market with a growing population of 500 million.

Meanwhile, your companies, AEV and AboitizPower, continued to receive accolades in the areas of corporate governance, brand management, project financing, and workforce engagement, to name a few. These include Excellence in Corporate Governance and Best Compliance and Ethics Program from the 2017 PSE Bell Awards; Renewable Energy Deal of the Year for Hedcor Sibulan's loan

facility from The Asset Triple A Infrastructure Awards 2017; In-House Team of the Year for Financial Services (ex-Banking) from the In-House Community Counsels of the Year Awards 2017; and the Top Communication Management Award for WeatherPhilippines Foundation from the Philippine Quill Awards.

With gratitude and appreciation

We had another banner year and we dedicate our achievements to all of you, our dear shareholders. Thank you for your continued trust and confidence in the Aboitiz Group over all these years.

We likewise express our deepest gratitude to Stephen CuUnjieng and Alfonso Uy, outgoing Independent Directors of AEV and AboitizPower, respectively. Both have been inexhaustible sources of solid business insights for the Group but, more importantly, they have given us true and lasting friendship for which we will also grateful.

To all our business partners, government agency partners, and our host communities, we thank you for your strong commitment to achieving our common goals. And to all our team members, thank you for making our purpose and brand promise come to life in your daily work.

Advancing business and communities will take a central place in everything we do in the coming years. We approach this task with the help of our team members who live our time-tested culture, the Aboitiz

Way, which has allowed us to lead, influence, and drive change for the benefit of our fellow Filipinos, our communities, and our nation.

The opportunity to continue to innovate and create new value for all our stakeholders is one that we are eager to tackle, and one that is only possible because of the trust that you give us. Your trust is what drives us. We look forward to more shared success with you in our journey to drive change for a better world.

Sincerely yours,



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



Enrique M. Aboitiz
Chairman of the Board
Aboitiz Power Corporation

CEO's Message

102-14

Dear Fellow Stakeholders,

Throughout the history of the Aboitiz Group, we have constantly pursued to contribute in a meaningful way to our communities all across the country. This has helped us develop a uniquely inclusive understanding of various societal needs and compels us to ensure that our pursuit of reasonable returns on our investments yields actions and decisions that benefit not only our shareholders but all levels of greater society.



In 2017, we sought to better articulate the importance of translating economic gains into a greater good. Guided by the Aboitiz core values of integrity, teamwork, innovation, and responsibility, we continued to create long-term value for all our stakeholders, to drive change for a better world by advancing business and communities, or our ABC.

Weaving ABC into our growth story

Your company faced challenges in 2017 that tested the resilience of our portfolio but clearly attested to the strength of our core operating businesses. Aboitiz Equity Ventures (AEV) posted a full-year net income of PHP21.6 billion, dipping by 4% from PHP22.5 billion in 2016.

Despite this, we still have much reason to be optimistic about the long-term fundamentals of our businesses. Income contributions for the year from our strategic business units (SBUs) remained steady, with power making up 69% of our income, followed by banking and financial services at 18%. Our food, infrastructure, and land SBUs rounded up the remaining 7%, 3%, and 3%, respectively.



We take our responsibility of providing long-term energy security for our country very seriously, always cognizant of the need to balance sustainability, accessibility, and reliability of power.



Power Group

Our power business continues to focus on providing reliable and ample power supply at reasonable and competitive prices with the least possible adverse effects on our environment and host communities. AboitizPower's 2017 performance resulted to its increased income contribution to AEV of PHP15.7 billion, up by 2% year on year (YoY) from PHP15.4 billion in 2016. It remains the Group's largest income contributor at 69% in 2017, up from 65% in the previous year.

The generation group's attributable net energy sales rose by 41% YoY, from 2,223 megawatts (MW) to 3,124 MW, primarily driven by the addition of GNPowder-Mariveles, higher generation by our hydro units, and more capacity contracted.

The distribution group's income share for 2017 rose by 16% to PHP4.3 billion as a result of higher sales volumes, true-up recoveries on purchased power costs, and effective cost management. Attributable electricity sales was up by 4% YoY to 5,288 gigawatt hours (GWh).

It cannot be denied that despite its challenges, the core benefit of Open Access is providing customers the power of choice. More retail customers and large energy consumers are experiencing the benefits of this scheme by allowing them to choose their preferred supplier. This has allowed these end users to optimize energy costs and

realize savings, further enhanced by lower selling prices due to the improved supply situation across the country.

The balanced mix of AboitizPower's portfolio of baseload, intermediate, and peaking generating assets has given us a competitive and reliable platform to participate in this space as a market leader. This is the outcome of our decades of experience as a distribution utility and retail supplier, which has allowed us to provide our customers with innovative and relevant solutions to better meet their needs.

We further expanded our renewable energy portfolio in 2017, starting with the full commissioning of SN AboitizPower's (SNAP) 8.5-MW Maris Main Canal hydro facility in Isabela. Hedcor also broke ground on its Bineng Combined Hydro project in La Trinidad, which will expand its existing capacity from 5.48 MW to 19 MW. In 2018, Hedcor's 68-MW hydro project in Manolo Fortich in Bukidnon will be added to the grid as the company celebrates its 40th anniversary as the pioneer in harnessing run-of-river energy in the Philippines.

Meanwhile, we continue to explore solutions in meeting our country's baseload energy requirements. We are glad to have Unit 1 of Therma Visayas' 340-MW generation facility in Toledo, Cebu now synchronized to the grid and nearing completion. We are also looking at expanding Pagbilao 3's gross generation capacity to 420 MW in 2018.

CEO's Message

102-14

Our strategic acquisition of GNPower assets in Bataan has not only provided AboitizPower with immediate cash flow and earnings from the Mariveles plant but also an expansion opportunity. The construction of GNPower Dinginin's Unit 1 is well underway with commercial operations set for 2019. Meanwhile, Unit 2 was also given the green light in December 2017 and is expected to be completed by 2020. These two units will have a combined gross capacity of 1,336 MW.

Against this backdrop, we celebrated in 2017 AboitizPower's 10th listing anniversary at the Philippine Stock Exchange, which was an opportunity for us to look back at what we have achieved together since consolidating the Aboitiz Group's investments in the power sector. Your steadfast support to our strategic programs and growth initiatives is helping us build our path toward our goal of attributable ownership of 4,000 MW of net sellable capacity by 2020. We take our responsibility of providing long-term energy security for our country very seriously, always cognizant of the need to balance sustainability, accessibility, and reliability of power.

Banking and Financial Services Group

In banking and financial services, we believe smart banking and digital solutions will elevate lives and fulfill dreams through financial inclusion in the communities we serve. For UnionBank, this translated to an income contribution to AEV of PHP4.1 billion, albeit lower by 16% YoY due to lower training gains. Despite this, core income surged by 31% to PHP8.2 billion from PHP6.2 billion as a result of growing interest income and fees.

In its effort to increase its fee-based income, UnionBank entered into a bancassurance

partnership with Insular Life in 2017 to bring in fresh revenue through the distribution and offering of insurance products.

The company's aggressive digital push gave birth to the first fully digital bank branch in the Philippines, The Ark by UnionBank. Through it, the bank makes a pioneering shift from transactional to interactional spaces that transform the way banking is done for and by Filipinos.

CitySavings engaged in acquisitions or strategic partnerships in 2017 as anchored by its entry into rural and microfinance banking through the acquisitions of First-Agro Industrial Rural Bank and Isabela-based PR Savings Bank. We are also transferring the Group's majority stake in PETNET to CitySavings to leverage and optimize synergies between the retail networks of UnionBank and PETNET. This complements UnionBank's robust plans for digitalization and greater financial inclusion to the underserved sectors of society.

All these developments are part of cultivating sustainability in UnionBank's operations by going beyond the traditional. It is a legacy for which we can thank Justo "Tito" Ortiz who envisioned how banking can be a force for good in the lives of stakeholders. We also take this opportunity to congratulate Edwin Bautista as he takes over as UnionBank President & CEO. We are fully confident that Edwin, who has been with the bank for over two decades, will lead our banking group to further expand its mass market reach, consistent with its aim to promote inclusive growth.

Food Group

Through Pilmico, we cultivate relationships with our partners to ensure the sustainability



The company's aggressive digital push gave birth to the first fully digital bank branch in the Philippines, The Ark by UnionBank. Through it, the bank makes a pioneering shift from transactional to interactional spaces that transform the way banking is done for and by Filipinos.



of the food chain. We are particularly excited about the opportunities for the Group as it evolves into an integrated agribusiness and food company. In 2017, the Group's net income was PHP1.70 billion, 2% lower from 2016.

Pilmico is well positioned in the industry's value chain with our businesses adding value to one another, and ultimately, our customers. We continue to grow our core domestic businesses parallel to our strategy of going international and expanding in the ASEAN region through export as well as acquisition opportunities.

In 2017, Pilmico acquired 70% of the shares of animal feeds company Eurofeed, making its formal entry into the Vietnam animal feed mill industry. It also expanded its existing aqua feeds portfolio and market reach in the greater Indo-China region.

Infrastructure

Aboitiz InfraCapital is the vehicle we will use to participate in the Philippine infrastructure space under the government's "Build, Build, Build" program. With it, we will explore opportunities to provide innovative infrastructure-related solutions that will help drive economic progress and uplift the lives of Filipinos.

In 2017, Republic Cement recorded an income contribution to AEV of PHP671 million, slipping by 57% from PHP1.6 billion in 2016. While cement demand increased slightly, which was partly buoyed by the government's infrastructure push, lower prices and increased production costs eroded margins. We continue to work on our operational debottlenecking programs and expanding our clinker and grinding capacity in the next couple of years to meet the growing market demand.

Our initial infrastructure venture, Apo Agua, is now in the final stages of acquiring the required permits and financing, with construction projected to start by mid-2018.

We also consolidated the Group's water investments and acquired LiMA Water Corporation in Batangas as well as a minority stake in Balibago Waterworks System in Pampanga. These acquisitions present strategic opportunities towards achieving the goal of building franchises across the entire water value chain.

Transportation infrastructure remains a key area of interest and we have teamed up with the country's premier conglomerates for a joint project to improve operational efficiencies and provide a much-needed

CEO's Message

102-14



As we move closer to a unified digital experience across the Aboitiz Group, we seek to transform our business through digital technology in order to enhance customer experience, improve our operational processes, and create new business models as an evolving and competitive organization.



capacity increase to the Ninoy Aquino International Airport.

In addition, through Aboitiz InfraCapital, we submitted a proposal to modernize key regional airports in the Visayas and Mindanao, namely the Iloilo International Airport in Panay, Bacolod-Silay Airport in Negros Occidental, Laguindingan Airport in Cagayan de Oro, and the New Bohol International Airport in Panglao. While we believe that Aboitiz InfraCapital's proposal is a very efficient solution to address the immediate need of the airports in the most expedient and comprehensive way, we understand the Department of Transportation's policy direction to publicly solicit bids for the rehabilitation and upgrade of all airports under its jurisdiction. We remain committed to supporting the government in its efforts to modernize our country's transportation infrastructure.

Land Group

In our land business, we help people live better lives by building deliberately designed residential, commercial, and industrial communities. Under its goal of becoming a national player, AboitizLand's primary focus is to ramp up expansion by developing and launching several projects nationwide. Its resurgence in 2017 increased its net income by 295% to PHP744.2 million.

A steady performance from its residential business unit was driven by strong sales and the construction progress of its various projects. The commercial business stayed firm with high occupancy levels and its largest project, The Outlets at Lipa, is scheduled to be operational by the first half of 2018.

The company's industrial business unit continues to be a key revenue contributor, having sold 50 hectares in 2017, and continues to develop its land bank in the industrial park always ready to absorb demand as it comes in.

Future-proofing digital transformation

Investing in our organizational sustainability means moving towards integrating new approaches into traditional functional areas through our Group-wide digital transformation strategy.

Throughout 2017, we implemented major programs in line with our direction to 'Be Social. Live Mobile. Go Digital'. We introduced our social transformation roadmap and opened access to social media in the workplace. This is our way of recognizing social media's valuable role in promoting conversations towards a better understanding of our stakeholders. At the same time, we enable our team members to

become our online brand ambassadors in this age of digital disruption.

Among our first steps to increase our level of digital preparedness was the launch of AGORA or the Aboitiz Group Online Resources Application in December 2016. Aiming to connect team members through our very own easy-to-access intranet platform, AGORA has been a dynamic tool in providing real-time engagement within the Group while retaining elements unique to each SBU.

Perhaps one of the more salient initiatives of going digital is our move towards an agile workplace, which we piloted through Pilmico. The open office set-up brings a combined sense of individualism and collaboration among team members as well as the freedom to choose what works best for their needs.

As we move closer to a unified digital experience across the Aboitiz Group, we seek to transform our business through digital technology in order to enhance customer experience, improve our operational processes, and create new business models as an evolving and competitive organization.

Strengthening our culture

In 2017, we made strides in identifying how our five core businesses operationalize our Group purpose and ABC brand, starting from our first Leaders Conference in January to other related sessions throughout the year.

For 2018, the conversation focuses on the symbiotic relationship between leadership and culture. Fundamentally, the Aboitiz culture is deeply rooted on our values of integrity, teamwork, innovation, and responsibility. We

define our culture as the way we behave and lead our people, moment by moment without being told. These behaviors and norms shape our culture, enabling each of us to live our purpose and deliver on our brand promise.

Our Gallup Engagement Survey in 2017 provided a snapshot of our performance in this area, which rated us “above average” for having involved, committed, and enthusiastic team members. We will take advantage of this opportunity to go from good to great by narrowing the gaps and further raising the level of engagement.

For 2018, our core values, purpose, brand, and culture will further define our organization towards a synergy that will bring out the Aboitiz Way in each of us with consistency and authenticity.

In memoriam

In 2017, we mourned the passing of two of the Aboitiz Group’s pioneering team leaders - Bobby Aboitiz and Rene Ronquillo.

Bobby, who served as director of AEV since 1994, was a man of purpose who held a profound conviction in the Group’s purpose of driving change for a better world. He developed his ‘Bugsay’ philosophy that emphasizes taking your own paddle to make progress in life, chartering your course with every stroke to make a difference not only for yourself but for the community at large. This speaks volumes about the kind of person Bobby was and the invaluable wisdom he generously shared with our family and firm.

We remember Rene for the positive person he was and the many ways he touched our lives.

CEO's Message

102-14



Our culture, The Aboitiz Way, is the secret sauce to our success and every Aboitiz leader's role is to help shape the Aboitiz culture through our leadership and example. Leaders influence culture which, in turn, creates defining moments of truth where our values come to life through what we do moment by moment without being told.



His legacy is the grand vision for our Cleanergy brand to sell 2 billion kWh of renewable energy. He was, by and large, responsible for the growth and development of Hedcor into a professionally-run owner, developer, and operator of numerous small hydros across the country over the past four decades.

Bobby and Rene are truly missed and we thank them for the many ways they inspire us. Their memory will live on in all of us.

Opening new chapters

We take this opportunity to thank two of our Group's team leaders who have shared many years with us and are now moving on to retirement.

Justo "Tito" Ortiz has led UnionBank's growth to its current position as one of the country's top banking institutions. He has instilled a sense of purpose in the company, allowing it to go beyond expectations and become a bank of enduring greatness.

For over 35 years, Andoni Aboitiz has brought numerous contributions to the Group, not least of which is AboitizLand's venture into developing industrial estates and the boldness to become an upcoming player in the national scene. He has built a solid and competent management team that is capable and eager to fulfill AboitizLand's plans and promise.

To Tito and Andoni, your exemplary leadership and vision inspire all of us and we wish you both happiness and success in the next stage of your life journey.

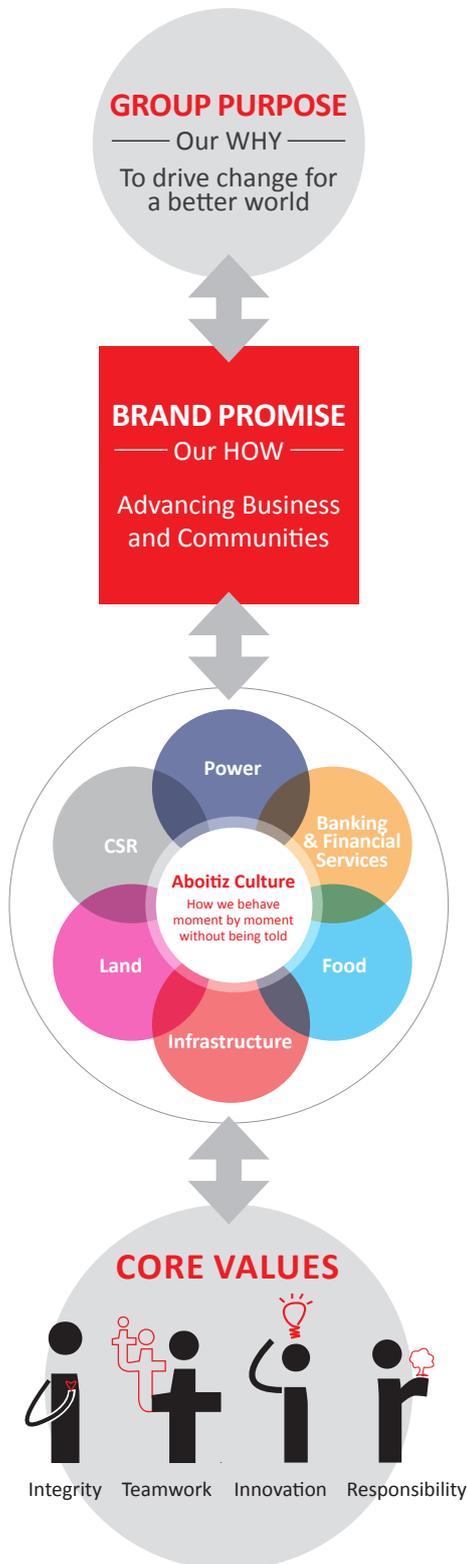
With each new chapter that unfolds, we thank all our team members for their incomparable hard work, loyalty, and dedication. We are all very proud to have each unique individual as part of the Aboitiz family and we are equally excited to be instrumental in their continued personal and professional growth in the Group.

To all our valued stakeholders, thank you for your continued unwavering trust and confidence in the Aboitiz Group that enables us to make a positive impact on society by advancing business and communities.

Wishing you the very best always,

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

The Aboitiz Way



For over a century, the Aboitiz Group has been building its legacy on core values, behavior, and beliefs that shape **The Aboitiz Way**, our unique culture nurtured and strengthened over generations.

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

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

CFOs' Message

Dear Fellow Stakeholders,

The Office of the CFO continues to help drive growth for the organization by providing agile support for the organic business, greenfield projects and acquisitions, as well as aspirations for overseas expansion.

Through our combined efforts, we have been able to advance business and communities in areas where we operate.





We have always viewed our capital-raising activities as a symbiotic relationship. On one hand, we are able to fund our growth aspirations. On the other hand, whenever we raise equity or debt from the capital markets, we are able to give investors a chance to be part of a growth story that they believe in.



Financial performance

In 2017, Aboitiz Equity Ventures' (AEV) consolidated EBITDA (earnings before interest, taxes, depreciation, and amortization) rose by 18% year-on-year (YoY) to PHP57.0 billion. This was driven by the increase in contributions from the power strategic business unit (SBU), on account of full year and higher contributions from its coal and hydro groups, respectively, as well as the strong performance in industrial sales of the land SBU. Beneficial EBITDA, which represents AEV's proportionate share of the EBITDAs of its investee companies, increased by 11% to PHP48.6 billion. After taking into account increased interest expense and depreciation from the power SBU, the consolidated core net income increased by 5% to PHP23.9 billion. This core income translated to an earnings per share of PHP4.24.

During the year, the power SBU recognized one-off losses, which brought AEV's net income to PHP21.6 billion, 4% lower than PHP22.5 billion in 2016. This resulted to a return on shareholders' equity of 16%.

Power continued to be the largest contributor to AEV's earnings, increasing its share to 69%. The food and real estate SBUs also increased their contributions to 7% and 3%, respectively.

Meanwhile, the contributions from the banking and infrastructure SBUs decreased to 18% and 3%, respectively.

By the end of 2017, AEV's consolidated cash balance was at PHP64.9 billion, an ample ammunition for changing market conditions.

In March 2018, the AEV Board approved a cash dividend of PHP1.28 per share or a total dividend payment of PHP7.2 billion, representing 33% of 2017's consolidated net income. This translated to a dividend yield of 1.7%. Comparatively, in March 2017, the cash dividend per share was PHP1.33.

Meanwhile, AboitizPower's beneficial EBITDA, which represents the company's proportionate share of the EBITDAs of its investee companies, increased by 19% YoY to PHP47.0 billion. After taking into account interest and depreciation expenses, the consolidated core net income increased by 13% to PHP23.3 billion as the group consolidated the full year of these expenses at GMCP. This core income translated to an earnings per share of PHP3.17.

During the year, AboitizPower recognized non-recurring losses primarily due to impairment costs related to its Aseagas

CFOs' Message



As part of our financial planning, we have been keeping our balance sheets healthy and our capacity to raise money through the debt markets strong.



investment and the refinancing costs of GMCP partially offset by a one-off recognition of lower interest expense from an acquired loan. These brought AboitizPower's net income to PHP20.4 billion, a 2% increase from the previous year.

AboitizPower's return on equity was 21%, staying on the 20% level for the fifth year in a row. This is a testament to the stable returns of the company's existing businesses while it continues to invest in new projects.

In March 2018, despite the one-offs recognized in 2017, the AboitizPower Board approved a cash dividend of PHP1.39 per share, higher than the cash dividend of PHP1.36 per share paid in 2017. The total dividend payment of PHP10.2 billion was 50% of 2017's consolidated net income, and translated to a dividend yield of 3.6%.

Capital raising

We have always viewed our capital-raising activities as a symbiotic relationship. On one hand, we are able to fund our growth aspirations. On the other hand, whenever we raise equity or debt from the capital markets, we are able to give investors a chance to be part of a growth story that they believe in.

In 2017, AboitizPower saw the completion of a number of special and major financing transactions.

In a continued effort to develop non-traditional sources of funding, AboitizPower completed a PHP30-billion shelf registration of retail bonds, with an initial PHP3-billion issuance. The shelf registration increases the company's flexibility, allowing it to tap the market quickly to seize opportunities that may arise.

In the third quarter of 2017, GMCP completed its USD800-million refinancing of an existing project finance loan, in the form of a covenant-light, lower cost, 12-year corporate note, which was funded entirely by local banks.

Immediately following the execution of the GMCP refinancing, we also completed, in the fourth quarter, a PHP22-billion project finance loan for the GNPower Dinginin Ltd. Co. (GNP) Unit 2.

With strong internally generated cash flows, the group was able to make long-term debt pre-payments during the year, most notably, PHP2.43 billion for the Aseagas project debt as well as USD320 million out of the USD620-million loan to fund the GNPower acquisition.

As a result, at yearend 2017, AboitizPower's consolidated net debt-to-equity ratio was at 1.4x, compared to the previous year's ratio of 1.5x.

For AEV, its consolidated net-debt-to-equity at yearend 2017 was at 1.0x, compared to the previous year’s ratio of 1.1x.

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

One of the gratifying aspects of our job is to receive recognition from international and local award-giving bodies for the financing structures we work on. In 2017, AboitizPower received various awards, including Climate Bond Initiative – Pioneer Deal in the Philippines, The Asset Triple A Asia Infrastructure Awards 2017 Renewable Energy Deal of the Year, and The Asset Triple A Asia Infrastructure Awards 2017 – Project Sponsor of the Year - Region.

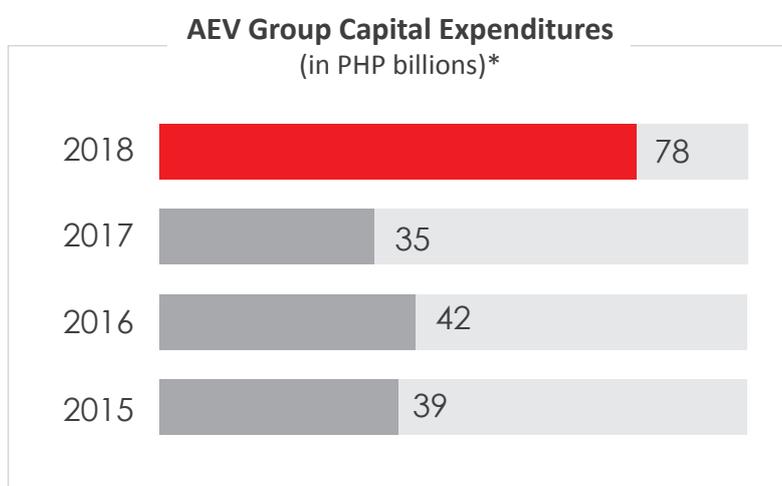
Among our projects for 2018, AEV is seeking to close the financing of our first bulk water

project, the country’s largest private bulk water project to date. There are several other projects we are working on that will need financing and refinancing, including for onshore and offshore acquisition opportunities that may arise for any of our SBUs.

To manage the risk of rising interest rates, we have kept a large part of our outstanding loan portfolio at fixed rates. We also continuously review our existing loan portfolio for refinancing opportunities, to generate cost savings or further lengthen our maturity profile.

Capital expenditure

Capital expenditures have a multiplier effect on the communities where we operate. Not only do local communities benefit from more tax, we are able to generate employment, commerce, and greater access to the goods, services, and sustainability programs our operating businesses provide.



* includes 100% of subsidiaries and affiliates

CFOs' Message



We will create a balanced risk culture by not only looking at the downside of financial risks but also reviewing existing assets, processes, and capabilities for opportunities to drive competitive advantage.



AEV has budgeted to spend PHP77.6 billion in capital expenditure in 2018, a 120% increase from the PHP35.3 billion spent in 2017. Of this amount, PHP61.6 billion has been allocated by AboitizPower, together with its partners, for mostly greenfield projects to increase total capacity to 4,000 MW by 2020.

Other SBUs' requirements account for the balance. UnionBank has allocated capital expenditure mostly to fund its digital and branch transformation. Pilmico intends to support various expansion and upgrade initiatives while pursuing various regional opportunities. Aboitiz InfraCapital will continue to invest in projects that will help drive economic progress and improve the quality of life of Filipinos. AboitizLand has allocated for strategic land development and acquisition initiatives, as well as several real estate project launches.

Balanced risk culture

In 2017, we focused on aligning our risk transfer strategy with the improvement of risk treatment and mitigation. This resulted in more customized best-fit insurance

programs for our business units and drove our insurance costs down. The Aboitiz Group's total cost of insurable risk (TCOIR) YoY remained at 0.63% of revenue, which is within industry standards.

In line with the Group's digitalization initiative, we launched our automation projects and started with the motor car fleet insurance program. This will enable us to transform the program to a more risk-focused facility and achieve risk-based premium allocation for each of the business units.

As the Group continually grows, we are finding better ways to optimize the balance of transferring and retaining our risks.

In 2017, we formalized the Group's Financial Risk Management Framework, which aims to integrate the risk management process in the management of key financial risks, to proactively mitigate them, and eventually capture potential opportunities. As a result, we can begin to identify emerging opportunities in the wide spectrum of our risks – not only in

our strategic and operational risks but also, as equally important, in our financial risks.

Moving forward, we will make a conscious paradigm shift on how we view things. We will create a balanced risk culture by not only looking at the downside of financial risks but also reviewing existing assets, processes, and capabilities for opportunities to drive competitive advantage.

Agile leadership

Under the Office of the CFO, our different teams advance business and communities by providing equity and debt investors with a safe home for their investible funds, a reasonable and sustainable return, and a chance to be part of our growth story.

We are passionately committed to deliver agile leadership, characterized by prudence and preparedness, as we strengthen the alignment of our financial planning with strategy.

In this increasingly complex and unpredictable world, our view is that only those who are ready strategically, financially, and

operationally will be able to seize opportunities as they come, and sustain efforts to advance business and communities.

With your continued support, we know we can.

And we will.

Sincerely yours,



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



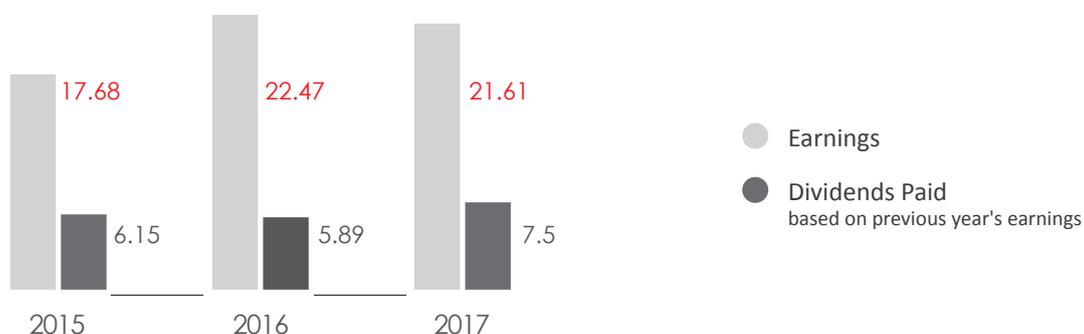
Liza Luy T. Montelibano
First Vice President
Chief Financial Officer
Aboitiz Power Corporation

Shareholder Value

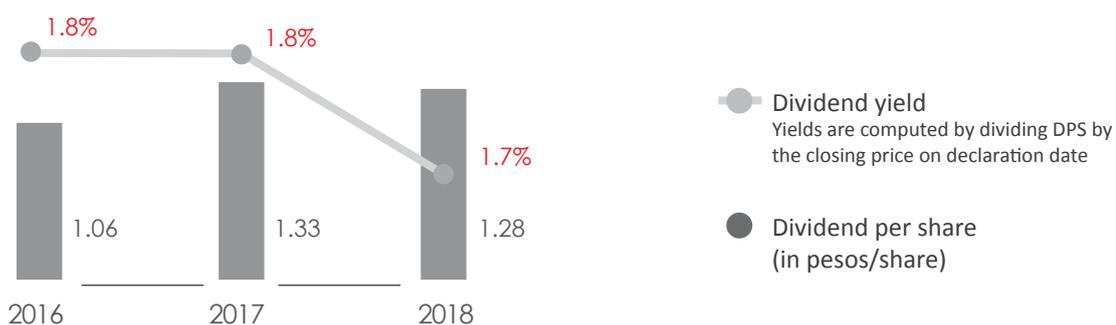
Aboitiz Equity Ventures, Inc.

Earnings and Dividends

(in PHP billions)



Dividend Per Share (DPS) and Dividend Yield



Share Price (Peso/Share)

Year	High	Low
2017	77.65	67.50
2016	84.40	54.40
2015	59.00	51.95

Share Price Performance

Year	2017	YTD March 28, 2018
AEV	5%	-9%
PSEi	25%	-7%

Total Return to Shareholder (TRS)*

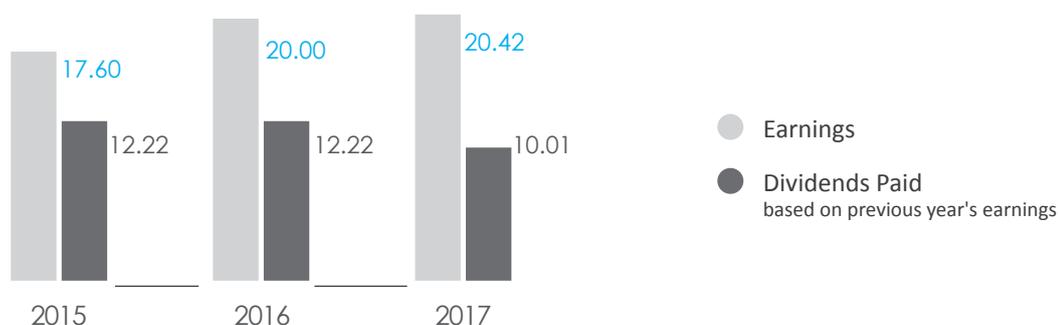


*TRS is computed by combining share price appreciation and dividends paid to show TRS expressed as a compounded annual growth rate (CAGR)

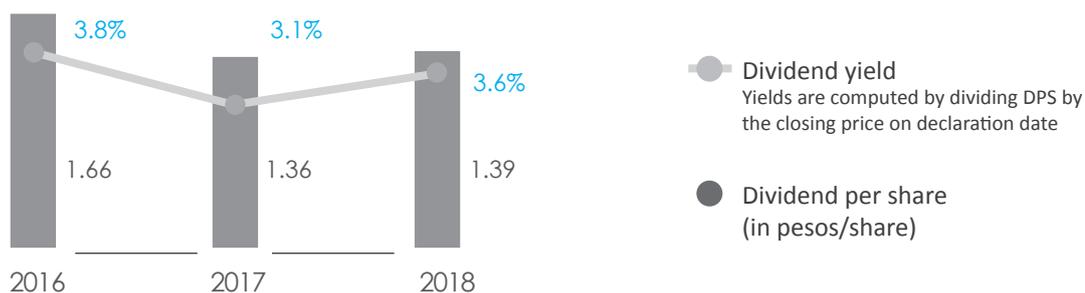
Aboitiz Power Corporation

Earnings and Dividends

(in PHP billions)



Dividend Per Share (DPS) and Dividend Yield



Share Price (Peso/Share)

Year	High	Low
2017	44.25	38.30
2016	48.90	39.40
2015	46.50	39.10

Share Price Performance

Year	2017	YTD March 28, 2018
AP	0	-7%
PSEi	25%	-7%

Total Return to Shareholder (TRS)*



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

POWER

We advance business and communities by providing reliable and ample power supply at a reasonable and competitive price with the least adverse effects on our environment and host communities.





Power

Dynamic and complex industry



Our biggest competitive advantage has always been our team and our relationships with our stakeholders. Now, more than ever, we must work together as 1AP alongside our partners and stakeholders not only for the success of our organization but for the betterment of the communities where we belong.



Antonio R. Moraza
President
Chief Operating Officer
Aboitiz Power Corporation

The power industry is experiencing a lot of shifts as it continues to mature in its implementation of the Electric Power Industry Reform Act (EPIRA).

About 15 major companies are in the generation business and competition is getting tougher. For the first time, supply is ahead of demand and, correspondingly, we are experiencing lower rates at the Wholesale Electricity Spot Market (WESM) and in the Open Access market.

Likewise, there is turbulence, which began with questions on Open Access, followed by congressional investigations, Supreme Court cases, and the suspension of four commissioners of the Energy Regulatory Commission (ERC). While this is an example of democracy at work, the industry is somewhat paralyzed as contracts and necessary permits to operate and supply are put on hold.

With more choices, our customers are more scrutinizing of their supply contracts. Considerations vary — some put more importance on rates, others prioritize reliability, while some look for more value.

The country is poised for major growth spurred by the “Build, Build, Build” strategy that demands

adequate power supply. We may have enough supply for the current demand, but the future demand must be addressed now. Major shifts and realities contribute to the tremendous pressure that private power players must contend with.

Technology to address and balance needs

A few years ago, we set two main targets for our organization — grow our attributable capacity to 4,000 megawatts (MW) and generate seven terawatt hours (TWh) for Open Access by 2020.

As of 2017, we are close to 3,000 MW attributable net sellable capacity with 32% sourced from Cleanergy, our brand of renewables. We expect to add 536 MW more into our portfolio, with our hydro plants Maris Canal and Manolo Fortich, plus our baseload plants Pagbilao 3 and Therma Visayas coming online. We are likewise growing our Open Access footprint through the acquisition of key customers in Luzon and Visayas. Based on our pipeline and sales projections, we are on track in achieving our goals.

In growing our capacity, we consider all available generating technologies, whether thermal or renewable. We have always believed that a balanced mix is necessary to address the needs of the markets we serve — supply, cost, and impact.

We started Cleanergy 40 years ago through Hedcor and we will continue to pursue renewable energy where and when it makes sense. In the same way, we will also explore thermal technologies because we believe these play a key role in the energy mix.

We are also increasing our efforts internationally, which, to my mind, is no longer optional. However, operating in another country, even in ASEAN, is a whole new ball game that brings up challenges in

METRICS THAT MATTER



PHP15.7 billion
income contribution to AEV



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



1,263 MW
of net sellable capacity from Cleanergy



1 million
trees to be planted in
TSI's carbon sink

Power

culture, rules, laws, and practices. We need to tread with caution as we move forward.

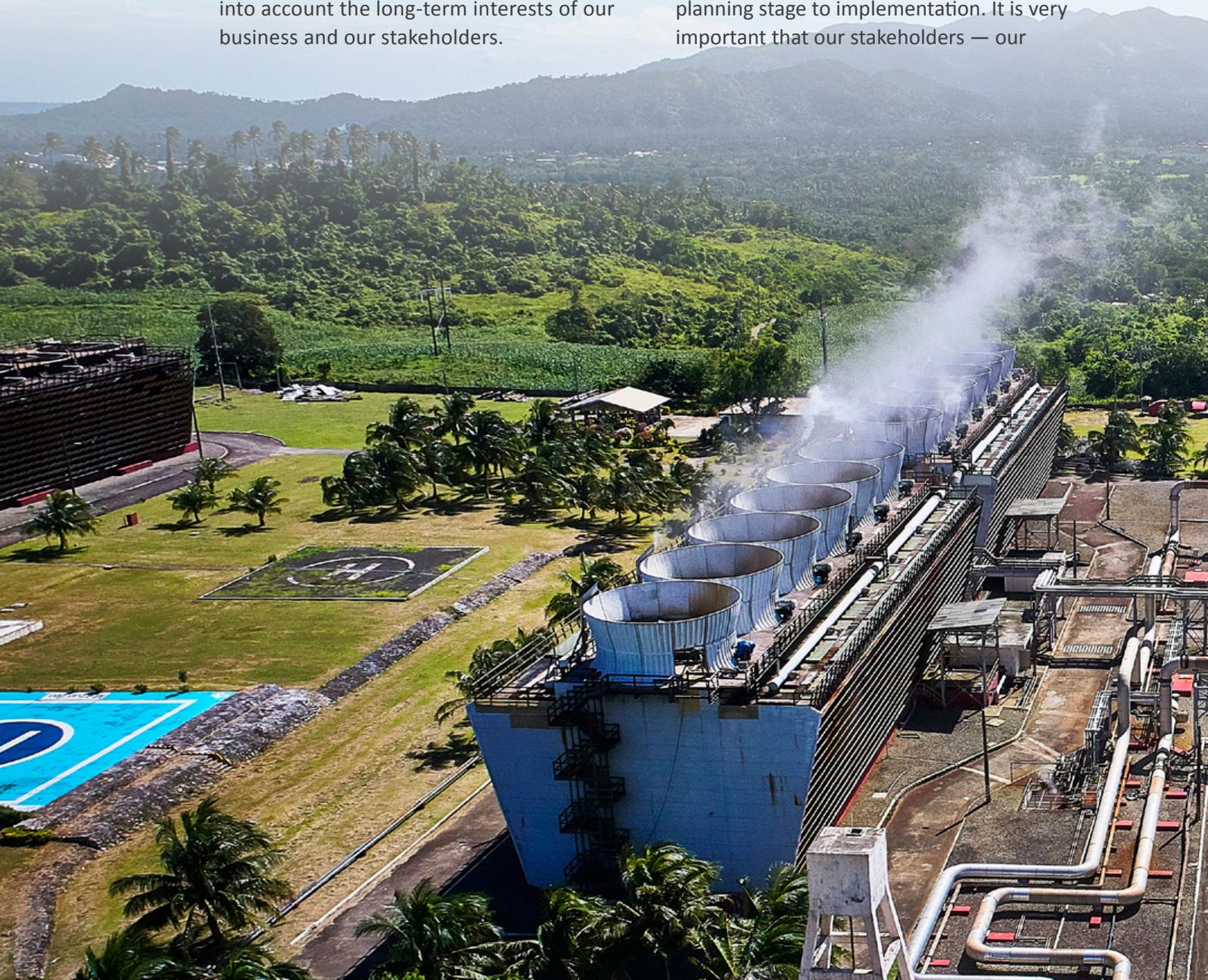
Our Generation and Distribution Business Groups are also using technology for automation and digitalization to enhance predictability, which improves reliability while keeping costs down. Competition is very tough with prices declining, resulting in lower margins. We simply have to compete smartly by being the best operators in this low-margin environment.

Building capability for sustainable growth

For our growth aspirations, we always take into account the long-term interests of our business and our stakeholders.

In January 2018, we announced the permanent shutdown of our biomass project operated by Aseagas. Technical issues related to the consistency of feed stock supply have greatly affected the viability of the business as a whole. Keeping a long-term view in mind, we had to make the difficult decision to cease operations.

We have always operated with a mindset of co-creating safe, empowered, and sustainable communities through our CSR programs. We have further strengthened our stakeholder engagement capability organization-wide, making sure it is always considered from planning stage to implementation. It is very important that our stakeholders — our



host communities, host LGUs, regulatory agencies, customers, and suppliers – see us as their true partner.

Given the nature of our business, we must continue to operate responsibly, conscious of our impact on people and planet.

Our distribution utilities and generating plants are quality management-certified. We have also integrated our asset, risk, safety, health and environment systems, as well as our processes to drive our thrust for operational excellence.

Key to all these responsibilities is our biggest source of competitive advantage – our team.

Our 1AP initiatives that touch on processes, systems, competencies, and structure, though seemingly overambitious at first, were necessary to allow us to fortify our capabilities. From “cleaning the back of the house”, we are now better equipped to move forward as a more cohesive unit.

As the power industry becomes more complex, the power needs of our customers and our country become more demanding. In light of this, AboitizPower remains steadfast in advancing business and communities as we pursue our mission and focused strategy to balance reliable supply, cost, and our commitment to sustainability.



AP Renewables, Inc.'s Makiling-Banahaw Geothermal Power Plant in Bitin, Laguna delivers clean and renewable baseload power



Power

At a Glance

2017 Milestones

- Posted income contribution to AEV at PHP15.7 billion, up by 2% YoY from PHP15.4 billion in 2016
- Celebrated 10th listing anniversary at the Philippine Stock Exchange in July

Generation Business Group

- Increased attributable net energy sales by 41% YoY from 2,223 MW to 3,124 MW
- Completed commissioning of SNAP's 8.5-MW Maris Canal hydro plant in Isabela
- Took full ownership of SacaSun's solar project in San Carlos City, Negros Occidental
- Broke ground on Hedcor's 19-MW La Trinidad Hydro project in Benguet
- Started construction of GN Dinginin Unit 1 with 668 MW gross capacity
- Completed restoration of APRI MakBan's 6-MW Binary Plant
- Signed partnership for TSI's Fly Ash Brick Project to manufacture construction products out of fly ash and plastic waste
- Achieved 20 million and 1 million safe manhours with no lost time injury for Therma Visayas and Therma South, respectively
- Sustained efforts for standards certifications: ISO 55001:2014 (Asset Management) for Hedcor Sibulan and Hedcor Tudaya, a first in the Philippines; ISO 9001:2015 (QMS), ISO 14001:2015 (EMS), and BS OHSAS 18001:2007 for Therma South and APRI; Passed Quality Management System (ISO 9001:2015) certification audit across AboitizPower Oil BUs nationwide

- Celebrated SNAP Magat's 10th anniversary in April
- Received citation from Bureau of Customs Cebu for Therma Visayas as Top Importer of the Year in 2016
- Received Saringaya Special Environmental Achievement Award from DENR-Region V for APRI's environmental protection programs

Distribution Business Group

- Increased distribution customer base by 4% to 954,300 customers served
- Increased aggregate electricity sales by 4% YoY to 5,288 GWh
- Completed Phase 1 and started Phase 2 of VECO's Underground Distribution System (UDS)
- Co-developed Agila or GeoSmart mapping system with Navagis that has been endorsed by Google
- Energized Banilad TR2 Substation and completed AYA (Alfonso Y. Aboitiz) Substation Ringbus
- Inaugurated Davao Light's upgraded 200-MVA Don Ramon Substation in Davao City and broke ground on VECO's 12.5-MVA San Fernando Substation in San Fernando, Cebu
- Launched Project Tatsulok of Cotabato Light and Cotabato City LGU to help stop electric pilferage, promote fire prevention, and train locals to become electricians

2018 Outlook

Generation Business Group

- Begin commercial operations of Hedcor's 68.8-MW Manolo Fortich hydropower plant in Bukidnon, Therma Visayas' 340-MW baseload plant in Toledo, Cebu and the 420-MW Pagbilao 3 baseload plant in Quezon
- Ongoing development to increase capacity of Hedcor's La Trinidad Hydro (Bineng plants) from 5.48 MW to 19 MW
- Venture into rooftop solar space via AboitizPower Distributed Energy, Inc. (APX), which will use distributed energy technology to complement AboitizPower's existing products and services
- Increase efforts to promote Retail Competition & Open Access (RCOA) in the Visayas
- Improve efficiency in customer management for RCOA
- Prepare for Wholesale Electricity Spot Market (WESM) Mindanao
- Enhance safety culture, reliability availability, and data-driven predictability of plants
- Celebrate Hedcor's 40th anniversary

Distribution Business Group

- Complete Phase 2 of VECO's UDS in Q1 and begin Phase 3
- Partner with the National Grid Corporation of the Philippines to complete project TR3, which will install three transformers in the Banilad substation to meet present and future load requirements
- Continue DU-wide substation rehabilitation and upgrade as well as construction of new transmission and subtransmission projects to further improve services

Power

We are committed to operating responsibly, conscious of our impact on our people and planet. We work closely with our stakeholders to comply with pertinent laws, policies, and other requirements, minimizing our carbon footprint and mitigating the environmental impact of our operations, given the best and cost-effective applicable technologies.

Celebrating bright ideas

*Inyovation** is one of the mechanisms where we bring our core value of innovation to life.

Librado “Buddy” Casido is the Control and Instrumentation Supervisor of the MakBan geothermal facility. His team was faced with a challenge to optimize the plant's capacity by restoring the binary plants.

After months of preparations and hard work, the MakBan Binary plant was finally commissioned. It started generating an additional 6 MW to the 683 MW installed capacity of the combined Tiwi-MakBan power plants. Through their passion and innovation, they were able to set up a binary plant that optimizes excess steam from the bigger turbines and convert this to additional power that supplies for the Luzon grid.

Our innovation story tells how our engineers applied optimization technology to harness brine from otherwise retired power facility to produce additional geothermal power that is now

providing more supply for our customers while maintaining a lighter impact on the environment and our host communities.

“It’s our teamwork and belief that failure is not an option that made the binary plant restoration project a success. We had to work extra hours to beat our target completion date. We faced a lot of challenges throughout the project, but it was all worth it.”

–Januario Maralit,
Vice President, MakBan Power Plant



Technology-driven innovation that benefits communities through renewable energy.

* *Inyovation* is AboitizPower's Quality Improvement Program that aims to provide structure, discipline, and mindset among team members to stay ahead of the curve.

Energizing businesses through Cleanergy

Nestlé Philippines and Eton Properties are recent additions to AboitizPower's roster of Cleanergy customers, marching ahead of the pack to source their energy for their major operations in the country. Nestlé switched to AboitizPower's Cleanergy brand for its facility in Lipa, Batangas, while Eton sources 5.2 MW for its Cyberpod office buildings in Eton Centris, Quezon City.

“The partnership between AboitizPower and Nestlé Philippines is a testament to the shared commitment of both companies to continually look for better and sustainable solutions to reduce their carbon footprint and protect the environment in a more sustainable manner.”

—Peter Winter
Technical Director, Nestlé Philippines

The Cleanergy brand is AboitizPower's solution to the growing demand for renewable energy. Since 2009, Cleanergy has been promoting clean and renewable energy solutions and has delivered 160 MW of Cleanergy to our 35 customers.

“Business Process Outsourcing (BPO) operations need uninterrupted, round-the-clock power supply, especially here in the Philippines where the majority of BPO companies cater to international customers with different timezones. With AboitizPower as our power partner, we are confident that we will continue to deliver on our promise of quality and efficiency in our office developments.”

—Josefino Lucas
Deputy Chief Operating Officer, Eton



AboitizPower's Cleanergy brand provides our customers with alternative clean energy sources.



SNAP's 105-MW Ambuklao Hydro in Itogon, Benguet, is capable of delivering intermediate power and ancillary services needed to help ensure the stability of Luzon grid.

Power

Caring for our planet while energizing communities

Supporting our journey to progress means tackling the three priorities of the energy industry through what is known as a balanced energy mix. This is where thermal power plants come into play as they provide reliable baseload power to the grid while engaging with our host communities to help us in minimizing impact on the environment.

We invested in pioneering technology in two of our newest majority-owned coal plants: the 300-MW Therma South project in Davao completed in 2016, and the 340-MW Therma Visayas project in Toledo City to be completed in 2018.

Both facilities are known for their iconic coal dome, a modern coal storage facility pioneered in the Philippines by AboitizPower. The facility ensures safe storage for the fuel while making sure fugitive dust and particles are kept in check.

The two power plants also utilize Circulating Fluidized Bed (CFB) technology to ensure compliance with government standards on health, safety, and protection of the environment while operating in an efficient and cost-effective manner. CFB plants operate at a relatively much lower temperature compared to traditional thermal plants, hence, producing significantly lower emissions. We make it a point to enlist the participation of our host communities and local governments in setting up the carbon sink in our coal projects. TSI and the Matigsalug tribal community in Davao are committed to planting at least one million trees over a period of 10 years beginning 2013. Meanwhile, TVI created its own carbon sink in Cebu even before operations begin. It targets to plant

one million trees in five years. We have planted over 40,000 trees to date.

We have also launched our fly ash brick project in Therma South that will capture the fly ash by-product from coal and transform it into high-value bricks, which will be produced by our host communities and nearby villages.

“We have seen TSI’s commitment to take care of its host community. First, they generated employment for the community. For environmental compliance, TSI uses the latest technology to ensure compliance to laws and regulations, and there is regular monitoring by the multipartite monitoring team where the host barangays are active members. In addition, any complaint expressed by the public are readily referred to and acted upon by TSI. They also reached out to community Muslim leaders to explain to them the operation of the plant.”

—Hon. Romulo C. Elula
Barangay Captain, Inawayan
Municipality of Sta. Cruz, Davao del Sur



We use the coal dome and latest CFB technology for the benefit of the environment.

Creating a safe and value-adding distribution network

We are providing a sustainable commercial experience for our 800,000 customers through the underground distribution system (UDS) project of VECO and Davao Light.

The project is backed by the local government through the ordinances it issued calling on local businesses and residents to support the underground cabling network.

"This project aims to improve network reliability and safety, provide breathing spaces in the city, and, most importantly, increase the economic value of the area."

—Anton Perdices
Chief Operating Officer, VECO

"The underground distribution network is one of the solutions to get rid of unsightly overhead wires. 'Black spaghetti'. This is the biggest tourist distraction in Cebu City."

—Tomas Osmeña
Mayor, Cebu City

Councilor Margot Osmeña, chairperson of the council committee on tourism, also added that the aesthetics of the underground cabling gives locals and even visitors a sense of "pride of place".

VECO's UDS project in Cebu covers 4,750 meters to be installed in six phases, employing the cost-efficient piranha connector technology, which does not require a distribution panel and concrete foundation. Meanwhile, Davao Light's project covers 5,000 meters to be installed in four phases.



We make communities safe where our 800,000 customers live.



With 29 distribution substations and 2 sub-transmission substations, Davao Light continues to provide excellent customer service to its 384,434 customers.

UNIONBAN



THE FOUR PROTECTION

24/7 SECURITY MONITORING CENTER

NUMBER 1010

PSA 100

UNIONBANK PHILIPPINES INC.

1010

1010

1010

1010

1010

1010

1010

1010

1010

1010

1010

1010

1010

1010

1010

1010

1010

1010

1010

1010

1010

1010

1010

1010

1010



BANKING AND FINANCIAL SERVICES

We advance business and communities by delivering smart banking solutions that will elevate lives and fulfill dreams in the communities we serve.



Banking and Financial Services

The future of banking for everyone

“ Much progress has been achieved in our FOCUS 2020 goals over the past year. This was made against a backdrop of global industry challenges – the prospect of digital disruption. In response to such disruption, we have attained milestones on the digital and user experience front. These include launching EON Digital Bank, enhancing our UnionBank mobile app and web capabilities, introducing Rafa as the first banking chatbot, and establishing ‘The Ark’ as the first fully digital branch. These efforts are set to prepare us down the line. ”



Justo A. Ortiz
Chairman
Union Bank of the Philippines



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

In 2017, UnionBank continued to make significant progress in its business model transformation anchored on the customer. The bank recorded a net income of PHP8.4 billion, driven by a robust 30.4% year-on-year growth in core earnings. Consumer loans accounted for more than one third of total loans, while more than 50% of revenues are now coming from the retail segment.

Prestigious award-giving bodies recognized UnionBank's exceptional performance. We were named the Best Universal Bank in the Philippines by Capital Finance International, the Domestic Retail Bank of the Year by Asian Banking and Finance, and Employer of the Year in Banking by the Stevie Awards.

We were also awarded as the Best Digital Bank in the Philippines by Asiamoney, the first award of its kind to be received in the country. UnionBank was one of two banks in Southeast Asia honored with the recognition.

These financial results and distinctions are rooted in our commitment to build communities and embed innovative banking solutions around ecosystems of our clients. With our purpose of "Making Da Diff" by enabling communities through smart banking in the spirit of Ubuntu, we are able to extend financial services to various segments surrounding large institutions. In the process, we obtain a wider customer base.

Banking the underserved market

However, there is a lot more to do. Our challenge moving forward is how to leverage on technology to extend smart banking solutions to the underserved mass market segment. We aim to graduate from simply providing traditional cash management solutions to developing platforms that address specific pain points of communities.

METRICS THAT MATTER



PHP4.1 billion

income contribution to AEV

1,500 MSMEs

benefitted by UREKA



8 USGBC LEED

certified UnionBank branches + 1 The Ark branch



616,643

CitySavings borrowers and depositors in 2017



2,700

PETNET outlets nationwide

Banking and Financial Services

Our plan is to continue leveraging on the network we have created among our corporate clients. With the help of data science in analyzing payment flows and transactional information, we are able to identify potential customers in the micro, small, and medium enterprise (MSME) space.

To bring about growth of MSMEs in the country, we will continue to promote e-commerce through our UREKA program. Understanding that connecting them digitally with their end-consumers is not enough, we have resolved to create a network among small businesses through a comprehensive platform. This way, local businesses who have varied business needs yet limited resources are presented with a wide range of solutions for their growth.

Engaging new customers

Building relationships with fintechs is also part of UnionBank's core strategy, aiding us in creating new businesses and reaching new markets. With our "Open API" platform, we have enabled fintechs to address real-life challenges in hackathons, empowered unbanked communities through innovative products, and gained the trust of credible fintech-focused organizations worldwide.

We are looking forward to the potential that we will unlock through CitySavings, our Cebu-based business unit that is embarking on new mass market segments while employing its signature "Simple is Good" creating shared value philosophy. Through CitySavings and Union Properties, we have signed a Share Purchase Agreement with Aboitiz



Equity Ventures to acquire 51% of the common shares of transaction network PETNET, Inc.

With this acquisition, we will leverage on PERA HUB's expansive retail network and expand CitySavings' existing loans marketing partnership with PETNET. In addition, this move is in line with the Bangko Sentral ng Pilipinas' efforts to improve financial inclusion in the country by using non-traditional channels. This allows the UnionBank group to employ a strong platform to do agency banking, in which banks employ third-party outlets to perform certain financial services on their behalf.

Importantly, we can now widen our mass market reach and help achieve our goal of enabling

inclusive prosperity by offering accessible financial services to the underserved Filipinos.

Digital innovation for inclusive growth

We recognize that the expansion of digital channels will be crucial in extending our reach to unbanked communities especially in far-flung areas. With this, UnionBank looks forward to sustaining the same momentum in 2018 by digitizing to the core – completing our information technology infrastructure anchored on Banking Industry Architecture Network (BIAN) standards and building organizational capabilities.

This we will do as we promise to deliver superior customer experience and conquer new frontiers for inclusive growth.



UnionBank's The Ark, located at the ground floor of the Insular Life Building in Makati City, is the Bank's first fully digital branch in the Philippines.

Banking and Financial Services

CitySavings a UNIONBANK subsidiary

At a Glance

2017 Milestones

UnionBank

- Recorded income contribution to AEV at PHP4.1 billion
- Appointed Edwin Bautista as new President and COO, taking over from Justo Ortiz who continues on as Board Chairman
- Partnered with PayMaya Philippines to expand customers' access to mobile banking, digital payments, and money transfers
- Partnered with Swiss-owned Lombard Odier to provide holistic investment and family wealth management solutions
- Partnered with Insular Life Assurance Co., Ltd. to launch bancassurance business
- Launched first US-dollar denominated risk-based fund in the Philippines with Lombard Odier
- Launched Rafa, Philippines' first banking chatbot that delivers instant customer service 24/7
- Launched The Ark by UnionBank, the first fully digital bank branch in the Philippines
- Launched new online and mobile banking platform designed with an omnichannel user experience
- Introduced state-of-the-art facial recognition technology via Selfie Banking feature for EON accounts
- Co-established Philippine Payment System Management Body towards creation of automated clearing houses
- Switched UnionBank headquarters' energy source to 100% renewable energy using AboitizPower's Cleanergy
- Published maiden Sustainability Report
- Awarded as Best Digital Bank, Most Innovative Banking Brand, Best Universal Bank in the Philippines, Domestic Retail Bank of the Year, and Employer of the Year in Banking

- Became the Philippines' first universal bank certified for PCI DSS v. 3.2 cards data security standard
- Achieved LEED Platinum and Gold certifications for a total of eight branches by end-2017
- Celebrated 35th anniversary with a pledge to full digitalization
- Celebrated 25th listing anniversary at the Philippine Stock Exchange in July

CitySavings

- Acquired First Agro-Industrial Rural Bank, Inc.
- Signed Share Purchase Agreement (SPA) with ROPALI Group for acquisition of Isabela-based PR Savings Bank
- Received Presidential Award from Coalition for Better Education, recognizing the bank's role in the establishment of the Center for Teacher Excellence and the Project TeACH program
- Awarded Most Valuable Development Partner by Small Business Corporation

PETNET

- Launched the first digital town hall to provide a new channel to communicate with employees nationwide
- Launched PERA AGAD microloan facility in partnership with Cash Credit to address Filipinos' everyday cash needs
- Expanded product offerings and retail footprint through partnership with LBC
- Began offering CitySavings' Bene Loans for OFWs through our branch network
- Achieved ISO 9001:2015 Certification conducted by Certification International Philippines

2018 Outlook

UnionBank

- Sustain similar growth in the prior year by targeting PHP700 billion assets by end-2018
- Revenues to primarily come from recurring income as we focus on growing customer loans across major business segments
- Expects to gain significant traction in the completion of Enterprise Architecture roadmap
- Employ learning from user experience of various digital initiatives introduced in the prior year
- Establish proofs of concept in new technology trends

CitySavings

- Expand to new mass market segments while employing successful business and operating model
- Pursue acquisitions to fast track delivery of financial services to underserved and unbanked Filipinos
- Enter the motorcycle finance market through PR Savings Bank acquisition
- Acquire majority stakes in PETNET, Inc. for wider mass market reach

PETNET

- Continue to drive more products through the PERA HUB mobile app
- Seek more opportunities to gain strong foothold in the banking and financial services leg of the Aboitiz Group

Banking and Financial Services

We will pursue strategies that integrate digital and face-to-face channels. We will be at the forefront of smart banking as we build banking communities that grow through innovative solutions and create shared value for all our customers and stakeholders.

Bringing Pinoy MSMEs to the global arena through UREKA

UnionBank has entered into a memorandum of understanding with the Department of Trade and Industry and the Department of Information and Communications Technology to support the government's e-commerce roadmap. We provide e-commerce tools to make MSMEs succeed in their ventures.

"Designing a work product to generate a win-win state is usually the end result that one would want to have in a business. Both our companies have shared the same vision of reaching out to MSMEs and help their businesses grow to be competitive players in the market."

–Yasmin A. Vasquez

Division Head, Retail, Branding & Business Development, Airfreight 2100, Inc.

"Beyond Ureka, I have experienced the same level of care as I availed of other UnionBank services, which only shows that this conscientious approach to partners is at the heart of the bank's organizational DNA. I look forward to a long and fruitful relationship with UnionBank in the years to come."

–Sheila Lina

President and Chief Executive Officer, Shopinas



3,530
participants

1,500
activated e-commerce

1,562
e-cadets assisting
MSMEs in online marketing

17 PARTNERSHIPS
FOR THE GOALS



We help the government activate 100,000 MSMEs by 2020 and make their businesses account for 25% of the country's gross domestic product.

Providing a digital platform for MSMEs



UnionBank provides fast and advanced digital solutions to its customers, giving them access to value-adding, intuitive, and seamless services.

UnionBank recognizes that introducing MSMEs to the digital world is not enough. They face complex business challenges and have limited resources to address them. To further help MSMEs, we introduced UnionBank GlobalLinker.

UnionBank GlobalLinker seeks to build a global community of MSMEs by providing a free-to-use online platform that helps them grow their business. It complements the UREKA Forum by providing a do-it-yourself (DIY) online feature to create a free e-commerce store called Linker.store. It also has a news feed and discussion rooms for online forums where they can exchange ideas and best practices. We are also transforming the traditional paper business card into an electronic one called eBiz Card.

With all these digital functions, MSMEs can now grow their business networks, get the latest e-commerce news, collaborate with employees and peers, and connect to a variety of business solutions. They can also avail of free business management tools such as email, calendar, and a shared drive called eBriefcase. The platform comes with a device-responsive website (www.unionbank.globallinker.com) and mobile applications for iOS and Android for fast and convenient use.

10 REDUCED INEQUALITIES



We introduced UnionBank GlobalLinker to further help MSMEs face complex business challenges by providing them with digital advantages normally enjoyed by big businesses.

Banking and Financial Services

Creating shared value



CitySavings is known for its high-touch service while providing tailored solutions to the financial needs of its customers.

With a simple vision to “help people of moderate means”, CitySavings founders Don Ramon Aboitiz and Teotimo Abellana wanted to help people who had no access to banking services. With this purpose, the small bank they established over 50 years ago has now become a full-fledged bank that is creating shared value for its customers.

“Because of my experience with CitySavings, I recommend it to my co-teachers since it has the best interest rate among other private lending institutions. The bank continuously helps teachers and serves with a smile.”

*-Elvira Pollete
Teacher, Pontevedra Elementary School
Roxas City, Iloilo*

The bank developed new channels: offsite and non-branch loan booking through the Loan Ranger technology. This pioneering initiative was approved by the Bangko Sentral ng Pilipinas in 2017, allowing

for the branch to process loan applications and disburse loans to the ATM cards while on site.

Loan Rangers personally go the extra mile. Such was the case when a client from Pili National High School, Ms. Lyn Abucayan, had just given birth. Through the technology, CitySavings was able to process her loan and address her financial needs while confined in the hospital.

“The Loan Rangers of CitySavings are approachable. When I received the proceeds, I felt happy, relieved, and thankful.”

*–Lyn Abucayan
Teacher, Pili National High School, Surigao*

In our pursuit to reach more unbanked Filipinos, we have embarked on an expansion program that began with the acquisition of FAIRBank in 2015. FAIRBank serves over 15,000 microfinance clients.

We are happy to share the story of one of our long-time Cebu-based clients, Asela Manayon, who has been our customer since 1971. Her story constantly reminds us why we want to succeed in the business of creating shared value for all our stakeholders.

With a seed capital of PHP5,000, Asela set up a small home-based sewing business to augment her family's income. With hard work, she was able to repay the loan as she continued to grow her clientele. After eight years, she applied for another PHP150,000 loan to fund her expansion to Negros Island, Bohol, and Leyte.

In 2014, FAIRBank granted Asela additional capital to purchase 33 new sewing machines to rebuild her business after super typhoon Yolanda destroyed her store. Soon after, she employed other housewives in her community, with more people benefiting from her clothes manufacturing enterprise. When she turned 64 years old, Asela

opened a restaurant in Lapu-Lapu with financial assistance from FAIRBank.

"I appreciate that FAIRBank has a straightforward approach to lending with a heart. This is the reason why I remain loyal to the bank."

—Asela Manayon
FAIRBank microfinance loan beneficiary

Today, Asela feels accomplished. All her nine children are working professionals. She has a house of her own and a few other properties. She is training one of her children to eventually take over the family business.



We have reached over 300,000 customers who avail of our financial products and services, which brought financial opportunities to the unbanked and people of small means.

Engaging fintechs to spur innovation

642%

YoY increase in
Total Relationship Balances

3,740%

YoY increase in throughput volume

UHack: FinTech Hackathons

connecting users to UnionBank's application programming interface

EON Banking

banking for PETNET customers

Blockchain technology loop

through Consensys, Microsoft Azure, VISA B2B Connect, and in-house development

Partnership

Asean FinTech Innovation Network, Enterprise Ethereum Alliance, Visa B2B Connect



We have intensified our engagement with fintechs to achieve our goal of becoming their bank of choice. We bank them, enable them, and with a more strategic fit, invest in them.

Banking and Financial Services

Optimizing growth through expanded services



We at PETNET have always been committed to further expand our ability to provide convenient and friendly financial services to our customers, be it in our physical branches or in the digital space. We will continue to work hand in hand in finding solutions to build a culture of an inclusive and growing economy across different sectors.



Lorenzo T. Ocampo
President
PETNET, Inc.

It was a banner year for PETNET in 2017 with the expansion of our product offerings and our retail footprint through our new partnership with LBC, which has over 1,300 locations nationwide. We continue to have the country's largest network of Western Union agents with over 2,700 branches composed of company-owned and sub-agent locations.

In 2017, we earned our ISO 9001:2015 Quality Management System certification, complementing our growing network with excellent processes and systems. We explored new and better ways to maximize our PERA HUB branches in pushing our product offerings like PERA Dali, our over-the-counter ATM withdrawal service, and PERA Agad that offers no-collateral instant microloans to select mobile subscribers. We are doing this in partnership with Cash Credit. We also utilized our branch network to offer City Savings Bank's Bene Loans for our overseas Filipino workers.

We see a window of opportunity in the digital space that will fill the gaps in financial services. We will continue to drive more of our products through the mobile app, giving us more chance of providing our signature-friendly and fast customer service to more Filipinos.

These milestones validate our commitment to provide relevant quality service to our customers, fueling our desire to create a wider and more extensive network. We are looking forward to unlocking more opportunities as we find a strong foothold in the banking and financial services leg of the Aboitiz Group. This, after Aboitiz Equity Ventures, Inc. sold its 51% stake in PETNET to UnionBank via its subsidiaries CitySavings and Union Properties, Inc.

We are confident that this will bring in more opportunities for PETNET to scale up the business and pursue financial inclusion for the unbanked and underbanked Filipinos. This too will bring us closer to delivering on PERA HUB's brand promise of advancing business and communities.



PERA HUB's network of more than 2,700 branches makes payments and transfers easy and accessible to many Filipinos all over the country.

FOOD

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





0
ARMS

FLW 0730

milagro

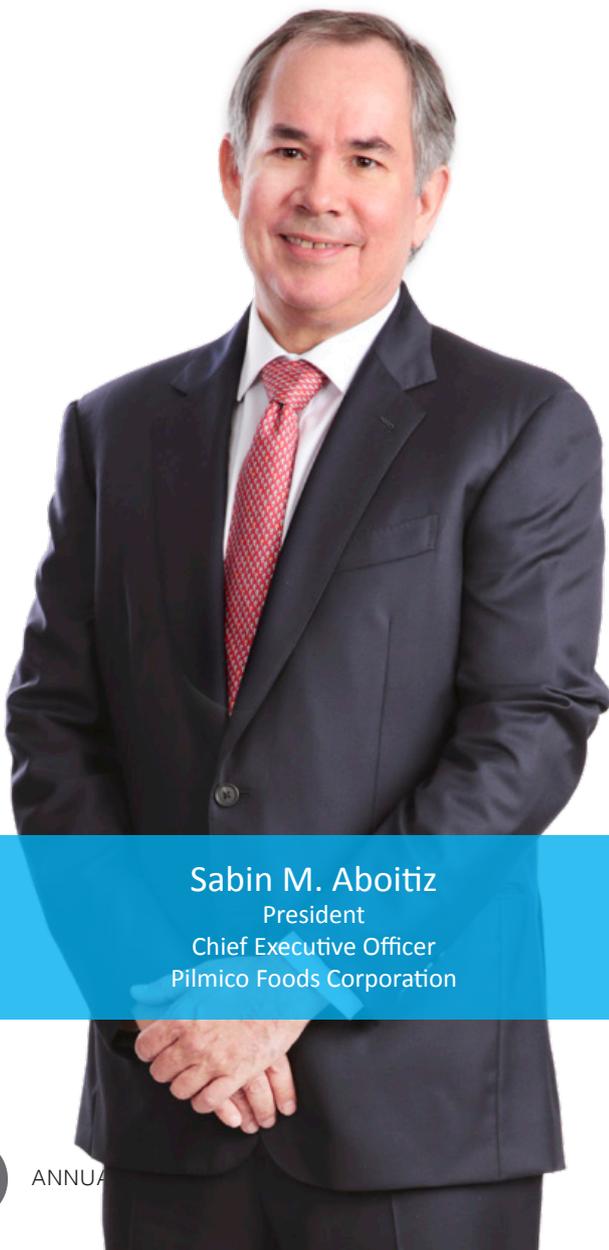


Food

Embracing digital transformation, building Partnerships for Growth



As Pilmico strives to attain success and growth everyday, it is also our aim to bring positive and lasting contribution to our stakeholders. The day our stakeholders become successful is also the day that families live better lives, communities advance, and, ultimately, bring progress to our nation.



Sabin M. Aboitiz
President
Chief Executive Officer
Pilmico Foods Corporation

Stories have been an essential driver of change throughout human history.

Good stories have a substantial effect on its readers. They have compelling characters. They make us think; make us feel. Good stories help us remember ideas and understand concepts in a way that numbers and a slide with a bar graph don't.

For Pilmico, our story begins with the backyard farmer.

In 2017, I came across the story of Arnold Beran, a former OFW from Tuguegarao City. Arnold, following years of working as a maintenance mechanic in Saudi, decided to go home to spend more time with his family. Armed with only little knowledge on hog raising, he risked his savings and ventured into a piggery business.

With his determination and the consistent support of our sales team, Arnold's farm grew, and enabled him to provide a better life for his family. I learned recently that Arnold, in addition to his growing hog farm, already has two tricycles and more importantly, had already built a house his family can call home. What's more touching is how Arnold attributes a big part of his success to Pilmico.

This is just one of the many inspiring stories that keeps us going every single day. Heartwarming stories that compel our Partners to keep innovating even when it gets really difficult.

In 2017, the Food Group was under a great deal of pressure. Market conditions and changes within the organization have challenged our growth. But what I am most proud of is how Pilmico Partners still chose to see challenges as opportunities rather than obstacles.

For us, the strategy was clear: in advancing our business, we must add value to the lives of our stakeholders and truly live out our promise of being Partners for Growth.

Expanding business across the Philippines and the ASEAN

In 2017, we have made significant efforts to build our organizational capability by improving our facilities, processes, and systems.

We ride on the growth of the Philippine market and have increased the capacities of our overall milling and storage capacity, enabling us to expand our customer base and product portfolio.

Our Farms team is well on its way to reaching our goal of 20,000 sow level and 1,000,000 layers by 2020. We are very proud of our modern facility and our holistic farm production process to serve more customers with safe and high-quality meats and egg products.

2017 is another milestone year for our ASEAN growth strategy

We have acquired 70% of the outstanding shares of Vietnam-based animal feeds company Europe Nutrition Joint Stock Company (Eurofeed) and invested an additional 15% stake in our aquafeeds unit, Pilmico Vietnam Feeds Joint Stock Company.

METRICS THAT MATTER



PHP1.70 billion

income contribution to AEV



8,500

touch points nationwide
for our Flour and Feeds businesses



180 tons per hour

combined Aqua and Animal Feed milling
capacity in Vietnam and Philippines



14,600

commercial hog farm capacity

172,000

hens layer farm capacity

Food

Our expansion into the ASEAN has allowed the company to grow and strengthen our flour and animal feeds businesses in the region, in turn expanding our customer base outside the Philippine market.

Building a digital workforce

Our initial step into digital transformation has opened a world of possibilities, especially in the way we communicate and do business. To support this, we worked on changing the office environment, first into an agile workplace where work interaction and communication becomes easier, faster, and more fluid. The open workspace set-up fostered greater collaboration between and

among Partners, which is now producing speed in delivering results.

It is important that we improve our capability and speed in turning every information into an opportunity to improve our services. Taking advantage of data in our HR operations has paved the way towards building consciousness on the importance of people information. Beyond technology and tools, changing how the organization thinks about people metrics has unlocked more possibilities towards data-driven employee programs and initiatives that are more meaningful for our team members. People analytics will be our anchor towards transforming



human capital, which will be the team's work-in-progress from hereon.

With the increasing use of mobile devices in today's data-driven society, a big part of our digital efforts was developing mobile-based solutions that ensure a smoother transaction with our customers. Tools that make it easier for us to give valuable information to our stakeholders at the same time enabling them to get in touch, give us feedback and provide us with insights that can help further improve our products and services.

Partnerships for Growth

Our goal of reaching more families and creating sustainable livelihoods nationwide has come

into fruition because of our work with key government institutions like Department of Agrarian Reform, Department of Trade and Industry, and the Department of Agriculture.

The collaboration we have formed with various agencies helped us boost our reach and impact a larger number of beneficiaries across the Philippines.

Anchored strongly on the Aboitiz Group purpose, to drive change for a better world, we have implemented various CSR programs in the field of education, health and well-being, environmental protection, and enterprise development.



With the highest standards of safety, quality, and sustainability, Pilmico's feedmill in Tarlac assures farmers and growers that they are getting the best for their livestock.

Food



MAHALIN PAGKAING ATIN

976 piglets
17,576 ready-to-lay hens
52 bakery starter kits

to

14 agri-posts
853 individual beneficiaries



KUTITAP FEEDING PROGRAM

8 Kutitap bakeries
16 partner school in Iligan City
13,131 school children fed daily with Pilmico breed
28% decrease in severely wasted children



VET CARE CARAVAN

Donated hog raising tools and medicines to
354 backyard farmers
4 veterinary care seminars



LIFE SACKS

Awarded **34** sewing equipment and tools
12% increase in cooperatives' income
 Trained **7** women's cooperatives sewing and basic financial management

One big thing done in 2017 that I am honored about is our response to our soldiers and evacuees of the Marawi siege. Most often, relief is provided to affected communities of Marawi, and while we, through the Aboitiz Foundation, contributed to this, we also focused our CSR efforts to the Philippine military who risked their lives for all of us and our country.

Over 158,000 meals (The Care Package high-energy biscuits) and 19,000 freshly baked pandesals reached military frontliners, while our partnership with Aboitiz Foundation and the Government Relations team of AEV through our Noble Bakers and Mahalin Pagkaing Atin programs provided livelihood

to the injured and inactive members of the military. Because of our various initiatives, no less than President Duterte recognized our efforts and, again, teamwork was our key.

We are very proud to have been part of the growth story of Filipinos. These stories motivate us to go to work everyday and inspire us to continue our commitment to become our customer's true Partners for Growth.

In 2018, we will continue to look for more inclusive, solution-focused, and community-driven initiatives towards co-creating safe, empowered, and sustainable communities while creating solutions that will drive the agriculture industry forward.



At a Glance

2017 Milestones

- Recorded net income of PHP1.70 billion
- Acquired 70% of outstanding shares of Vietnam-based Animal Feed miller Eurofeed
- Invested additional 15% stake into Aqua Feed miller Pilmico Vietnam Feeds Joint Stock Company
- Inaugurated the first-of-its-kind meat cutting facility project in Butuan City, Caraga region (Local Community Partnership)
- Broke ground on new warehouse, storage and agri-research center in Tarlac facility
- Signed agreement with Department of Agrarian Reform for livelihood and technical trainings for Agrarian Reform Beneficiaries
- Supported the Department of Agriculture - Bureau of Animal Industry (BAI)'s drive to prevent the spread of Avian Flu through the donation of disinfectants and personal protective equipment
- Partnered with Aboitiz Foundation for relief operations to the Philippine military and Marawi communities
- Adopted an agile workplace fostering easier, faster, and more fluid interaction and communication
- Launched SMA Superconversations to promote digital transformation among Partners (1-hour livestreamed conversations with the company president)
- Achieved ISO 9001:2015 and HACCP certification for Pilmico Iligan feeds and flour mill plants
- Received 2017 International Convention of Quality Control Circles
- Recognized by President Duterte for Noble Bakers and Mahalin Pagkaing Atin livelihood programs

2018 Outlook

- Pursue more inclusive, solution-focused, and community-driven initiatives
- Further integrate business value chain with new meat processing plant for completion in late 2018
- Expand our feedmill capacity by another 40 tons per hour in Tarlac and Iligan
- Add storage capacity with a new grain storage facility
- Continue building agile workplace and pursue digital solutions for customer needs

Food

We tell our story through the experiences of our partners as they join us in our journey towards becoming an integrated agri-business food company. With our goal to grow our business and add value to the lives of our stakeholders, we will continue to provide solutions to our customers and build Partnerships for Growth.

Addressing food security with cutting-edge facility



Pilmico's meat cutting plant in Butuan City is the first of its kind in the CARAGA Region.

Our partnership with Happy Enterprises, Inc. exemplifies our promise of advancing business and communities by working with key players in the supply chain in Mindanao. The meat-cutting plant in Butuan City, which was supported by our subsidiary Pilmico Animal Nutrition Corporation, now caters to Butuan residents and nearby provinces, and more importantly, give the local community access to fresh-quality meat and opportunity for local employment. The plant will serve the CARAGA Region.

The meat cutting facility is the first of its kind and is at the forefront of promoting the best backyard farming among CARAGA swine growers. This facility is made possible through our partnerships with Happy Enterprises & Resources, Inc. and Winrock International Institute for Agricultural Development – PCCP/USDA.

“Our aim to improve the swine industry in CARAGA is now clearly coming into fruition with the opening of the meat cutting plant. This meat processing plant will provide the local backyard farmers with a market for their livestock and simultaneously give the local community access to locally grown, fresh-quality meat.”

–Tristan Aboitiz

Senior Vice President and Chief Operating Officer, Pilmico

8 DECENT WORK AND ECONOMIC GROWTH



Restaurants and food processing companies in the CARAGA Region are supplied by 290 farms serviced by our facilities.

Turning a new leaf with rolling pins and baking pans

Life as a member of the Philippine Army's Special Operations Command (SOCOM) has been challenging for Sgt. Eric Ubalde. Currently recovering from four gunshot wounds sustained in battle, he was chosen as one of the beneficiaries of the Noble Bakers Project of the Aboitiz Foundation, in partnership with the SOCOM Foundation, Inc. (SFI) and Pilmico.

“Na-challenge ako na di lang pala panggyera, kahit ganito lang nakaka-tulong din pala ako sa mga kasama ko na wounded. Kasi pupunta din sa mga tropa na mga wounded yung kikitain ng bakery (I’m now challenged in a way other than going into battle. Even in simple things like this, I can help my fellow wounded soldiers since the bakery’s income will go to them).”

–Sgt. Eric Ubalde, SOCOM

Sgt. Ubalde, along with 59 other wounded soldiers, underwent a comprehensive bakery management training program provided by Pilmico. Using Pilmico’s soft and hard wheat flour,

the soldiers were taught how to bake bread, cakes, cookies, and pizza dough. They took a crash course on setting up a small bakery business.

“Allow me to take this opportunity to congratulate Aboitiz Foundation for the recent launch of the ‘Noble Bakers’ project in collaboration with the SOCOM. Noble Bakers is a good project that aims to benefit our disabled soldiers. I encourage all other Commands of the military to replicate this project as it is beneficial to the military community, the military dependents, and our disabled soldiers who can still and should lead productive lives.”

–Delfin Lorenzana
Secretary, Department of National Defense



We provide sustainable livelihood for 59 injured soldiers who fought in Marawi.



Wounded soldiers of the Armed Forces of the Philippines are now getting back on their feet after participating in the Noble Bakers Program.

Food

Pushing sustainable backyard farming for our Partners in the south

“Sisiguraduhin ko na papangalagaan at iingat ko ang binigay sa amin ng Pilmico; malaki ang maitutulong nito para maingat ang buhay naming pamilya at ng mga kasama ko dito sa lugar namin (We will make sure to take care of the livelihood kits donated by Pilmico as it will surely increase our income and will elevate the lives of our family and our community).”

—Gloria Aguilar
Agrarian Reform Beneficiary

We have forged a partnership with the Department of Agrarian Reform for Pilmico’s flagship CSR

program, Mahalin Pagkaing Atin. Aimed at increasing the household income of local farmers, we will be providing livelihood packages as well as technical training to select Agrarian Reform Beneficiaries. Livelihood packages include piglets, egg-laying machines, and bakery starter kits, which provides them with a sustainable, easy-to-manage livelihood with a quick return on investment.



We promote sustainable backyard farming to 853 farmer-entrepreneurs.



Agrarian Reform beneficiaries from South Cotabato during the turnover of egg-laying machines under Pilmico’s Mahalin Pagkaing Atin Program.

Piloting the Vet Care Caravan to help our Partners raise quality hogs



Vet Care Caravan helps our Partners raise quality hogs while showcasing our farms products.

“Talagang malaking tulong samin yung nipple drinker. Hindi namin kailangan i-check from time to time kung may tubig pa yung aming mga baboy at sigurado talagang malinis din yung nainom nilang tubig, hindi nacocontaminate. Sa seminar din mas natuto kami kung paano yung tamang pag-aalaga sa mga baboy para mas maging malusog sila. (This is helpful to us because we get to learn proper care of our hogs, like using the nipple drinker, which ensures that the water is clean and safe for our animals. Coupled with the feeds of Pilmico, the veterinary care tips help in keeping our hogs healthy.)”

-Wilfredo Calo
Pilmico Partner

We are happy to know that our hogs and poultry feeds products are paving the way for better animal care, equipping our customers and partners with practical tips that help grow their backyard farm business.

In 2017, we have conducted several veterinary care workshops in various cities in Visayas and Mindanao to promote the importance of animal health and provide a venue for local raisers to consult with our veterinarians.



We provide quality animal healthcare for our 350 Partners in remote towns.

INFRASTRUCTURE

We commit to advancing business and communities by providing innovative infrastructure solutions. We play a key role in nation building by becoming a leader in innovative infrastructure-related solutions that will help drive economic progress and uplift lives of every Filipino.





 **REPUBLIC**
A CRH-ABOITIZ COMPANY

SAFETY
IS MORE THAN
A PRIORITY



Infrastructure

Building opportunities ahead of the curve

“ We at Aboitiz InfraCapital remain committed to developing the needed infrastructure that will advance the communities we serve across the country. We continue to explore different opportunities in the various sectors we are interested in, namely: water, airports, and roads while developing alliances and synergies to develop our competency in execution and operations. ”



Erramon I. Aboitiz
Chairman
Aboitiz InfraCapital, Inc.



Sabin M. Aboitiz
President
Chief Executive Officer
Aboitiz InfraCapital, Inc.

The year 2017 marked the establishment of Aboitiz InfraCapital as the strategic business unit that will focus on infrastructure and infrastructure-related investments of the Aboitiz Group. Our solid regional roots and the capability to make contributions on the national stage are what set us apart and we intend to uphold this in our goal to further advance the lives of Filipinos via infrastructure development.

Admittedly, our young company faces challenges like the slow down of the Public-Private Partnership market and increased competition in the cement sector. To address these challenges, and to keep up with the evolving industry landscape, we are continuously adapting our strategy – offering sustainable infrastructure solutions. These include consolidating our water investments on top of the Apo Agua bulk water project in Mindanao and pursuing big-scale projects by partnering with other entities to create a super consortium that seeks to rehabilitate the Ninoy Aquino International Airport (NAIA).

Forging ahead with RCBM

Republic Cement & Building Materials, Inc. (RCBM) celebrated its second year as a CRH-Aboitiz company. It remains as the Philippines' second-largest producer of cement with seven operating plants strategically located across the country. Through RCBM, we maintain our active role as a partner in nation building, empowering our people and evolving our construction solutions to improve lives, develop better communities, and push our boundaries towards global excellence.

Despite stiffer competition, higher fuel costs, and slower government spending, we remain focused on serving our key markets with high-quality products while improving efficiencies and reducing costs to best adapt to the challenging environment. With added investments, we target to increase the

METRICS THAT MATTER



PHP605 million

income contribution to AEV



PHP350 billion

to rehabilitate Ninoy Aquino International Airport through Aboitiz InfraCapital's participation in the superconsortium unsolicited bid



300 million liters/day

supply capacity of Apo Agua once commissioned

203-1

Infrastructure

clinker production and milling capacity of our integrated plants. Process technology improvements will be introduced to increase clinker output from all four Luzon plants that is equivalent in capacity terms to a new kiln line. New state-of-the-art mills will also increase cement production capacity by three million tons per annum.

Further, our plants use alternative fuel such as rice husk, saw dust, and refuse-derived fuel that help lower our carbon footprint and help address the solid waste disposal problem in Metro Manila. With these, we employ modern technologies that not only increase energy efficiency but also improve our plants' environmental performance.

Staying the course in Apo Agua

Apo Agua, our maiden water investment in partnership with J.V. Angeles and the Davao City Water District, aims to supply Davao City with 300 million liters per day of treated bulk water. The project will allow Davao City to source its main water supply, from groundwater to surface water, from the Tamugan River in the Baguio District. The facility will be powered by a mini-hydro plant. Through this project, we

can recharge aquifers and ensure the long-term security of the city's water supply.

We continue to finalize the design works of the facility and secure the requisite permits for construction. Meanwhile, our Apo Agua team continues to engage our stakeholders through process improvements and corporate social responsibility initiatives, ensuring that the stage is set for the start of construction this year. For instance, we have automated our records and documentation processes by adopting the Oracle system. We have also participated in local fora on water management. Most importantly, we continue with our information and education campaign in our host communities to let them know about the benefits of the project.

Venturing into water infrastructure

While we keep an eye on the big goal, we also focus on low-hanging fruits that will help secure our foothold in the infrastructure industry. In addition to Apo Agua, we consolidated our water investments under Aboitiz InfraCapital by acquiring 100% of LiMA Water Corporation (LWC) in Batangas and a minority stake in Balibago Waterworks System, Inc. (BWSI) in Pampanga. LWC provides industrial and



potable water to over 80 industrial locators within AboitizLand's LiMA Technology Center in Batangas. BWSI, meanwhile, provides running water to almost 200,000 households in its franchise areas in various parts of the country.

Building with bigger and bolder propositions

We continue to actively explore and pursue opportunities in the transportation sector, most recent of which is our participation in the creation of the super consortium that seeks to transform the NAIA into a world-class regional airport hub. We join six other conglomerates in pushing for a PHP350-billion proposal to rehabilitate NAIA in two phases. The proposal involves expanding and interconnecting the existing terminals of NAIA, upgrading airside facilities, developing commercial facilities to increase airline and airport efficiencies, and enhance passenger comfort and experience.

We also submitted an unsolicited proposal to upgrade, expand, operate, and maintain four major Philippine regional gateways: Iloilo International Airport, Bacolod-Silay Airport, Laguindingan Airport, and New Bohol International Airport in Panglao.

While the Department of Transportation informed us that it has adopted a policy to publicly solicit bids for the rehabilitation and expansion of all airports under its jurisdiction, Aboitiz InfraCapital remains committed to supporting the Philippine government's efforts to advance infrastructure.

Bringing our ABC brand promise to life through better infrastructure

Guided by the Aboitiz core values of integrity, teamwork, innovation, and responsibility, we will forge ahead to fulfill our mandate of advancing business and communities. This we will do by providing innovative infrastructure-related solutions that help drive economic progress and uplift the lives of our fellow Filipinos.

Business development remains a crucial activity for us at Aboitiz InfraCapital and we will continue to work on exploring synergies within the Aboitiz Group as we develop alliances across the country. Whether our investments will be on roads, airports, rail, or water, our goal is to supply infrastructure solutions while always ensuring that Filipinos can continue to experience progressive infrastructure that matches the country's fast-growing economy.



LiMA Water's 8,700-cubic meter capacity provides industrial and potable water to its customers in Batangas.

Infrastructure



At a Glance

2017 Milestones 203-1

- Recorded net income contribution to AEV at PHP605 million
- Acquired 100% of LiMA Water Corporation (LiMA Water) from AboitizLand, and 11.14% minority stake in Balibago Waterworks Systems, Inc. (BWSI) from the San Fernando Electric Light & Power Co. Inc. (SFELAPCO).
- Broke ground on 7-KM distribution line project to help provide electricity to two barangays in Norzagaray, Bulacan
- Migrated Apo Agua's financial, purchasing, and inventory transactions processes to Oracle
- Celebrated 50th anniversary of Republic Cement Iligan

2018 Outlook

- Continue Aboitiz InfraCapital's thrust to participate in the government's "Build, Build, Build" program.
- Complete Apo Agua's permitting works and begin construction of the bulk water facility
- Increase clinker production and milling capacity of Republic Cement's integrated plants in Luzon and Mindanao
- Continue to work on Republic Cement's operational debottlenecking while implementing capacity expansion projects
- Propose PHP148-billion unsolicited bid to upgrade, expand, operate and maintain four regional airports through Aboitiz InfraCapital
- Propose the superconsortium's PHP350-billion unsolicited bid to rehabilitate the Ninoy Aquino International Airport
- Provide innovative infrastructure-related solutions for the water sector

We are continuously adapting our strategy to the evolving landscape to find better solutions towards sustainable nation building. Our solid regional roots and the capability to make contributions on the national stage are what set us apart, and we intend to uphold this in our mission to further advance the lives of Filipinos via infrastructure development.

Fulfilling dreams by laying the foundations of trust

Building a home is every Filipino family's dream. But this does not always come easy, especially for someone like Simeona Balignasay, a mother and a wife to an overseas worker, who has to supplement her husband's remittances by making stuffed toys in her yard. With the help of Tulay sa Pag-Unlad, Inc. (TSPI), a microfinance institution that caters mostly to low-income women and their families, Simeona's dream of owning a house became a possibility.

While her husband's remittances cover their day-to-day household expenses, a fraction of her weekly earnings goes directly to pay off her debts to ensure the continuous financing and construction of their home, which is being done in stages. Republic Cement has partnered with TSPI, bringing changes that have become immediately apparent in the house she is building.

“Bago dumating ang Republic Cement, wala kaming bintana, pinto, lahat yan wala! Mayroon lang kaming sahig. Noong nagsimula na kami sa pagtatayo, tinulungan nila kami na makakuha ng mga kailangang gamit, at ngayon, natapos na kami kasama ang second floor. (Before Republic Cement came along, we had no windows, no door, nothing at all! We only had a concrete floor. When we started constructing the house, they helped us obtain all the needed materials and now we're already finished, including the second floor.)”

—Simeona Balignasay
TSPI-Republic Cement partnership loan beneficiary

At Republic Cement, we are committed to improving the lives of low-income families in a meaningful way and we understand that communities grow faster with the help of partnerships that are built on trust. It is not enough that we provide Filipinos with the tools and then expect their lives to improve instantly. We are dedicated to earning the trust of all members of the community through transparent practices and high-quality materials.

Republic Cement's partnership with TSPI is an extension of our Tahanan Ko program, an affordable housing initiative that involves working with microfinance institutions to directly impact the lives of beneficiaries like Simeona. She is one of several who are eager to participate in the program known for transparency and quality. Eyes shining with excitement, Simeona now looks forward to her husband's next homecoming as she can now welcome him to their home, which was built on a foundation of trust.

17 PARTNERSHIPS
FOR THE GOALS



Through the partnership, Republic Cement is helping many Filipinos achieve their dream of owning a house through microfinancing, technical assistance, and provision of quality materials.

Infrastructure

Building bridges, strengthening partnerships



The “Kapuso” bridge was built using Republic Cement’s Rapidset cement.

PHOTO FROM GMA7

Spanning 30 meters long, the Iraya Hanging Bridge in Buhi, Camarines Sur is built of steel and concrete made of Republic’s Rapidset cement. It has expanded metal floors that provide a sturdy platform that connects local residents, mostly children, to the other side of Lake Buhi where the town proper is located. At night, the bridge is lit by solar-powered lamps that guarantee safe passage for everyone.

This Iraya bridge is one of the manifestations of our commitment to build reliable and strong infrastructure for Filipinos, and in this case, those who live in far-flung areas. The new fortified bridge replaces both the rickety bamboo structure that turned slippery when it rained and the older hanging bridge that was swept away by Typhoon Niña in 2016.

Consistent with our norm at Republic Cement, our involvement in the project extended beyond just simple cement donation. We sent a technical team to the project site to assist in formulating the concrete design mix and pouring the concrete. With safety

being a Republic Cement core value, we engaged the services of Lugano Engineering Consultancy, one of our accredited consultants, to check if the structure complies with the National Structural Code of the Philippines. Structural improvements were adopted to ensure that the bridge can withstand the impact of seasonal typhoons.

For this project, Republic Cement partnered with the GMA Kapuso Foundation, the local government of Buhi, Camarines Sur, the Department of Public Works and Highway, the Armed Forces of the Philippines Engineering Battalion, Mitsubishi Motors Philippines Corporation, DM Consunji Construction, and Davies Paints.

17 PARTNERSHIPS FOR THE GOALS



Through partnerships, Republic Cement is modernizing countryside infrastructure, thanks to this multi-sectoral partnership that keeps public safety top-of-mind.

Strengthening ties through meaningful stakeholder engagement

Even before Apo Agua begins its bulk water supply operations in Davao, we are already strengthening ties with our project partner and engaging our host communities.

Dagaydag Sa Barangay Fair, a CSR project of the Davao City Water District (DCWD), is a one-stop-shop that extends basic social services - medical, dental, social and legal – to communities and strengthens partnerships with stakeholders. For our part, we contributed to this project by providing free medical services like vaccination and diagnostic laboratory tests. Our Apo Agua team members also conducted a storytelling session for the kids.

We are grateful to DCWD for the opportunity to be a part of their community project. We are not

only partners in the Davao City Bulk Water Supply Project (DCBWSP) but also in other endeavors of community service.

Through Apo Agua, we are helping Davao City shift its main water supply source from groundwater to surface water, which will be sourced from the Tamugan River. The DCBWSP will preserve and recharge aquifers ensuring the long-term security of the city's water supply.



For Apo Agua, our business does not end with providing clean, safe, potable water; we are also teaching our host communities to take care of their health.



Apo Agua supported Davao City Water District's Dagaydag Sa Barangay Fair, a one-stop shop for medical, dental, legal, and social services for our host communities in Baguio District.



THE COCOLLERAS

LAND

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



Land

Building communities for better lives

“ Advancing business and communities has always been the AboitizLand way. We will continue to uphold our philosophy that as the company grows, so must our communities and neighbors. With relationships nurtured through time, we will strive to help people live better lives through the communities that we build and curate. ”



Andoni F. Aboitiz
Chief Executive Officer
Aboitiz Land, Inc.



Patrick B. Reyes
President
Chief Operating Officer
Aboitiz Land, Inc.

Our residential projects

In 2014, we made a giant leap to aggressively grow our business over a period of approximately five years by pushing for ambitious projects, investing in systems and processes, increasing our human capital, as well as expanding our land banking efforts nationwide.

By 2015, we launched Amoa, our biggest mid-residential community located in Compostela, Cebu. In 2017, we launched two more projects, our first residential community in Luzon, the Seafrost Residences in San Juan, Batangas and Foressa Mountain Town, a 257-hectare development in Balamban, Cebu. Take-ups of these new projects have exceeded expectations, providing us with a solid base for future revenue growth.

The construction of other residential projects is nearing completion and are now being turned over to vecinos. In addition to closing out on existing projects, we will soon be launching more residential developments in Luzon. In AboitizLand tradition, these will be highly appealing and distinctive products that will bring our brand of nurturing communities to a much wider scale.

Our commercial spaces

The Outlets at Pueblo Verde (TOPV) has maintained its position as a prime shopping and dining destination, as evidenced by the 94% increase in foot traffic year-on-year and 100% mall occupancy. Gaining popularity as VisMin's first authentic outlet shopping mall, TOPV now features 60 top global fashion and sports brands. It also has 10 restaurants in its dining enclave, Fork in the Road.

Riding on the solid performance of TOPV in Cebu, we are bringing our expertise to a national scale with the

METRICS THAT MATTER



PHP744.2 million

income contribution to AEV



20,000+ vecinos

who found homes in AboitizLand



50,686

average daily footfall

in AboitizLand's commercial areas



176 locators

in AboitizLand's industrial segment

Land

opening of the first phase of The Outlets at Lipa (TOL) in the second quarter of 2018. TOL will have over 200 local and international brands offering year-round premium discounts.

Meanwhile, Gatewalk Central, our joint venture with Ayala Land, continues to make progress. With both partners sharing the belief that we must approach the project with a long-term view, this mixed-use development in Mandaue City will become the city's dynamic center.

Our industrial communities

Our industrial communities – West Cebu Industrial Park in Balamban, Cebu, Mactan Economic Zone II in Lapu-Lapu City, and LiMA Technology Center (LTC) in Batangas – have maintained their positions as new-age industrial parks with well-planned physical infrastructure.

In the industrial segment, we will continue to strengthen our relationships with our



Work in progress: The Outlets at Lipa, the country's first authentic outlet shopping destination located in LiMA Technology Center, Lipa City, Batangas.

stakeholders and constantly look for opportunities to attract more locators. Success notwithstanding, we are continuously exploring the expansion of our industrial parks.

Fulfilling our brand promise

Staying true to our brand promise of nurturing communities, we will continue to help people help themselves by providing different initiatives in our partner communities.

We believe that as the company grows, so must our communities and neighbors. This drives us to be inclusive in our view of growth.

As we go all out in our efforts to fulfill the promises we have made to all our stakeholders, we continue to be guided by our purpose knowing that our success is singularly tied to the satisfaction of our communities and helping our *vecinos* live better lives. We are determined to unceasingly strike a prudent balance between consolidation and diversification, partnerships and transitions toward advancing business and communities.



Land



At a Glance

2017 Milestones

- Posted 295% uptrend in net income at PHP744.2 million
- Appointed Patrick Reyes as new President and Chief Operating Officer with the retirement of Andoni Aboitiz
- Launched Seafront Residences in San Juan, Batangas, our first residential community in Luzon, and Foessa Mountain Town, a 257-hectare mountain town development in Balamban, Cebu
- Sold out residential projects in Cebu (Almiya, Ajoya, and The Persimmon Studios)
- Relocated headquarters from Banilad, Cebu to Bonifacio Global City, Taguig City

2018 Outlook

- Open Phase 1 of The Outlets at Lipa in the second quarter of 2018
- Begin turnover of residential units in Amoa and The Persimmon Studios
- Continue progress in the development of Gatewalk Central, our joint venture with Ayala Land
- Launch new residential projects, solidifying our entry into Luzon's mid-market segment
- Launch new phase of Seafront Residences ahead of schedule in response to strong market demand
- Continue investing in people, hardware, systems, and processes to deliver commitment made to *vecinos*
- Explore further expansion of industrial parks

We strive to uphold our vision that as the company grows, so do our communities and neighbors fostering relationships that are nurtured through time. We will continue to help people live better lives through the communities we build and curate.

Making a home for the ‘pawikan’

Following our move to grow the business outside of Cebu, we launched Seafront Residences, our first residential community in San Juan, Batangas, south of Metro Manila. The 43-hectare, 800-unit beachside community is primarily designed as a second home or a vacation residence.

Seafront not only delivers on AboitizLand’s promise of curating and building deliberately designed communities for better lives, it is also a frontrunner in environmentally sensitive planning. The project follows an urban design movement that promotes walkability, connectivity, mixed and diverse types of housing, quality of design, increased density, and sustainability.

An olive ridley sea turtle's nest (*Lepidochelys olivacea*) containing 20 eggs was discovered along the shores of Seafront in Barangay Calubcub II in 2018. Prior to this, residents around the area also

turned over late last year some Olive Ridley hatchlings ready for releasing.

To make sure their thriving ecosystem in the area is safe, we are reviewing Seafront’s masterplan to take into consideration the presence of these pawikans in the development of the project. We are closely coordinating with the Department of Environment and Natural Resources to ensure the safety of the emerging sanctuaries of pawikan in the area.



We develop residential projects in harmony with nature showcased in Seafront’s carefully planned community where endangered turtles also find a safe home.



Seafront Residences, a 43-hectare beachside residential development in San Juan, Batangas, is a carefully planned community where Olive Ridelys also find a safe home.

Land

Building world-class industrial and commercial hubs



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

LiMA Technology Center (LTC) is our latest, and largest industrial development project that boasts of new age industrial park design and well-planned physical infrastructure. LTC's second and third expansion was completed in 2017 with the opening of its Lipa City gate, catering to more locators and providing alternative access to workers. The 600-hectare industrial zone is now host to 60 light-to-medium locators that are providing jobs to 80,000 Filipinos living in the CALABARZON Region. LTC is also running an enterprise development program that provides our Lipa and Malvar host communities with skills training that open up livelihood opportunities for the families of the workers.

We will start the development of LTC's fourth expansion that will create an additional 50 hectares of industrial land. Aside from industrial lots and standard factory buildings, LTC also offers commercial and residential spaces making it a diverse community for business.

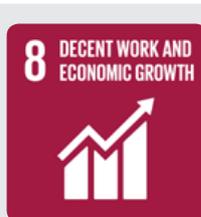
Within LTC, you will find The Outlets at Lipa, the country's first authentic year round premium

discount shopping village with 30,000 square meters of gross leasable space that can accommodate over 200 local and international brands. The Outlets at Lipa is set to open during the second quarter of 2018.

"Already, the energy at LiMA Technology Center is highly charged with this new concept among all the other improvements we have made at the park. We trust industrial locators will, similarly, be looking at LTC with keen interest to be part of a sustainable zone like no other."

—Patrick Reyes

President and Chief Operating Officer, AboitizLand



We contribute to stimulating local economic growth by attracting foreign direct investments while ensuring that people also gain access to better employment opportunities.

Growing with our people through capacity building

Following their completion of the recent AboitizLand Purposive Skills Training Program for Carpentry NC II and Tile-Setting NC II certifications, 50 locals from Liloan, Cebu have found inspiration to further excel and thrive with their newly acquired skillset.

Among them is Liberty Jay Trinidad, who, like her fellow graduates, is optimistic about being able to find better work opportunities here or abroad. Liberty and her batchmates boast of achieving 100% passing rate in the TESDA Assessment for NC II certification. There are 25 carpentry and 25 tile-setting graduates that will receive their own starter kits to further equip them. We aim to deploy some of the graduates in our projects in Cebu, specifically in Amoa and

Almiya, through its contractors as they address their manpower requirements.

Since 2009, we have already trained 857 individuals. Graduates are tapped to provide services needed in our various land development projects in Cebu, and now in Luzon.

AboitizLand's training program will confer NC II status to its beneficiaries, which includes out-of-school youth, after assessment by TESDA.



We aim to reduce poverty by enhancing people's skills. Eventually, they gain experience that makes them employable in the job market.



Liberty Jay Trinidad is one of the 50 graduates of AboitizLand's Purposive Skills Training Program for Carpentry and Tile-Setting in Liloan, Cebu.



CORPORATE SOCIAL RESPONSIBILITY

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

This school building was donated by

AboitizPower
A Better Future



abotiz
Foundation





MY GIANT BOOK

OF STORIES WITH MORAL LESSONS



NAME:
 GRADE:
 DATE:

AbotizPower



DEPED
Department of Education
Division Office - Marikina City
MARIKINA CITY
GEMARIS R. BALI LSI
STUDENT EXERCISES
Grade 1 - English
MARIKINA CITY



Corporate Social Responsibility

“

2017 was significant in our CSR journey. This was when we recognized the need to weave all of our business units' initiatives into a unified effort that will help advance business and communities.

”

We in Aboitiz Foundation will continue to innovate and implement projects that truly address community needs – making them safer, empowered, and sustainable. By doing so, we fortify our commitment to create long-term value for our key stakeholders.

We will implement innovative, measurable, scalable, and solution-focused projects across the Aboitiz Group under our 2020 roadmap. Through synergy and strong relationships with our key stakeholders, we will maximize our social impact and efficiency, which we will continue to measure over time.

We will leverage the energy, enthusiasm, and passion of our team members for community engagement and continue to motivate them to be a part of these initiatives that will benefit even the future generations.



Susan V. Valdez
President
Aboitiz Foundation, Inc.
and WeatherPhilippines Foundation, Inc.

Aboitiz Foundation

With the Aboitiz Group’s tremendous growth over the years, we saw the need to challenge the way we do our corporate social responsibility. In 2017, the change in Aboitiz Foundation's leadership opened opportunities for us to revisit our overall strategic direction. Guided by the Group’s brand promise of advancing business and communities, we commit to deliver concrete actions by co-creating safe, empowered, and sustainable communities nationwide.

To create more impactful CSR programs, we aim to harness and maximize our resources, innovate our processes and operations, and strengthen meaningful relationships – all of which contribute in driving change for a better world.

In 2017, we were guided by our goals to align our strategies, increase collaboration, and integrate our CSR initiatives. We committed to further engage our team members, be more innovative in developing program frameworks, improve communication and maximize our digital platforms. We will continue to build organizational capacity through better people, processes, and systems.

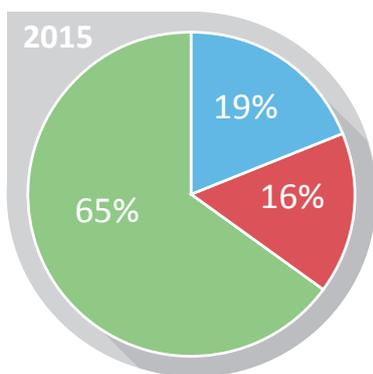
Early on during our strategic shift, the collaboration with our business units (BUs) paved the way for meaningful projects that constantly inspire people, empower communities, and contribute to nation building. By the end of 2017, we had changed the lives of 651,075 beneficiaries, and 691 groups and communities through our programs on education, enterprise development, and environment, among others.

The year highlighted our commitment to implement solution-focused and sustainable initiatives as more than half or 53% of our CSR projects achieved CSR 2.0 status. This refers to projects that are aligned with the Group’s core competencies and create deeper social impact in the communities and beneficiaries we serve. We are now more focused on programs that deliver long-term benefits, are aligned to our core competencies, encourage team member engagement, and are scalable initiatives with positive sustainable impact of national scope.

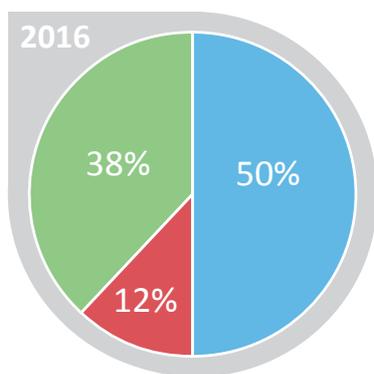
This clearly demonstrates the collaboration and integration among our strategic BUs on the development and implementation of these innovative and solution-focused programs.

Achieving CSR 2.0

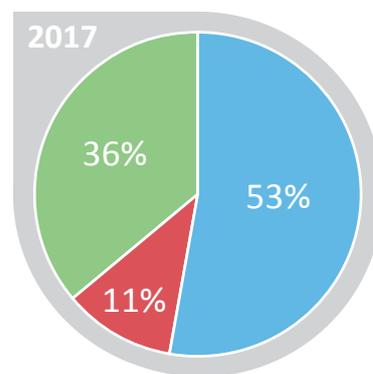
(Percentage based on amounts of approved projects)



PHP252 million



PHP247 million



PHP277 million

Corporate Social Responsibility

Strategic Pillars

Anchored on the Aboitiz core values of integrity, teamwork, innovation, and responsibility, the Aboitiz Foundation supports our Group purpose and brand promise to drive change for a better world by advancing business and communities.



• Program Development

The Foundation focuses on programs in the areas of education, enterprise development, and environment that are sustainable, inclusive, and aligned with the Group's core competencies so these programs can be catalysts for change.

We will scale up our projects by integrating them with BU CSR initiatives for a more holistic approach in addressing community needs. We will also make our projects area-based to ensure that we match the community's needs with the BUs' resources. To date, we are focused on seven flagship programs that are measured through their social impact.

• Stakeholder Engagement

Part of the Foundation's strategic role is to manage, provide, and facilitate linkages across our various stakeholders, and in the process, enhance the Aboitiz brand through improved communication and engagement.

We value the need to build meaningful relationships for collective impact. In 2017, we continued to participate in larger public and private partnerships, including those with the Philippine Business for Social Progress, Ramon Aboitiz Foundation, Inc., Center for Agriculture and Rural Development, and Edukasyon.ph for various initiatives. We actively supported the advocacies of organizations such as the League of Corporate Foundations and the

Association of Foundations. We also began fostering stronger collaboration with our BUs by creating technical working groups (TWG) and maximizing our digital platform to increase engagement.

- **Capability Building**

We also devoted 2017 to build the capabilities of our internal resource – our team members and BU-CSR partners – through better people, processes, and systems. We updated our policies and guidelines, implemented process improvements, and launched a new project management system – the Aboitiz CSR Resource and Online Servicing System (ACROSS). It is an integrated project management system that is designed to simplify processes, fully automate KPI and

reports generation, manage scholars, and make documentation easier.

We also improved the way we conduct our annual CSR fora and roadshows to make them more participatory and interactive.

- **Governance**

As a trusted organization, the Aboitiz Foundation maintains a balance between accountability and responsibility. We comply with set standards and regulatory requirements, and establish our own repository of laws for program implementation. We remain guided by our Board of Trustees as we fully implement quality management systems and strive to measure our CSR maturity level.



For almost 30 years, Aboitiz Foundation has been championing access to quality education in the Philippines, recognizing its role as a powerful tool towards poverty reduction and, ultimately, uplifting lives.

Corporate Social Responsibility

Advancing Business and Communities

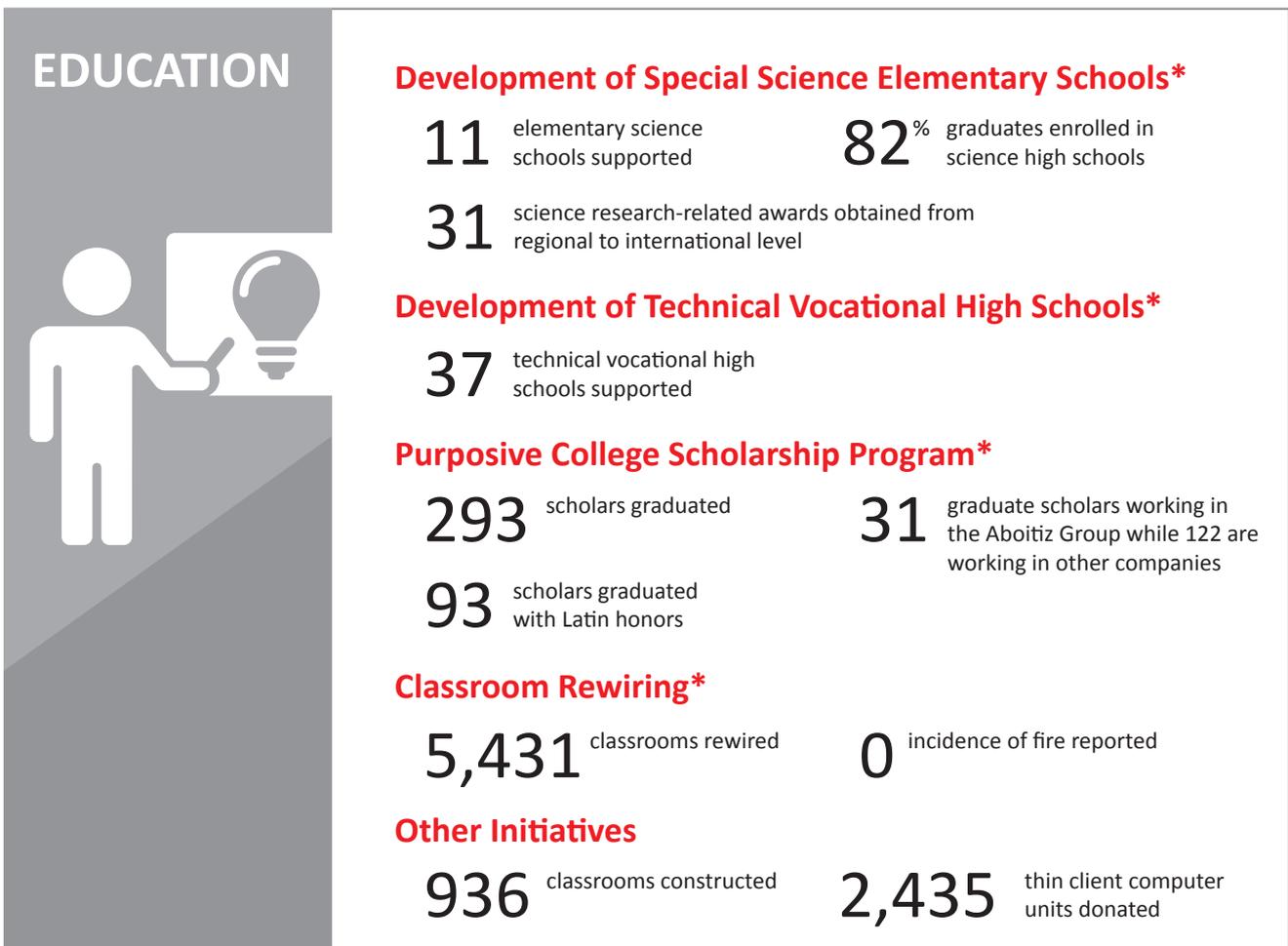
In 2017, the Foundation recognized the need to develop integrated, holistic, and strategic projects that cut across our program pillars. We reviewed our long-term plans, identified collaboration areas for our BUs, and crafted scalable and replicable projects.

Aligned with the United Nations' Sustainable Development Goals (SDGs), our initiatives contribute to the global efforts to address issues on education, poverty reduction, climate change, responsible consumption, disaster risk preparation, and multi-sectoral partnerships.

Education

For almost 30 years, the Aboitiz Foundation has been championing access to quality education in the Philippines. We recognize that education is a powerful enabler to attain further education, be gainfully employed, and engaged in entrepreneurship, which could ultimately reduce poverty and uplift lives.

As we aim to achieve inclusive and holistic education, we continue to provide quality technical, vocational and tertiary education, as well as financial assistance and scholarships.



As of December 31, 2017
*Flagship Project

We co-create a better learning environment by building safe and conducive learning facilities, drive professional development of teachers, and promote proper nutrition among students. These initiatives support the United Nations' SDG on quality education.

In 2017, we allocated PHP218 million or 48% of our Group's total CSR budget to implement our education projects. Through our collaborations with various BUs, we achieved significant results.

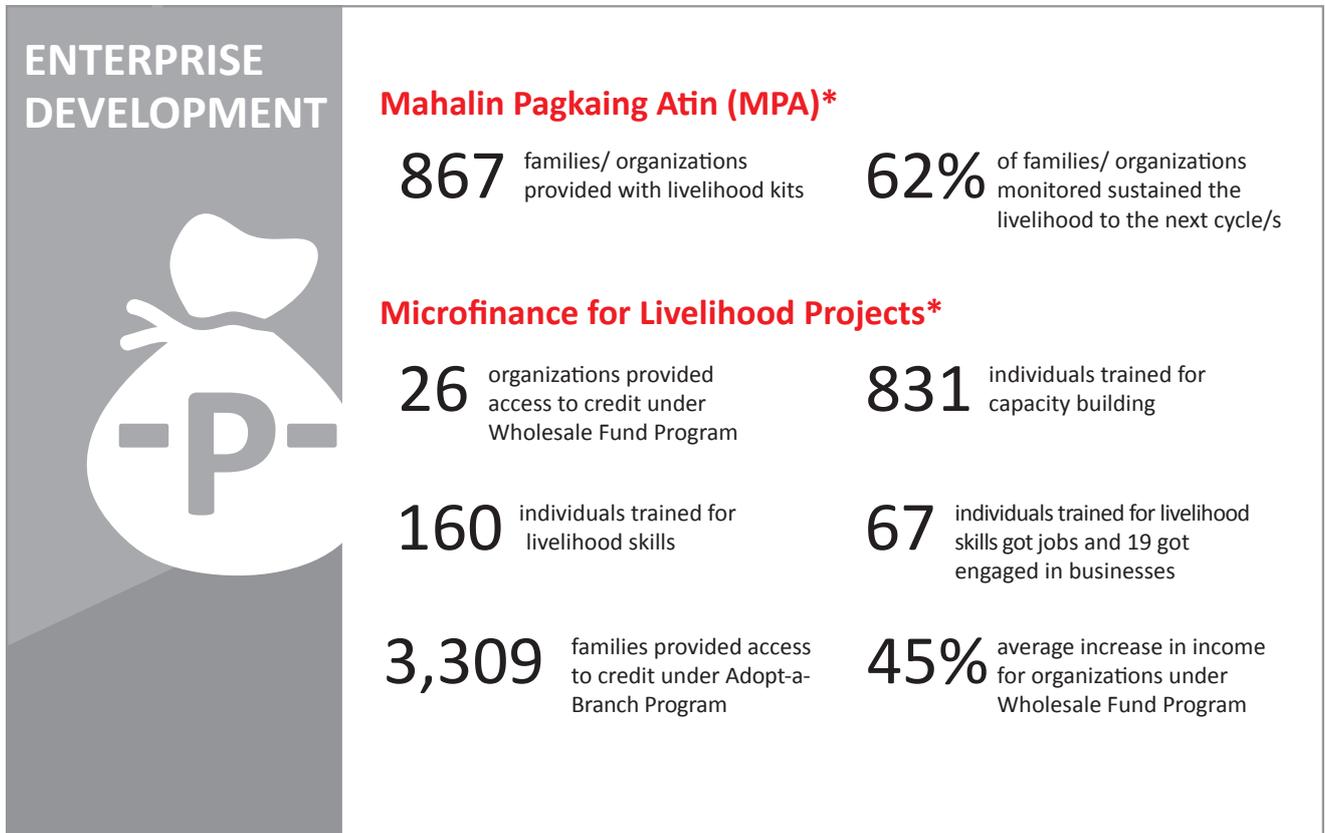
The 11 special science elementary schools (SSES) that the Foundation has been

supporting since 2013, in partnership with various BUs, earned 31 science research-related awards while 82% of SSES program graduates are now enrolled in science high schools. Since 2013, we have adopted 37 technical vocational high schools and helped 293 Aboitiz Foundation scholars graduate. From these scholars, 93 graduated with Latin honors, 31 are already working in the Aboitiz Group, while 122 have secured jobs with other companies. We have made 5,431 classrooms safer through our classroom rewiring projects, constructed 936 classrooms, and donated 2,435 thin client computer units.



Students of Almendras Elementary School in Sta. Cruz, Davao del Sur begin the delightful step to using new computers for learning.

Corporate Social Responsibility



**Flagship Project*

Enterprise Development

The Aboitiz Foundation believes that with the right know-how and tools, community members can be entrepreneurs. Through our enterprise development programs, we generate jobs by building capacity and capability. We empower people to help them get jobs and potentially start their own livelihood.

In 2017, we were able to reach our target with PHP43 million-worth of approved projects that benefited 18,161 individuals nationwide. Our initiatives in creating successful enterprises support the SDG on decent work and economic growth.

We also revisited our existing guidelines and developed new playbooks. This included

the Mahalin Pagkaing Atin guidelines, the Center for Agriculture and Rural Development (CARD) Inc. partnership protocols, and the Enterprise Development Manual.

Under our CARD partnership, we released a total of PHP40 million in funding for loan packages. These benefited 26 cooperatives nationwide under the Wholesale Program and 3,309 members under the Adopt-a-Branch Program with units in Tiwi, Albay; Calinan, Davao; and La Trinidad, Benguet.

Our enterprise development program provides easier and affordable access to financial, micro-insurance, educational, livelihood, and other capacity-building services on top of the microfinance loan packages.



As part of the Group's overall sustainability commitment, we roll out environmental initiatives that are consistent with our 'planet' bottomline. This means engaging our team members in activities that promote environmental conservation and biodiversity enhancement.

Environment

The Aboitiz Foundation, in partnership with the Group's Sustainability Team, implements projects that preserve, conserve, and protect the environment. We raise awareness on disaster resilience, responsible consumption, and waste management that will help mitigate risks to our natural resources.

Through the help of our BUs, we contribute to larger efforts concerning reforestation and the

protection of endangered species. Under this area, we support SDGs on climate action, life below water, and life on land.

We provide our team members the opportunity to be part of a nationwide effort to protect our environment through our A-Park Program that aims to plant nine million trees by 2020. We extended our Race to Reduce program, initially implemented internally, to pilot schools in Batangas and

Corporate Social Responsibility

ENVIRONMENT



A-Park*

5.7 million seedlings planted in over 5,600 hectares

77 % survival rate

119,483 tons of CO₂e sequestered

Cleanergy Park

6,780 park visitors

4,194 pawikan eggs found

11,224 mangroves seedlings planted

3,326 pawikan hatchlings released

Disaster Relief

234,093 beneficiaries of disaster relief operation since 2012

**Flagship Project*

Laguna through the Papel, Tubig, at Kuryente (PATOK) project led by APRI MakBan to promote sustainable use of our natural resources and proper waste management. We also continuously care for marine sea turtles (pawikans) by maintaining our Aboitiz Cleanergy Park in Davao City.

Team Member Engagement

We are particularly proud of how our initiatives have encouraged more team members to be part of a collective effort to advance business and communities. In 2017, there was a 51% increase in the number of



TM-volunteers — 13,652 from the previous year's 9,037. There was also a 47% increase in volunteer hours, from 49,146 hours in 2016 to 72,168 hours in 2017.

Their active participation in the Christmas Outreach activity, various fundraising campaigns, Simultaneous Tree Planting, and Brigada Eskwela, among other projects, showcases the Aboitiz core value of responsibility. The strength of our efforts comes from our team members who have the thirst to innovate and the passion to serve.

Business Units' Direct CSR Initiatives

Beyond Aboitiz Foundation-funded projects, our BUs have their own respective social investments, carrying out initiatives to address the specific needs of their host communities.

In 2017, our BUs spent PHP140 million on these initiatives, benefiting 399,894 individuals and 557 organizations and communities. These included classroom construction and equipment donation,

support to Brigada Eskwela and other school and community needs, tree planting and coastal clean-up activities. They also conducted medical and dental missions as well as learning sessions on financial management and disaster preparedness.

Moving forward, the Aboitiz Foundation will continue to find synergy in the way we do CSR. We will bring to life our brand promise of advancing business and communities through tangible solutions that ensure safe, empowered, and sustainable communities.

To achieve all of these, we have defined the Aboitiz Foundation's strategic and functional roles to address the demands of integrated, holistic, and solution-focused CSR projects. We will also do the same for the business units' CSR representatives.

From students to cooperatives, our partner-associations, and other stakeholders, we have made substantial commitments for 2018 and beyond to continuously harness our resources - our people, processes, systems, and assets - towards uplifting the lives of Filipinos nationwide.



The Aboitiz Group's Simultaneous Tree Planting in July 2017 was participated in by more than 4,000 volunteers and community partners across 24 planting sites nationwide.

Corporate Social Responsibility

2017 Financial Highlights 203-2, 413-1

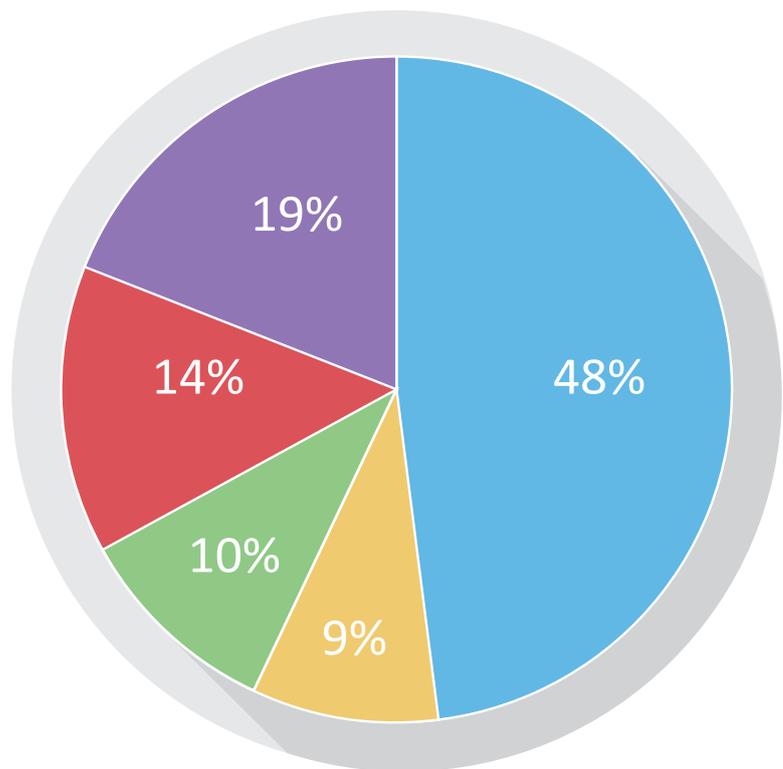
The Aboitiz Group allocated a total of PHP456 million for our corporate social responsibility (CSR) projects implemented in 2017, up by 3% from the previous year. This amount represents allocations from the Aboitiz Foundation as well as from our business units (BUs) for their direct CSR spending.

Education-related initiatives account for the largest portion — PHP218 million or 48% of the total allocation.

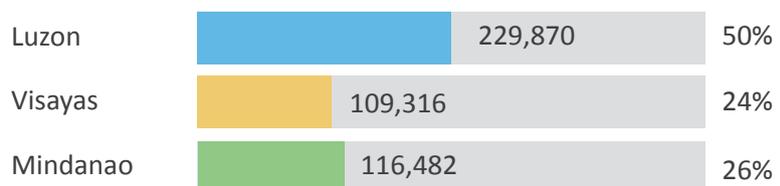
Aboitiz Group Initiatives

(in PHP thousands)

- Education
217,576
- Enterprise Development
42,687
- Environment
43,342
- Health and Well-Being
63,709
- Other Donations
88,354



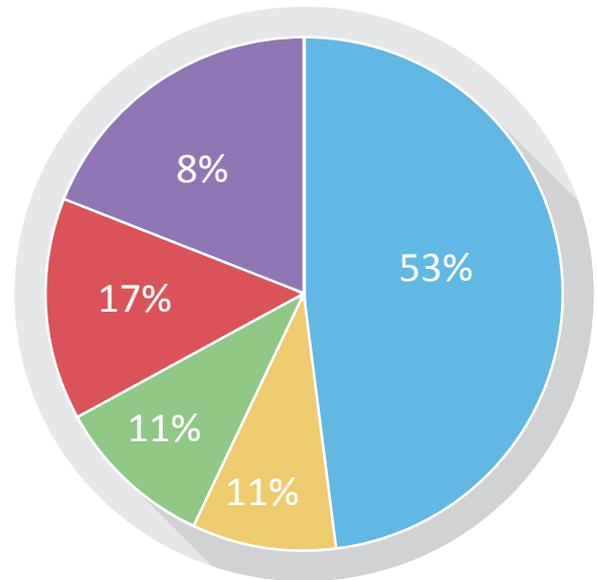
Area (in PHP thousands)



Total
PHP456 million

Aboitiz Foundation, Inc.

Program Component (in PHP thousands)

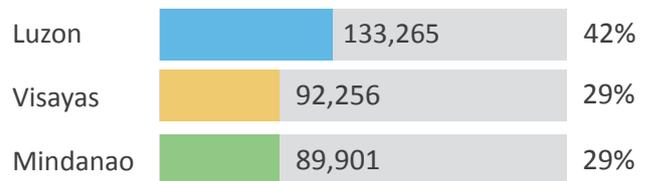


Total

PHP316 million

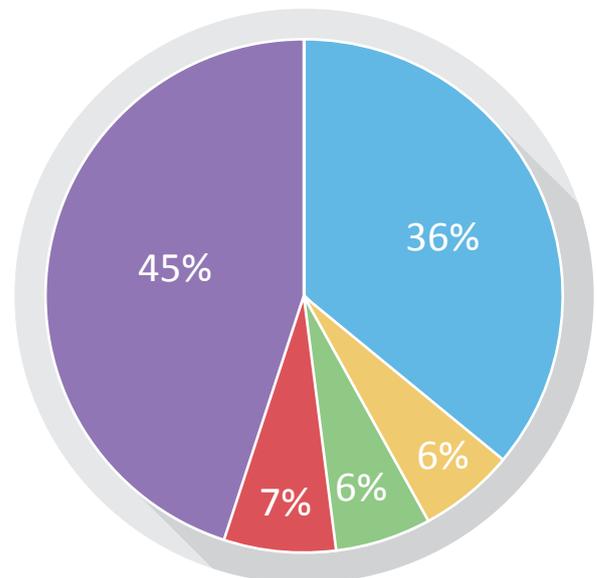
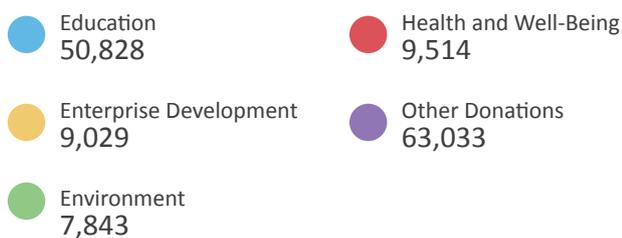
Area

(in PHP thousands)



Business Units' Direct CSR Initiatives

Program Component (in PHP thousands)

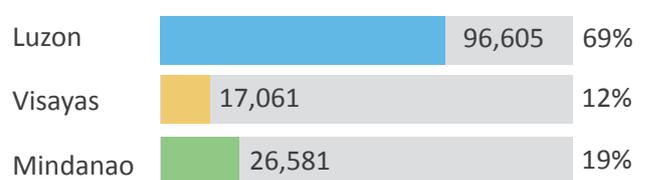


Total

PHP140 million

Area

(in PHP thousands)



Corporate Social Responsibility



To date, WeatherPhilippines has deployed 826 AWS across the Philippines for quick and accurate monitoring of weather parameters.

WeatherPhilippines

#WeatherWiser Nation Campaign: Moving to Greater Heights

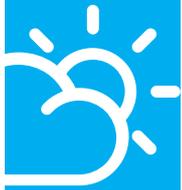
In 2017, we continued to strengthen our promise of advancing business and communities by helping build a #WeatherWiser nation. We expanded our network of partners and improved our technological services when we released a new mobile app version and upgraded our website. We also engaged more communities through our weather trainings conducted all over the country.

We aim to be a leader in providing Filipinos the tools and information they need to respond accordingly to weather conditions by creating a culture of diligence through weather knowledge.

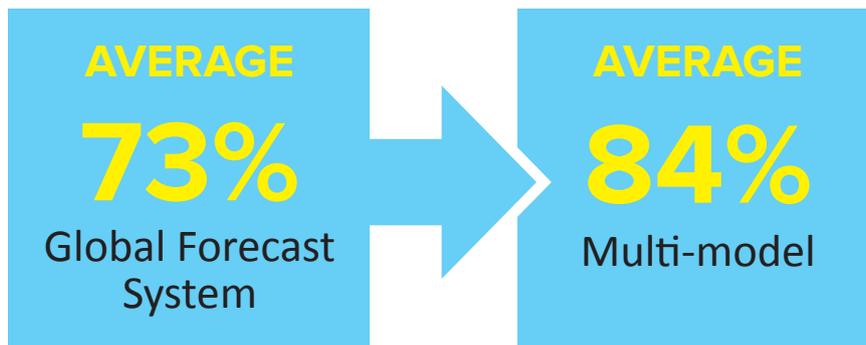
Technology

In 2017, we formalized our partnership with the Manila Observatory (MO). Part of this collaboration involves the integration of the Observatory's 80 automated weather stations (AWS) to our existing AWS network. Aside from this, the partnership also aims to explore how our comprehensive data could be better utilized in research by MO.

To improve our forecasting capability, we shifted to a multi-model forecast system from the previous Global Forecast System (GFS). For the July to December 2017 period, the accuracy of our forecasts for a 24-hour rainfall period improved from 73% to 84%.



Forecast Model Accuracy



For the months of July to December 2017, our multi-model forecast showed a higher forecast accuracy compared to the American model (GFS) forecast that was previously used by the mobile app. Multi-model shows the median value of all the forecasted weather parameters from numerous global climate models.

We are also stepping up our commitment to build a #WeatherWiser nation through our vastly retooled mobile app. Launched during the last quarter of 2017, the new mobile app features 1) improved forecasting accuracy; 2) new weather parameter – rain probability; 3) more detailed, hourly forecasting; 4) better location tagging; and 5) more user-friendly design. Its user base also increased because of diligent internal and external promotions.

In 2017, our mobile app was downloaded 12,581 times, with its user base growing by 57% to around 35,000. It was accessed 259,956 times (sessions) by its users, signifying increased interest in the app as their source of weather information.

Meanwhile, the upgraded website features a lighter look and feel. It retains the usual helpful features that provide access to enhanced satellite maps and AWS data for all locations.

Partnerships

In 2017, our pool of sponsors increased as CitySavings, Davao Light, Therma Marine, Sem-Calaca Power Corporation, and Source Telecommunications, Inc. joined us as Gold Sponsors. We are also looking forward to new opportunities with our expanded partnership with the Pilipinas Shell Foundation, Inc. under our Weather for Agriculture program, which will be an inclusive collaboration for #WeatherWiser future Filipino farmers.

Corporate Social Responsibility



Through localized weather technology, inclusive partnerships, and meaningful engagements, WeatherPhilippines promotes the usage of weather knowledge in making informed decisions for disaster risk reduction and socio-economic development.

Engagement

From 2012 to 2017, we provided weather knowledge to a total of 5,096 individuals from public and private sector organizations. We continue to strengthen our advocacy of creating a #WeatherWiser nation through our flagship training programs – Weather 101 and Tropical Cyclone 101.

Meanwhile, the tripartite agreement with CitySavings and the Department of Education (DepEd) established in 2017 targeted one of the key stakeholders that need knowledge in weather calamities and disaster resilience – the education sector. Under this collaboration, the WeatherPhilippines

team conducted several training sessions for various DepEd divisions across the country.

These initiatives are on top of several training sessions that were held for various corporate entities and communities during the year.

2018 Outlook

Using the Aboitiz CSR 2.0's Integrated CSR approach as our guiding principle, we are looking forward to continuing our efforts to provide free and accessible weather knowledge to all of our stakeholders. We also want to ensure that the communities we are supporting will be empowered to secure their safety, growth, and social development.

We will actively participate in Aboitiz Foundation’s integrated approach to CSR projects of business units. By becoming an integral part of Aboitiz Foundation’s disaster risk reduction and resilience program, we hope to help increase the social impact of the Aboitiz Group’s CSR projects.

Exciting times are ahead for WeatherPhilippines as we venture into a partnership with the Aboitiz Group’s new social enterprise unit Weather Solutions,

Inc. (Weather Solutions). This unit will serve as a platform company that provides historical, real-time data, forecasting, and consulting solutions to entities that seek to enhance their operations with accurate, hyper-localized, and customized weather data and services. In turn, the proceeds from Weather Solutions' business will be donated to WeatherPhilippines to help fund our operations, thus ensuring our sustainability in the coming years.

TECHNOLOGY



826

Automated Weather Stations (AWS) deployed



15%

increase in average forecasting accuracy (July to December 2017)

PARTNERSHIPS



587

donors and partners

ENGAGEMENT



5,096

capacity-building training beneficiaries since 2012



6.1 million

Facebook reach in 2017



1.3 million

website visits in 2017



34,993

mobile app downloads since May 2015

Corporate Social Responsibility

At a Glance

2017 Milestones

Aboitiz Foundation

- Allocated PHP456 million for CSR projects
- Allocated 48% or PHP218 million of our Group's total CSR budget to implement our education projects.
- Increased CSR 2.0 projects from 50% to 53%, implementing solution-focused and sustainable projects
- Increased volunteerism by 51% from 9,037 to 13,652 team members
- Participated in larger public and private partnerships through various initiatives such as Philippine Business for Social Progress, Ramon Aboitiz Foundation, Inc., and Edukasyon.ph and actively supported the advocacies of groups such as League of Corporate Foundations and Association of Foundations
- Increased internal and external engagement by maximizing digital platforms
- Updated policies and guidelines, implemented process improvements, and launched a new project management system: Aboitiz CSR Resource and Online Servicing System (ACROSS)
- Created technical working groups (TWG) to foster stronger collaboration with the BUs
- Provided PHP20.7 million worth of disaster relief and rehabilitation program for Marawi

WeatherPhilippines

- Expanded WeatherPhilippines' pool of sponsors with CitySavings, Davao Light, Therma Marine, Sem-Calaca Power Corporation, and Source Telecommunications, Inc.
- Expanded partnerships with Pilipinas Shell Foundation, Inc. under the Weather for Agriculture program for Filipino farmers
- Formalized partnership with the Manila Observatory to promoting a science-based approach to sustainable development and poverty reduction
- Shifted to a multi-model forecast system from the previous Global Forecast System
- Redesigned website with access to enhanced satellite maps and AWS data for all locations
- Redesigned mobile app with new features, improved and more detailed forecasting accuracy, and more user-friendly design
- Continued flagship trainings Weather 101 and Tropical Cyclone 101, reaching 5,096 individuals from public and private sectors

2018 Outlook

Aboitiz Foundation

- Develop and implement 2020 roadmap across the Group through an integrated approach of implementing projects that are innovative, measurable, scalable, and solution focused
- Scale up integrated BU CSR projects with holistic approach to community needs
- Create more synergies and collaboration across the Group and external stakeholders to maximize social impact
- Inspire more stakeholders as we celebrate Aboitiz Foundation's 30th anniversary by implementing a communications and engagement program using digital capabilities and crowd funding
- Step up the role of the Foundation and BU CSR representatives through competency programs that include gap analysis and addressing training needs
- Continue to align CSR programs with Group purpose and brand promise by co-creating safe, sustainable, and empowered communities

WeatherPhilippines

- Expand partnerships with public and private sector
- Actively participate in Aboitiz Foundation's integrated approach for BU CSR projects
- Work with Weather Solutions, the Aboitiz Group's new social enterprise unit, that will provide historical real-time data forecasting and consulting solutions.
- Continue our efforts of providing free and accessible weather knowledge to stakeholders
- Further improve weather services and enhance weather app

Social Enterprise

Weather Solutions

As one of the fastest growing economies in the world, the Philippines is witnessing a change in its business landscape. As more and more enterprises rethink and revisit how they carry out their operations, weather and its effects on society and consumer behavior slowly permeate the consciousness of decision makers.

In 2017, we in Aboitiz saw this as an opportunity to connect making fundamental changes in how businesses work with pioneering ways to help society become weather-responsive. We thus embarked on an exciting journey of establishing our first social

enterprise, Weather Solutions, Inc. (Weather Solutions).

Entering this space allows us to create a deeper and more meaningful impact on our communities, given the larger need for weather preparedness and disaster resilience. We envision Weather Solutions to bridge this weather information gap, empowering firms and people alike so they can maximize gains and minimize risks.

Extreme weather conditions, changes in biodiversity, and water scarcity, among other things, will inevitably impact how the



The Aboitiz Group's weather-centric social enterprise, Weather Solutions, signed a Memorandum of Understanding with the world's largest private weather service company, Weathernews, Inc.

private sector runs. From procurement of raw materials, product types, safety and hazard, health, food, to productivity and work dynamics, city design and infrastructure planning, and workforce preferences, weather could ultimately affect value chains the way social media or disruptive technologies have in recent years.

With this in mind, Weather Solutions will serve as a platform company that provides historical and real-time data, forecasting, and consulting solutions to partner agencies that seek to enhance their operations with accurate, hyperlocalized and customized weather data and services. Through Weather Solutions, we will form value-creating partnerships in diverse industries, using weather knowledge to boost businesses' capability in tackling the emerging demands of the markets they serve.

Weather Solutions will do this by:

- providing real-time and comprehensive weather-related solutions to relevant industries;
- establishing the Philippine Weather Platform and use it as a springboard for partnership and collaboration for analytics, artificial intelligence, and the Internet of Things; and
- educating the public by providing accurate weather readings and forecasts that will positively affect their everyday lives.

Among the first offerings Weather Solutions is planning to release is a user-driven app. The crowdsourced data will allow people to monitor geo-specific weather updates,

bringing an interactive, gamified, and relevant approach to wielding weather information.

Weather Solutions' partnership with Weathernews

To better accommodate these business needs, Weather Solutions has partnered with the world's largest private weather service company, Japan-based Weathernews, Inc. (WNI). Under the agreement, potential areas of collaboration include education through meteorologists' training, new tools such as real-time camera feed for installed automated weather stations (AWS), and consumer services.

With more than 30 years of expertise, WNI's cutting-edge technology and operating systems can help local businesses interpret how weather data can be used to mitigate operational risks and drive industry-specific solutions to boost performance.

The future of weather-centric business in the Philippines

Our collaboration with WNI is only the beginning. We are optimistic about the industries where we see Weather Solutions thriving and becoming a trailblazer. These include manufacturing, transportation, business process outsourcing, retail, media, agriculture, and many more.

The journey we have started with Weather Solutions is ripe with possibilities, and we believe that our ability to harness weather-oriented technologies to boost socioeconomic development forms a crucial part of our promise of advancing business and communities.

Management Approach

In this section, we share with you our approach to business and how our purpose adds another dimension to why and how we do things. Detailed information is available in the AEV Annual Report 2017 on Form 20-IS filed with the Philippines' Securities and Exchange Commission.



The Aboitiz culture is founded on our core values, integrity, teamwork, innovation, and responsibility, which guide our daily activity and decisions

As a business entity, there is no doubt we seek profits and return on our capital. We, however, are equally guided by a sense of purpose that goes beyond just making money. Every action, every decision must somehow contribute to this greater purpose. This is why we say that our value-creating efforts have to benefit more than just the shareholders.

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

Our purpose, mission, and core values

103-1

Our mission to create long-term value for all our stakeholders defines our “what”. As we continue to grow and our influence on our communities expands, society expects us to go beyond profits and address other societal needs. They expect us to act in their best interest and demonstrate why we should be worthy of their trust.

The Aboitiz Group purpose to drive change for a better world defines our “why” -- why we exist and what greater good do we serve. It is important that

we see ourselves in this purpose: how we, by living that purpose, can make a difference every day and making it real. This “why” further guides us to drive change and innovation in industries and communities where our businesses operate.

Advancing business and communities, or ABC, articulates our “how”. Our ABC is the brand promise that we give in every product and service we provide, or in the partnerships we enter into. This is anchored on the belief that the advancement of business and communities is integral to the development of our society, our country, and ultimately, the world.

Culture, purpose, and brand promise are the three hallmarks of a high-performing organization. We believe in the need to preserve and strengthen the Aboitiz Way, our culture and unique way of doing things, which we attribute much of our success to. We envision a culture that will not only unify us but also allow our strategic business units (SBUs) to each have their own variation while staying aligned.

Most importantly, our culture is founded on our core values of integrity, teamwork, innovation and responsibility. These values are commonly seen,

practiced, and experienced across the Group, guiding our daily activities and decisions.

Our Group strategic pillars

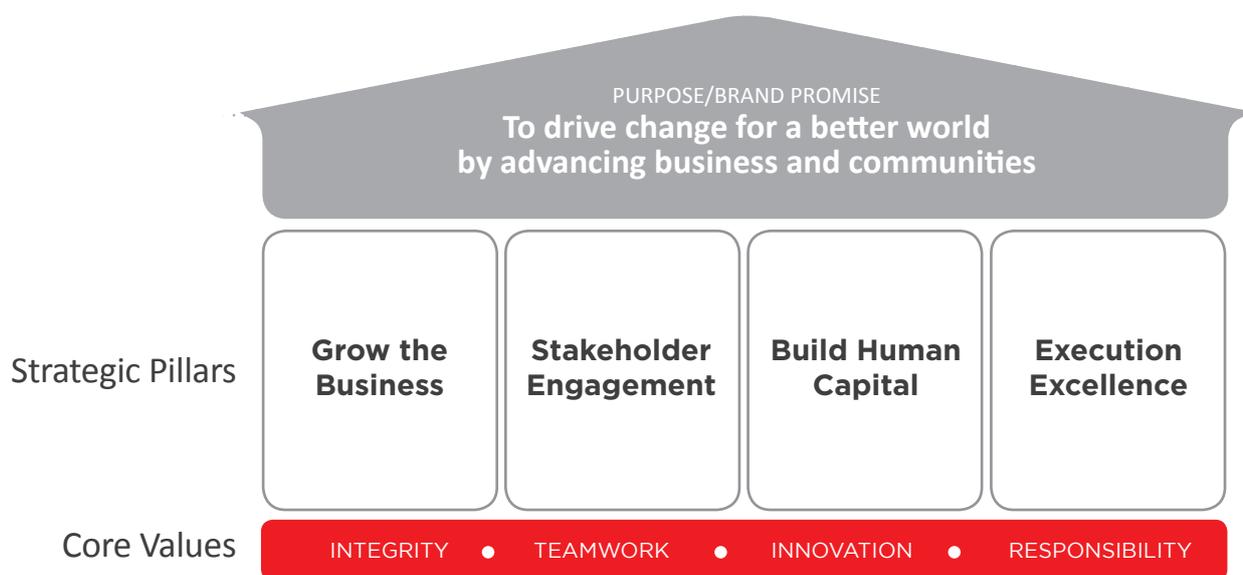
Our SBUs align to the Group’s strategic pillars, namely: grow the business, stakeholder engagement, building human capital, and execution excellence.

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

It is fundamental that both our shareholders and stakeholders benefit from our value-creation efforts. We continuously engage with all our stakeholders so they may progress in the same manner that our businesses grow.

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

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



Management Approach

Our sustainability policy and framework

Business thrives in a society that works. Our belief, therefore, is simple: business can be part of the solution, correcting social imbalances that may impede development. We operate with the intent to balance the triple

	FOCUS AREA	OBJECTIVE
PEOPLE Goal Partner with our stakeholders to create shared value	Team Member Engagement and Development	Attract, optimize, and retain A-People
	Corporate Social Responsibility	Partner with communities to promote inclusive growth
	Disaster Resilience and Preparedness	Increase the capacity of local government and the public in disaster preparedness
	Customer Focus	Provide a commercially sustainable customer experience
PLANET Goal Minimize our environmental impact	Carbon Emissions Reduction	Reduce Greenhouse Gas (GHG) emissions across facilities under our control
	Resource Efficiency	Manage resources efficiently
	Waste Management	Reuse and recycle
	Renewable Energy (RE)	Tap other RE sources and strengthen our RE portfolio with the development of more hydropower and geothermal capacity
PROFIT Goal Grow profitably	Financial Return	Grow profitably
	Financial Growth	Grow profitably

102-47, 103-1, 103-2

bottom line of sustainability – people, planet, and profit. Each has its own set of focus areas that define our framework, which we use to set targets, improve performance, and extend the scope of the value that we create.

MEASURE	TARGET	2017 RESULTS
Team members (TMs) employed ⁽¹⁾	More than previous year's number of employed TMs	30,815 TMs (includes non-direct hires)
TM satisfaction rating ⁽²⁾		40%
Average training hours per TM	40 hours	28 hours
Volunteerism	More than previous year's number of volunteers	72,168 hours
Retention rate (100% less turnover rate)	≥ 93%	90%
Number of beneficiaries	More than previous year's number of direct and group beneficiaries	651,766 direct and group beneficiaries
CSR fund allocation (PHP)	100% implementation of planned projects for the year	PHP456 million
CSR projects	100% implementation of planned projects for the year	1,863 CSR projects
Number of deployed automated weather stations nationwide	1,000 AWS	826 AWS
Trained individuals on weather for disaster preparedness (from media, public, and private sectors)		1,772 individuals
Customer satisfaction rating	More than or equal to "satisfied" rating (using a 5-point scale)	4.3
Customers served		8,306,015
Carbon productivity	More than previous year	0.39 PHP million revenue/ tCO ₂ e
Number of trees planted (cumulative)	9 million trees by 2020	5.7 million 9.8 million including RAFI
Water consumption (m ³)	Less than previous year's consumption	2,774,658 m ³
Energy consumption (MWh)	Less than previous year's consumption	611,682 MWh
Weight of waste materials recycled	More than previous year's recycled waste	32 tons
RE source capacity (net sellable capacity)	More than previous year's RE source	1,263 MW
Generating capacity from RE (net sellable capacity)	Ratio of RE to non-RE (%)	32% RE
Total Return to Shareholders	Achieve target	9%
Return on Equity	Achieve target	16%
Net Income After Tax		PHP21.6 billion
EBITDA		PHP57.0 billion

⁽¹⁾ The total number of team members employed includes both direct and non-direct hires of all business units in the Aboitiz Group.

⁽²⁾ In 2017, the Aboitiz Group shifted to the Gallup engagement survey.

Management Approach

Our sustainability journey towards advancing business and communities

		2009 - 2015
		Committing and Implementing Corporate Social Investment
	<h3>GOVERNANCE</h3>	<ul style="list-style-type: none"> • Formulated the group-wide sustainability policy • Developed and implemented the sustainability framework, focus areas, and their corresponding metrics • Adopted the GRI reporting framework • Established the Sustainability Council
	<h3>PEOPLE</h3> <p>Goal: Partner with our stakeholders to create shared value</p>	<ul style="list-style-type: none"> • Established WeatherPhilippines Foundation to help build a #WeatherWiser Nation • Launched Group core values – integrity, teamwork, innovation, and responsibility • Evolved from philanthropic to more sustainable CSR 2.0 programs
	<h3>PLANET</h3> <p>Goal: Minimize our environmental impact</p>	<ul style="list-style-type: none"> • Launched our flagship environmental programs: A-Park, Aboitiz Cleanergy Park, and Race to Reduce (R2R) • Started greenhouse gas (GHG) monitoring program • Launched the BetterWorld campaign • Strengthened the Safety, Health, Environment, and Quality (SHEQ) standards across the SBUs
	<h3>PROFIT</h3> <p>Goal: Grow profitably</p>	<ul style="list-style-type: none"> • Introduced shared value concept as a business strategy

2016 - 2017

2018 and beyond

Embedding Sustainability

Environment, Social, and Governance (ESG)

Fostering Inclusive Growth

Shared Value Portfolio Strategy

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

- Develop and implement 2020 CSR Roadmap across the Group through an integrated approach to projects that are innovative, measureable, scalable, and solution-focused
- Adopt the integrated reporting framework and participate in the integrated reporting of the country's UN SDG achievements

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

- Say, behave, and operationalize our culture, the Aboitiz Way
- Define our employer value proposition for talent attraction
- Continue transforming our businesses through digital technology to enhance customer experience, improve operational processes, and create new business models

- More active discussion about carbon management program at Group Mancom and Board level
- Launched the GHG accounting tool in AboitizPower
- Aligned BetterWorld with ABC campaign
- Upgraded SHEQ standards across the SBUs

- Implement carbon management program
- Scale up GHG accounting tool across the Group
- Continue applying international SHEQ standards to new projects

- Identified shared value initiatives of the Group:
 - *CitySavings' rural and microfinance banking through CitySavings' acquisition of FAIRBank and PR Savings Bank*
 - *UnionBank's Eureka forum, providing e-commerce education to MSMEs*
 - *Pilmico's sustainable backyard farming through Mahalin Pagkaing Atin (MPA)*
 - *Republic Cement's affordable housing initiative*
 - *AboitizLand's environmentally sensitive residential design pioneered in the Seafrent project*

- Harness existing shared value products and services and create new shared value initiatives through our businesses:
 - *Weather Solutions, Inc., a social enterprise offering technology-based weather products and services*
 - *AboitizPower Distributed Energy Inc.'s (APX) solar rooftop business*
 - *Apo Agua's bulk water business powered by mini hydro*
 - *Pilmico's inclusive corn sourcing program with local farmers*
 - *Increase the role of the Aboitiz Group in driving the sustainability agenda in industries where our businesses operate*

Management Approach



Our core value of innovation is at the heart of our digital transformation journey. Located at the Taguig Corporate Center, the a.lab (Aboitiz Lab) is designed to promote team member collaboration and interaction in an agile work environment.

Dialogue and value creation for stakeholders

Our strategic pillar of stakeholder engagement allows us to establish the foundation of our relationships with our team members, customers, shareholders, and communities. Our goal is to generate trust and sustain this as we engage in dialogues that further build on cooperation, partnership, and common aspirations of a better future.

Our stakeholder engagement and dialogue processes are multi-layered and mainly driven at the business

unit level. Our stakeholder-facing team members undergo training to fully embody the principles and processes of stakeholder relationship management (SRM) and communication.

Reviewing our stakeholder engagement processes and the multitude of engagement activities is an ongoing and evolving task for all concerned. We continue to share good practices internally and learn from both our challenges and achievements.

Our Stakeholder Engagement Process

	1 Identify	2 Understand	3 Engage
Stakeholder Engagement Process	<ul style="list-style-type: none"> Brainstorm to identify key stakeholders Identify all operations of the company and determine the participating stakeholder Stakeholders would be people who are affected by, have influence over, or have interest in our business 	<ul style="list-style-type: none"> Understand the stakeholders and their concerns Sample questions: <ul style="list-style-type: none"> – What motivates them most of all? – What information do they want from you? Develop Stakeholder Management Engagement Plan that would address relevant interests of each stakeholder 	<ul style="list-style-type: none"> Engage with stakeholders focusing on four key values: transparency, empathy, expertise and commitment The ultimate goal is to create a trust-based relationship with stakeholders

102-42, 102-43, 102-44

Key dialogue channels for stakeholders

Stakeholder	Channel
Team Members and Team Leaders	<ul style="list-style-type: none"> • Employee engagement survey • Townhall meetings, e.g. Coffee with the President • Discover Aboitiz (onboarding) • Bugsay Self-Driven Career Management Program • Aboitiz Talent Management System • Always Learning Program (Edcast-based continuous learning and training) • Digital platforms <ul style="list-style-type: none"> - Agora intranet - Livecasts, e.g. Superconversations with SMA, #fit4U livestreams, and Hour of R2R - Aboitiz Eyes • Recognition Night • Team Awards • Don Ramon Aboitiz Awards of Excellence • SBU-led programs: Inyovation, GoBeyond Communities, Values Taskforce • Whistleblowing channel • Focus group discussions • Coaching and mentoring • Leaders' Conference • Team leaders' quarterly meetings
Customers	<ul style="list-style-type: none"> • Customer satisfaction surveys • Customers' Night • Customer visits, dialogues, and consultations • Pilmico Junior Veterinary Medicine and Agriculture Congress • Pilmico Veterinary Care Caravan • Mahalin Pagkaing Atin Caravan • Social media engagement and campaigns
Suppliers and Partners	<ul style="list-style-type: none"> • Brokers' Night • Bankers' Night • Insurers' Cocktails • Service level agreements • Safety orientations and briefings • Safety passport • Fair dealing policy compliance orientations
Shareholders	<ul style="list-style-type: none"> • Annual Stockholders' Meeting • Shareholder services • Analysts' briefings • Non-deal roadshows and one-on-one meetings • Conference calls • Quarterly reports and disclosures
Communities	<ul style="list-style-type: none"> • Business unit-level community interactions • Community visits • Partnerships and collaborations with relevant national government agencies, NGOs, academe, and other institutions • Trainings and capability building • Brigada Eskwela and CSR Christmas Outreach • Aboitiz CSR Forum • League of Corporate Foundations CSR Expo
Government and Regulatory Agencies	<ul style="list-style-type: none"> • GovRel Executive Conference Series • Innovation in Governance Academy • Government relations bulletin • Roundtable discussions • Public-private partnerships to support government thrusts on economic, social and environmental development
Media	<ul style="list-style-type: none"> • Newsroom visits • Media rounds • Participation in media-organized events • Movie block screening/concerts • Media Golf Tournament • Aboitiz Triathlon • Pilmico Bake-Off (with Envi/Agri Beat) • Media parties (Manila, Cebu, Davao) • Sponsorship events, e.g. BWorld Economic Forum, Cebu Press Freedom Week • Media roundtable discussion and press conferences • Business facility tours (power plants, farms, etc.)

102-33, 102-34, 102-40

Management Approach

Strengthening our organizational resilience

102-15, 103-1, 103-2

In 2017, the AEV Risk Management Team implemented several initiatives across the Aboitiz Group to further build organizational resilience in response to environmental shifts.

Capability Building

We engaged internal and external experts to conduct trainings on information security, business continuity, emergency response and business interruption. Also, several sessions of the Family Preparedness training were conducted to extend the risk and incident response management to our team members' families. All in all, we conducted 143 trainings with a total of 1,134 attendees in 2017.

Information Security Risk Management

In recent years, Information Security has been one of the top risks for the Group. To address this, we began developing policies on Information Security Management System (ISMS) in 2016. This was continued in 2017 as the initiative was cascaded and implemented across several business units. AEV engaged a third party consultant to help the Risk Management Team in the rollout of ISMS across the Group. It is expected to be completed by December 2018.

A gap analysis will be conducted to serve as our baseline when we evaluate our ISMS initiatives.

The Road to Organizational Resilience



Moving forward, we will identify what steps to take to address the gaps in order to reach an acceptable level of information security maturity. To further mitigate cyber security risks, an IT security roadmap was developed and is currently being rolled out across the Group by our IT team.

Business Continuity Management

In 2017, we engaged a third party to conduct a Business Continuity Audit that aims to assess the BCM maturity of the Group and its business units, as well as their conformity to ISO 22301:2012. Similar to the ISMS initiative, the output of the audit is a Business Continuity Roadmap that will be the basis of our subsequent BCM initiatives for the next three years.

We have also continued with our BCM maintenance activities including the regular BCM testing, and the review and revisions of BCP documentation. It was also in 2017 that we continued to enhance the

regional business continuity plans that are vital for the provision of mutual aid and location-specific support in our widely dispersed business locations.

In 2018, we will work towards shifting our focus from value protection to value creation by taking advantage of the technology and expertise available to us. In doing so, the Risk Management Team becomes a strategic partner and an enabler for the organization to further grow the business.

We will continue to implement an integrated management system enabled by a GRC (governance, risk and compliance) technology that will form part of our digital transformation efforts. We will also take a look at our risk maturity as a group, best practices for replication, and identify areas for further improvement. All of these will be done with the end goal of building a resilient organization, which is aligned to the Group's promise of advancing business and communities.



The Aboitiz Group consistently seeks programs and systems to further build our organizational resilience.

Management Approach

The combined assurance and three lines of defense

We have adopted the combined assurance and the Three Lines of Defense approach. Combined assurance is defined by the Institute of Internal Auditors (IIA) as the integration and alignment of assurance processes so that senior management and audit and supervisory committees obtain a comprehensive, holistic view of the effectiveness of their organization's governance, risks, and controls to enable them to set priorities and take any necessary actions.

It supports organizational objectives because assurance efforts are directed towards risks that impact on systems and processes most critical to the organization. Efficiencies are enhanced by the sharing of lessons learned, better resource allocation, and greater coverage by doing away with unnecessary duplication of efforts and resources.

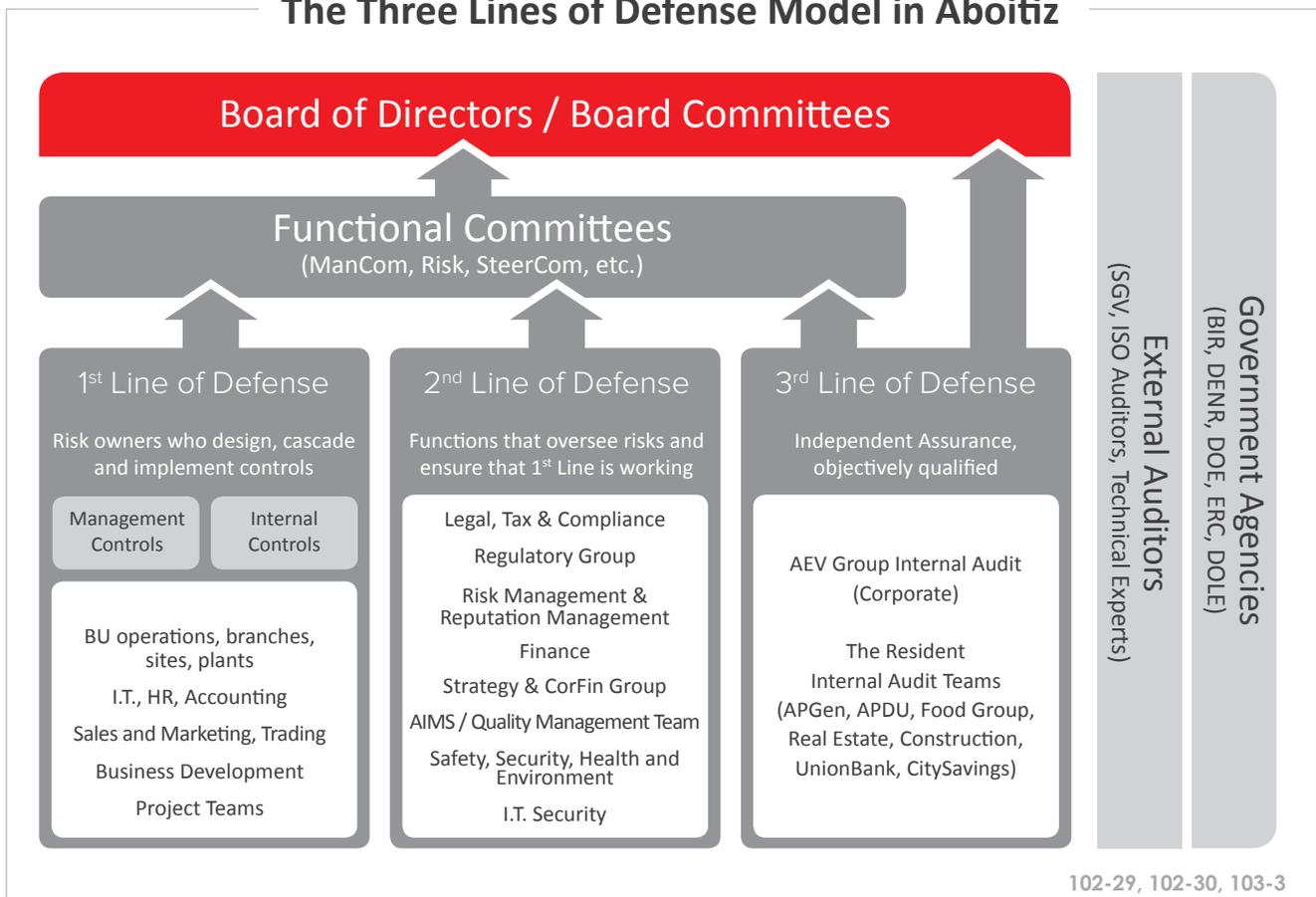
There are three parties to the combined assurance framework: management assurance, external assurance, and internal assurance.

A closely-related framework used by the Aboitiz Group is the Three Lines of Defense, which involves management, internal assurance and external assurance providers.

The board and senior management rely on the line functions to provide monitoring and assurance within the organization.

The first line of defense lies in the frontline functions that handle the day-to-day management of risks. The control environment, systems and culture developed and implemented by these functions are crucial in

The Three Lines of Defense Model in Aboitiz





APRI's 2017 Safety and Skills Olympics is one of the many programs implemented by the Group to equip our team members as the first line of defense in mitigating operational risks.

anticipating and managing operational risks. The first line is really the key to success.

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

Finally, the third line of defense provides independent assurance. This is provided by the independent and objective internal audit function that has a direct reporting line to the Board. Internal Audit provides a level of independent assurance that the risk management and internal control framework is working as designed. This is also provided by external third parties like SGV external auditor, ISO auditors, technical experts, and government agencies.

The three lines of defense integrates management and internal assurance in the combined assurance framework. The third party to the combined assurance framework—the external assurance—is provided by regulators and external auditors that include not only the financial auditors but also ISO-quality auditors and technical experts.

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

Management Approach

Environmental management through better processes and systems

103-1, 103-2

Environmental management is a key feature of the Aboitiz Group's sustainability strategy and forms part of our business model. Our subsidiaries and business units are subject to extensive, evolving, and increasingly stringent safety, health and environmental laws and regulations. We have designated pollution control officers in our different business units who monitor compliance with the requirements of these regulations.

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

Therma South, Inc. celebrated the achievement of 1-million safe manhours without lost time injury (LTI) by the second half of 2017. Work on AboitizPower's baseload power plant in Toledo City, Cebu, reached 20 million man-hours without a single LTI.

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

The Aboitiz Integrated Management System represents our commitment to implement our Information Security Management System, which safeguards the confidentiality, integrity and availability of company information. We also implement the Quality Management System, which ascertains that systems are always updated and improved across our corporate service units.

For AboitizPower, our alignment to international best practices in all power plants are exemplified by a 100% achievement of ISO certification for the management systems of Quality, Environment, Occupational Health and Safety.

Certifications in 2017

CORPORATE	POWER		
<p>AEV Data Center Certification ISO 20000-1:2011 ISO 9001:2008</p>	<p>Hedcor Sibulan ISO 55001</p>	<p>Davao Light ISO 9001:2015</p>	<p>Therma South, Inc. ISO 9001: 2015 ISO 14001: 2015 BS 18001:2007</p>
<p>UnionBank ISO 9001:2015</p> <p>LEED Platinum for Olongapo Branch</p> <p>LEED Gold for branches in Tacloban, Angeles, Batangas City, Bonifacio Global City 3rd St., Bonifacio Global City 26th St., Cebu Mactan New Town, and Cebu Time Square</p>	<p>LEED-certified branches in Angeles City, Pampanga (Gold), Batangas (Gold), Bonifacio Global City 3rd Avenue (Gold), BGC 26th Street (Gold), Cebu Mactan Newtown in Cebu City (Gold) and Cebu Time Square (Gold).</p> <p>PETNET ISO 9001:2015</p>		<p>CONSTRUCTION</p> <p>Aboitiz Construction ISO 9001:2015 ISO 14001:2015 BS 18001:2007</p>
	<p>FOOD</p> <p>Pilmico Feeds ISO 9001:2015</p> <p>HACCP (Codex Alimentarius HACCP/ CAC/RCP-1-1969/Rev 4-2003)</p>		

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

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

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

Beyond compliance

Our partnership with the Department of Environment and Natural Resources (DENR) for the National Greening Program targets to plant 9 million trees by 2020. As of yearend 2017, we have planted 5.7 million trees. In October 2017, we forged a combined PhP46-million partnership with the Philippine Business for Social Progress (PBSP) and the Ramon Aboitiz Foundation Inc (RAFI) to hit our 9-million target.

Through our Race to Reduce (R2R) program, we and our business units continuously monitor our consumption of power, water, and paper. To bring the resource efficiency mindset to our team members, we ran our version of the No Impact Project global initiative titled Aboitiz No Impact Challenge. It displaced a total equivalent of 204 million grams of carbon by our voluntarily participating in simple lifestyle choices that promote wellness while reducing carbon footprint.

Our waste management campaign, in partnership with the National Youth Commission, encourage young stakeholders to come up with green design solutions through the interschool competition called Green Fashion Revolution. In 2017, this was ran in Cebu and Manila with University of the Philippines-Cebu and School of Fashion and the Arts (SoFA Institute) winning the competition, respectively.

In 2017, the Aboitiz Cleanergy Park saw the highest number of discovered nests and hatchlings released ever since it was established in 2014. From the 11 nests found in 2017, a total of 1,450 pawikans have been released, beating the record of 1,301 hatchlings released in 2014. The Aboitiz Cleanergy Park is an eight-hectare ecological preserve located in Davao City. Known as an urban-based biodiversity conservation site, it is home to the critically endangered Hawksbill turtle (*Eretmochelys imbricata*), endemic and migratory birds, and marine species.

Our Cleanergy Center, which is located within the MakBan geothermal power complex in Laguna and Batangas has welcomed more than 37,000 visitors who have discovered how AboitizPower contributes to the Philippines' renewable energy program. The 650-square meter interactive museum seeks to educate young Filipinos on renewable energy and how AboitizPower is providing energy solutions that leave a lighter impact on our environment and host communities.

Another similar learning center is now open in Davao City. Operated by Therma South, Inc., a subsidiary of AboitizPower, the Energy Education Center is making energy and science education more accessible to students who are not near the city center. Displays in the center include the process and nature of the circulating fluidized bed, scale models of the boiler and of the power plant, the Mindanao power structure and the history of AboitizPower, and power generating technologies.

Management Approach

Attracting, optimizing, and retaining the right talent

103-1, 404-2

Our Group’s human resources team is at the forefront of building human capital through programs that are centered on attracting, optimizing, and retaining talents who believe in our purpose, are aligned with our values, and thrive in our culture.

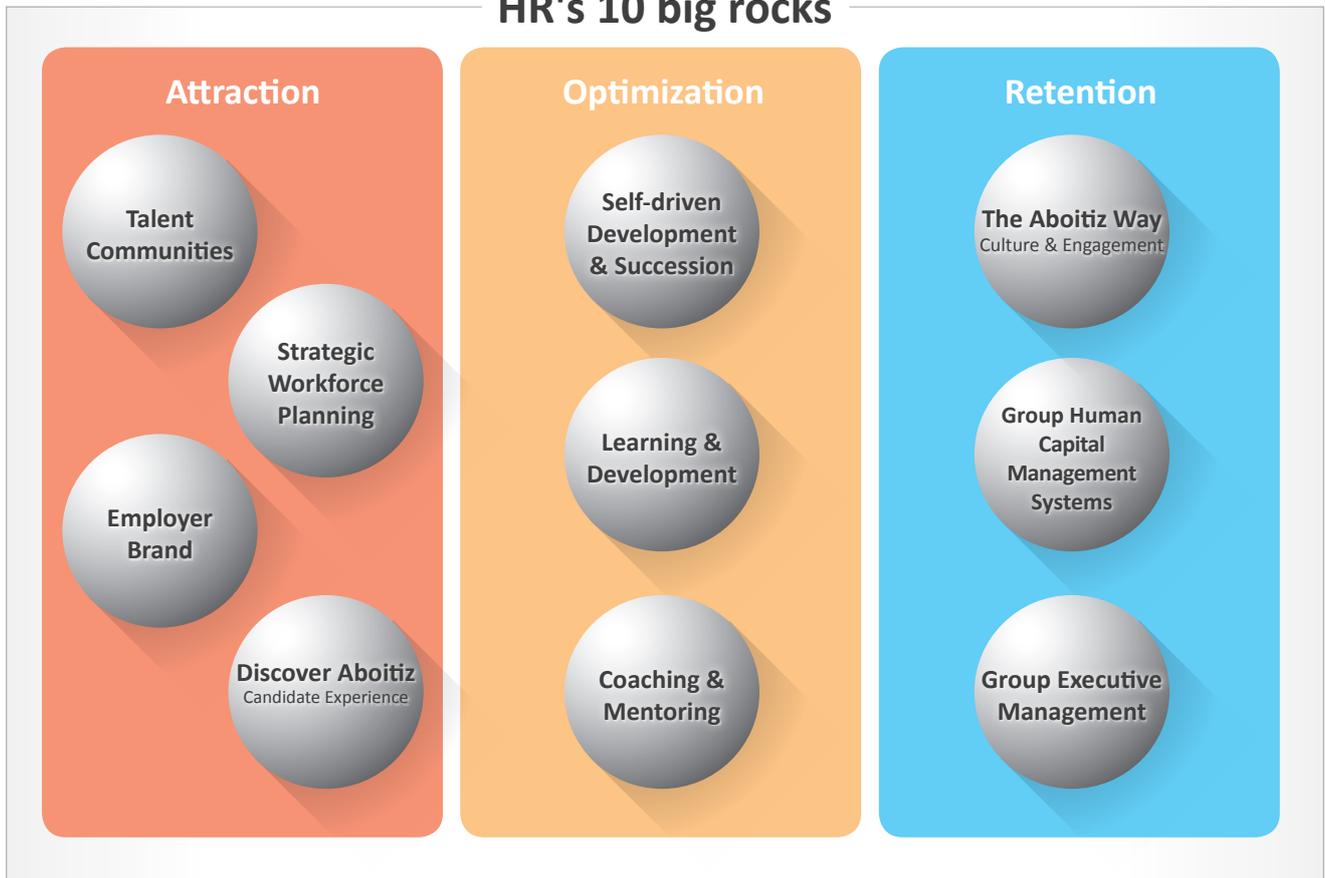
We commissioned Gallup, an independent research-based consulting firm, to help us do a baseline assessment of employee engagement and the alignment of our purpose, brand, and culture. Results showed that we are “above average” for having involved, committed, and enthusiastic team members. We, however, are quite behind when benchmarking ourselves against the best globally and in the Asia Pacific region, and we are interested in how we are faring among the best.

We see this as an opportunity to go “from good to great”, prompting us to take steps to narrow the

gaps and raise the level of engagement among our teams. Throughout 2017, we took steps to make employee engagement a priority objective among our team leaders, who are now held accountable to take full responsibility for engagement. Building and maintaining employee engagement requires organizational commitment and we are now embarking on establishing frequent engagement pulses and highlighting actionable and comparable data so leaders can identify areas and focus on what is important.

We turned to our team member development programs and used them as springboards for engagement. One such program is the Bugsay principle of self-driven development, which is inspired by the philosophy of Roberto E. Aboitiz. Bugsay, the Cebuano word for paddle, symbolizes a powerful life tool. It enables a person to make progress in life, but

HR's 10 big rocks





During the 2018 Aboitiz Leaders Conference, 190 of the Group's top leaders were gathered to discuss culture and their role in creating a culture that performs.

requires making distinct decisions: determine where you want to go, pick up your paddle and apply effort, stroke by stroke, to get there.

Bugsay follows the 80-20 principle: 80% of career success comes from hard work and one's own efforts. The other 20% comes from the support of others: team leader, mentors, and resources provided. In addition, the quality of the 20% is totally dependent on the 80% each of us puts into it. The program is stirring a whole new mindset of being in charge of one's own advancement. It has opened up wider career opportunities for many early adopters. We are excited to see this program mature.

This self-driven mindset is supported by our succession management and coaching and mentoring programs. We invest in workplace coaching and mentoring to nurture a pipeline of future leaders, who will be able to acquire the skills and attitude required to take on bigger roles within the company. A positive indicator of the potential of the self-driven mindset is that our top leadership positions have consistently been occupied by 70% homegrown talents and 30% external hires, indicating that we have done a great job of retaining and optimizing talent over the years.

Meanwhile, providing a digital learning platform called #AlwaysLearning, has introduced more development opportunities for everyone, allowing

our team members to access on-demand, bite-sized modules to support continuous improvement.

The second Aboitiz Leaders Conference was held on February 26, 2018 and it again brought together the executives and top leaders for what our Group Chief Executive Officer Erramon I. Aboitiz described as an opportunity "to refresh ourselves about how an Aboitiz leader is expected to lead." Anchored on this, the discussions focused on the Aboitiz culture and the role of leaders to protect, preserve, and promote it. More specific is the role our leaders play in operationalizing the Aboitiz Way. The Leadership Council was formally announced at the conference. Composed of select leaders from AEV and its SBUs, the council identifies and champions initiatives that will deepen the collective competence and effectiveness of the Aboitiz Group's leadership.

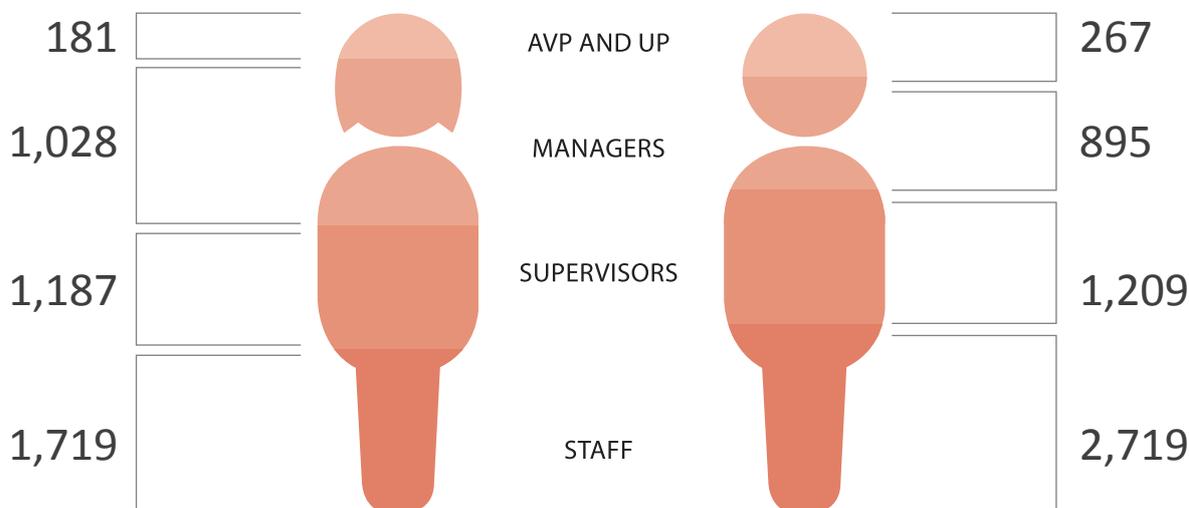
A critical strategy to building human capital is increasing our ability to attract the right talent with the power of a strong employer brand. For this program, we partnered with Universum, a leading global employer branding consulting group to formulate our employer value proposition, one that our target talents will understand and appreciate. In December 2017, we kicked off with an extensive talent market and employee survey covering three Asian countries, six business industries and target demographics. We expect to complete the process in the middle of 2018.

2017 Talent Analytics ⁽¹⁾

102-8

By Gender vs. Level

Total number of TMs in Aboitiz Group



	Corporate		Power		Banking		Food		Land	
	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male
Staff	90	100	574	1,643	812	646	173	248	70	82
Supervisors	31	35	109	387	918	590	62	126	67	71
Managers	52	38	59	162	843	602	27	44	47	49
AVP and up	28	45	39	90	96	97	12	16	6	19

By Region ⁽²⁾

Luzon

Corporate	320
Power	1,443
Banking	3,520
Food	409
Land	203

5,895

total number of TMs in Luzon

Visayas

Corporate	80
Power	715
Banking	489
Food	57
Land	208

1,549

total number of TMs in Visayas

Mindanao

Corporate	19
Power	905
Banking	595
Food	229
Land	0

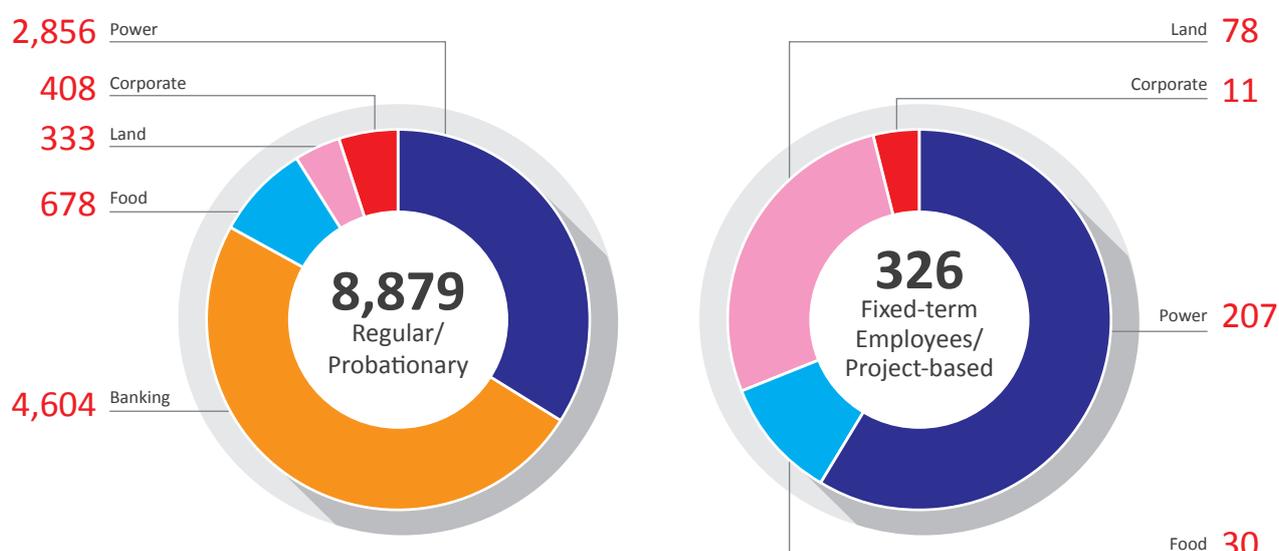
1,748

total number of TMs in Mindanao

⁽¹⁾ The scope includes the 9,205 direct hires of the strategic business units. The remainder of the Group's 30,815 team members are non-direct hires of the SBUs and team members of other business units outside the scope of the report.

⁽²⁾ 13 team members of the Food group are stationed outside the Philippines.

Employment Type



Ages



Years of Tenure

Years of Service	Corporate	Power	Banking	Food	Land	Total
<1	56	266	896	160	104	1,482
1–5	191	1,119	1,454	298	207	3,269
6–10	93	893	1,066	135	50	2,237
11–15	40	360	502	60	25	987
16–20	11	74	291	30	11	417
21–25	7	162	306	11	10	496
>25	21	189	89	14	4	317

Corporate Governance

Aboitiz 2017 Corporate Governance Report: Gaining Traction in Advancing Business and Communities

It was a notable year in corporate governance for the Aboitiz Group in 2017. Aboitiz Equity Ventures, Inc. (AEV) was awarded the first-ever award for Best in Compliance and Ethics Program by the Philippine Stock Exchange (PSE), while Aboitiz Power Corporation (AboitizPower) received the PSE Bell Award for Corporate Governance for the second year in a row. There were also no recorded deviations from, or violations of the Amended Manual on Corporate Governance (the “Manual”), the Code of Ethics and Business Conduct (the “Code of Ethics”), or any other company governance and compliance policies and protocols.

These were achieved amidst a stricter regulatory environment and affirm the Group’s commitment to corporate governance, its strong purpose, differentiated brand, rich culture, and unwavering core values.

The Aboitiz Group also launched its new purpose in 2017 – to drive change for a better world. This articulates the group’s long-standing practice of leading, influencing, and driving change to improve lives in the communities where it operates and, the nation as a whole. Every action and decision, at the macro and micro level, must somehow contribute to this purpose, which has inspired the Group to excel in, and actively pursue growth in its core competencies - power, banking and financial services, food, infrastructure, and land.

This Group purpose also added another challenging but rewarding dimension to why and how we do things. Not only must an investment provide reasonable rates of return, it must also address how to drive change for a better world. Each strategic business unit implements this purpose in a way that complement its own operational objectives and uplifts its host communities. At the individual level,

it is a shared commitment and a standard which each team member is expected to live up to in their professional and personal lives.

Aboitiz Corporate Governance Guiding Principles

Manual on Corporate Governance

AboitizPower and AEV each have their own manual, as approved by their respective Board of Directors. Each manual is regularly reviewed and updated to ensure that company policies are at par with the best corporate governance practices. Each manual is considered as the constitution of AEV and AboitizPower respectively, institutionalizing the principles of good corporate governance across the Group. It also lays out the compliance plan for the Group and ensures that each company’s directors and key officers are highly qualified, experienced, and respected professionals who can contribute and share their expertise in all relevant matters affecting the Group’s businesses.

Key Company Policies

Each manual is supported by various company policies that are regularly reviewed and issued by the Board of Directors. Among these policies are the Code of Ethics, Revised General Trading Policy, Whistleblowing Policy, Conflict of Interest Policy, Data Privacy Policy, and Related Party Transactions Policy. The Board of Directors believes that commitment to the Code of Ethics is the best foundation for each team member’s actions. To this end, in 2017 the Corporate Governance Committee required all team members to attend a cascade of the Code of Ethics to ensure that they are aware of and understand it.

Team members also signed an affirmation that they have read the Code of Ethics and that they undertake to abide by the commitments indicated therein. As of December 31, 2017, all team members across the

Group had attended the cascade. Digital modules of the Code of Ethics were also created for easy group-wide dissemination.

The Revised General Trading Policy supplements the commitment under the Code of Ethics to prevent the misuse of inside information and emphasizes reporting and disclosing material information, and the rule on prohibited insider trading. In addition, AEV and AboitizPower, as listed companies, are required to report transactions on the companies' shares by directors and officers. To ensure strict compliance with this requirement, directors and officers are advised of their disclosure obligations during their on-boarding with the Group. The Compliance Officer also sends out a monthly reminder to the directors and officers to disclose their transactions. There was zero incident of non-compliance with this requirement in 2017.

The Whistleblowing Policy is perhaps the most important policy enacted in 2017. Pursuant to this policy, any person can report alleged wrongdoings through an internal portal, AGORA, or through the relevant company's website. Reports submitted through the whistleblowing platform is discussed by the Corporate Governance Committee and, if necessary, by the Board of Directors as a whole. The whistleblower, depending on the nature and seriousness of his complaint, has the option to address a complaint to any of the following officers: Chairman of the Board of Directors, President or Chief Executive Officer, Lead Independent Director, Chief Compliance Officer, or Group Internal Audit Head.

The amended Conflict of Interest Policy promotes an ethical corporate culture where team members focus on their role in advancing each company's interest and that of its stakeholders. Under this policy, directors, officers, team leaders, and team

members are prohibited from taking advantage of access to corporate property and proprietary information for personal gain, and are encouraged to promptly report any potential relationship, action or transaction that may give rise to a conflict of interest to the Human Resources Department or to the Compliance Officer. All directors are also required to abstain or inhibit themselves from any Board discussion or decision on matters that affect or have relevance or relation to their personal, business, or professional interests.

Rights of Shareholders

The rights of shareholders are given paramount importance in AEV's and AboitizPower's respective by-laws, Code of Ethics, and manual. These documents, in addition to the key governance policies mentioned earlier, ensure the protection of shareholder interests and concerns, as well as the free exercise of shareholder rights. All shareholders of AEV and AboitizPower, regardless of the number of shares they own, have the right to, among others receive notices and attend shareholders' meetings; participate and vote in shareholders' meetings on the basis of the one-share, one-vote policy; nominate and elect directors to the Board; cumulate their votes for directors; inspect corporate books and records; vote in person or in absentia through proxy; receive dividends; and ratify corporate action.

The Aboitiz Group believes that the rights and interests of minority shareholders are aligned to that of the controlling shareholders, not only in terms of returns on their investments, but also in the sustainability of the businesses. AEV and AboitizPower take exceptional efforts in ensuring that their shareholders receive timely public information affecting the businesses they have invested in, and that everyone receives their

Corporate Governance

dividends in accordance with each company's established dividend policy.

The commitment of AEV and AboitizPower to their shareholders' rights is evidenced by their well-defined and published dividend policies, the regular holding of the annual shareholders' meetings, the timely and accurate disclosures with the Securities and Exchange Commission (SEC), the Philippine Stock Exchange (PSE), the Philippine Dealing Exchange (PDEX), and the scheduled annual investor relations roadshows and analysts briefing, and corporate governance communications. The Board Secretariat of AEV and AboitizPower closely coordinate with the companies' stock transfer agent to ensure appropriate responses and the immediate resolution of shareholders' queries and requests brought to their attention. The Board Secretariat has adopted certified Board protocols and procedures under ISO 9001:2015 Management Board and System to ensure the effectiveness of Board and shareholders commitments.

Selection of Directors and the Conduct of Shareholders' Meetings 102-23

The Board of Directors of AEV and AboitizPower encourage active shareholder participation by sending, at least 28 days before the annual shareholders' meeting (ASM), the notice of shareholders' meetings and all agenda items to be discussed and decided upon during the annual meetings. The notices, agenda and the rationale for each agenda item are also made available on each company's website. Comprehensive profiles of the nominee directors are disclosed in advance so that the shareholders can evaluate their suitability to the positions prior to voting during the ASM. Sample proxies are also available for download from the relevant website for shareholders who cannot attend the meetings in person.

In addition, at least 15 business days before the ASM, AEV and AboitizPower send out hard copies of notices, agenda, sample proxies, and copies of

the Information Statement to shareholders whose contact details are available. Copies of the integrated annual report are provided during the annual shareholders' meeting. Each company's Information Statement, as well as its annual report, are also uploaded to their respective websites.

The registration and voting for the ASM for both AboitizPower and AEV have gone fully digital. Shareholders need only to present an acceptable identification card in order to register. Results of the voting, as verified by an independent Board of Election Inspectors, are digitally tabulated and disclosed to the assembly within minutes of the completion of the voting. Results of the ASM are also uploaded to the respective websites of AEV and AboitizPower one day after the ASM. No new agenda items are taken up during the meeting, other than those indicated in the agenda previously circulated to shareholders.

At the 2017 ASM, the Board of Directors, the Chief Executive Officer, Chief Financial Officer, the independent auditors, the stock transfer agent, and other key officers of AEV and AboitizPower attended and made themselves accessible and available to answer questions that shareholders and investors raised. Questions from shareholders on the floor were encouraged by the Chairman of the meeting.

After the 2017 ASM, shareholders, as well as other stakeholders, evaluated the conduct of the meetings. They were given the opportunity to rate, from the registration, the venue, presentation, even to the food and refreshments served during the meetings. Any suggestions for improvement were evaluated and discussed by the ASM team in a post-mortem meeting.

Fair Dealing for All Shareholders

To ensure that directors, officers, and even majority shareholders do not take advantage of their position of knowledge in AEV and AboitizPower, related-

party transactions and amounts are fully disclosed in notes to the audited financial statements. The Related Party Transaction (RPT) Policy and the RPT Committee also ensure that related party transactions are reviewed prior to their approval to confirm that they are conducted on an arms-length basis and at market prices.

AEV and AboitizPower also strictly enforce the Amended General Trading Policy, and prevent insider opportunities through a regular and timely trading blackout. The directors and management teams of both AEV and AboitizPower are quite vigilant in ensuring that insider trading and trading blackout rules are followed by team leaders and team members who are privy to sensitive transactions. Trading blackouts are imposed every time AEV and AboitizPower are scheduled to release the quarterly and full-year financial results, as well as when material transactions are expected to be disclosed.

The respective websites of AEV and AboitizPower also contain comprehensive information about their directors and key officers, the operations of their business units, the programs and activities of the business units in their respective host communities, various policies and corporate governance practices, as well as the copies of the disclosures for previous years and the materials presented during the analysts' briefings. The information is meant to convey correct, updated, and useful information about AEV and AboitizPower, their management and operations, to their shareholders and other stakeholders.

Role of Stakeholders

The Group's purpose shows the importance that Aboitiz puts in its stakeholders. The business models of AEV and AboitizPower are anchored on sustainable growth of their businesses with full engagement of their stakeholders. Key stakeholders include: team leaders and team members who work toward achieving business strategies; host

communities of the companies and business units; local government units that support and host the Group's businesses; regulators of the businesses; customers whom they serve; and the environment that sustains growth.

The Code of Ethics of AEV and AboitizPower embodies each company's commitment to the principles of fair dealing with stakeholders. It provides an ethical compass for their day-to-day activities, and clearly articulates each company's commitment to compliance with laws and regulations; equitable treatment of stakeholders; fair dealing; sustainability; protection of corporate assets and interests, and avoiding conflict of interest; handling of proprietary and confidential information; truthful disclosure of material information with transparency in the best interests of shareholders and the public; and commitment to sustainable business practices.

AEV and AboitizPower strictly enforce their Code of Ethics as an integral element of corporate culture. The Code applies to all directors, officers and employees, and violations of the Code may be a subject of a whistleblowing report by any stakeholder and can also result in disciplinary proceedings against erring officers and employees.

Social Development + Environmental Stewardship for Sustainability

The Aboitiz Group launched its Sustainability Policy in 2013, in the belief that all stakeholders must be treated with fairness and that corporate social responsibility (CSR) is an integral part of doing business. The Group also launched the BetterWorld campaign in 2014 to encourage all stakeholders to adopt this policy for sustainability. In 2015, the Group began its journey towards the Creation of Shared Value as a corporate culture. (See Sustainability Report at www.aboitizfoundation.org).

Corporate Governance

102-18, 102-19, 102-20, 102-21, 102-22, 102-24, 102-26

Through the Aboitiz Foundation, Inc. (Aboitiz Foundation), the Aboitiz Group is pursuing concrete projects to fulfill eight out of the 17 United Nations' Sustainable Development Goals, namely: no poverty, zero hunger, good health and well being, quality education, responsible production & consumption, climate change, life below water, and life on land.

The Group is especially proud of its track record in CSR commitments. AEV and AboitizPower, through their business units and through the Aboitiz Foundation, have long standing and deeply rooted practices, commitments, and partnerships in the field of CSR. Over the past 10 years, the Group has invested PHP10 billion in CSR programs that are focused on education, enterprise development, and the environment. For 2017, Aboitiz Foundation budgeted approximately PHP455 million for its CSR projects funded by AEV and AboitizPower business units. (See Aboitiz Foundation Report on its website).

In 2017, WeatherPhilippines Foundation continued to strengthen its promise of advancing business and communities by helping build a #WeatherWiser nation. It has expanded its network of partners, improved their technological services with the release of a new mobile app version, and an enhanced website. It also engaged more communities in their weather trainings conducted nationwide.

Disclosure and Transparency

The Boards and Management of AEV and AboitizPower believe that good governance practices, especially in the areas of disclosure and transparency, elicit the trust and confidence of stakeholders. The Group puts a premium on its collective reputation and works to keep the well-earned trust it has gained from stakeholders over the years.

Pursuant to the Group's commitment to transparency and accountability, AEV and AboitizPower continue to improve their respective dedicated corporate governance pages on their websites (www.aboitiz.com).

and (www.aboitizpower.com). These web pages contain company information such as the annual corporate governance reports, annual reports, company disclosures and reports, the Board Committees, the Manual on Corporate Governance, Code of Ethics, minutes of the ASM, Investor Relations information, and other relevant information to stakeholders. Any disclosure, once approved by PSE and filed with the SEC, is immediately uploaded to the relevant website. The websites serve as resource centers for shareholders and other stakeholders, and also as a means for shareholders to contact each company.

Aboitiz Corporate Governance Structure

The Role of the Board of Directors

The Board of Directors of each of AEV and AboitizPower is responsible for fostering the long-term success of the company and securing its sustained competitiveness in a manner consistent with its fiduciary responsibility, which it exercised in the best interest of the company, its shareholders and stakeholders. To perform this critical function, AEV and AboitizPower directors are drawn from a pool of highly qualified professionals, and subject matter experts to contribute to the management and operations of each company. They are a group of engaged and focused individuals who actively participate at regular and special meetings, either in person or through the use of video and teleconferencing.

The AEV and AboitizPower boards each include three independent directors and six independent-minded executive and non-executive members, all of whom have diverse professional backgrounds, such as in economics, corporate finance, engineering, accounting, audit, investment banking, and experience in chief executive and chief operations, in private, government and multilateral agencies sectors, as well as in policy-making bodies.

The Corporate Governance Committee also acts as a nomination committee and, oversees the selection of candidates for directors. The selection process involves the nomination of directors by both controlling shareholders and minority shareholders who actively participate in the process. Minority shareholders nominated the independent directors for the 2017-2018 term. The criteria for selection of the nominated independent directors include not only their expertise and professional backgrounds, but also their track record for being independent-minded, for their strategic thinking, and their understanding of the drivers of the companies' businesses. The Corporate Governance Committee then approves the nomination by shareholders of executive and independent directors for endorsement to the shareholders. Directors are then elected at the ASM by personal vote or by proxy. A Proxy Validation Committee validates all proxies prior to the ASM.

To further broaden the directors' depth of knowledge and industry competence, the Group organizes seminars, lectures, and orientations on highly technical topics unique to or relevant to the Aboitiz Group's businesses. For example, the Group sponsored the Philippine Pan-Asia Risk and Insurance Management Association Conference in March 28, 2017, and directors and key officers of AEV and AboitizPower were invited to attend. Those who were unable to join the conference attended the Aboitiz Executive Briefing and Corporate Governance Seminar held on March 29, 2017. These topical seminars and conferences are considered part of the compliance by directors and officers with the SEC requirement on the attendance of seminars on corporate governance. In addition to the SEC-mandated seminar on corporate governance, directors and key officers also regularly participate in Philippine economic briefings, reviews of the Aboitiz Group's strategic objectives and identified business strategies.

In line with each manual's requirements, each Board of Directors ensures that the strategic

business directions of the relevant business units are consistent with the Group's overall goals and strategies. In 2017, the AEV Board of Directors updated the company's purpose statement to reflect the company's new group purpose to drive change for a better world by advancing business and communities, and creating long-term value for its stakeholders. The AboitizPower Board of Directors also articulated its vision, "For a Better Future" and its mission in the company's manual.

The meetings of the Board of Directors of both AEV and AboitizPower are conducted using the latest digital board management tools. Each board continues to use the services of Diligent Board Books to facilitate the distribution of materials and expedite collaboration among directors. Materials for board meetings are uploaded at least five days before the meeting. This ensures that the directors, wherever they might be, will have access to the presentation materials to prepare for meaningful and productive meetings and eliminates the need to print voluminous presentation materials. The Board Secretariat is also closely coordinating with the service provider of Diligent Board Books to allow electronic attendance and voting during the board meetings.

Board Committees

AEV and AboitizPower each have four Board committees that assist the Boards in their oversight responsibility over the Aboitiz business units - the Board Corporate Governance Committee, the Board Risk and Reputation Management Committee, the Board Audit Committee, and the newest committee, the Board Related Party Transactions (RPT) Committee. All three independent directors sit in each committee, and except for the Board Risk and Reputation Management Committee, comprise a majority of the membership. Each committee has its own charter and implements or oversees an important aspect of corporate governance for the Group. All Board and Committee charters are available for viewing at the AboitizPower and AEV websites.

Corporate Governance

102-18, 102-19, 102-22, 102-24, 102-26

In 2017, the Corporate Governance Committee reviewed and proposed a new charter for the Board of Directors and committee charters for the Corporate Governance, Audit, Risk and Reputation Management, and RPT Committees. The committee also drafted and approved new policies – the RPT Policy, Covenant for Business Partners, Third Party Service Provider Business Conduct and the Conflict of Interest Policy. The last three policies are undergoing further review by management. The committee also proposed amendments to the manual on Corporate Governance, Whistleblowing Policy, General Trading Policy, and the Guidelines on the Nomination and Election of Directors approved by the Board of Directors. The amended policies are available for download at AboitizPower and AEV websites.

The Board Audit Committee continued to perform its duty of providing oversight over the company's financial reporting policies, practices and controls, and over the internal and external audit functions necessary for making good audit-related decisions. AEV's Group Internal Audit team hosted a 2017 Audit Forum with the theme "The Role of Internal Audit in Advancing Business and Communities." The activity was well attended by the Board of Directors, senior management, and Aboitiz Group auditors. The Audit Forum is held every other year in order to provide key audit stakeholders a venue to keep abreast of the developments in the field.

The Board Risk and Reputation Committee exercised oversight functions over the Group's reputation management, including corporate brand and communication strategy. In 2017, the committee continued to assist the Board in fulfilling governance responsibilities relating to the Group's risk and reputation management. The committee also assisted in defining the Group's risk appetite, overseeing the Group's risk profile, and its performance against the defined risk appetites.

The RPT Committee was organized in May 2017 and had its first meeting in November 2017. The

committee, composed of all independent directors, reviewed and approved the CFO Guidelines on the Implementation of the RPT Policy. The guidelines required all directors and officers to execute a certification to identify their related parties. Except for the presence of the relevant company CFO as a resource person, management is not invited to and has no participation in the RPT Committee. The committee is mandated to ensure that related-party transactions are taken on an arms' length basis and within market rates, with sufficient documentation, and coursed through the appropriate levels of approval.

Board Remuneration

In addition to its other duties, the Board Corporate Governance Committee also ensures that the remuneration of directors and executives are consistent with the Group's culture, strategy and business policies, and are set at a level sufficient to attract and retain directors and officers who are needed to run the business units successfully. The remuneration of AEV and AboitizPower directors, consisting of a monthly allowance and per diems for meetings attended, are fully disclosed in the companies' Definitive Information Statement (SEC Form 20-IS) and Annual Report (SEC Form 17-A). Changes in the remuneration policy are presented to the shareholders for their review and approval. As of 2017, the remuneration of AEV and AboitizPower's directors remained comparable with companies that have the same board size, revenue, assets, and market capitalization.

Attendance at Board and Committee Meetings

The Board of Directors of AboitizPower and AEV meet for their regular meeting every other month, for a total of six regular meetings in a year. The Board also typically holds a special board meeting in March to discuss and approve the company's audited financial statements for the previous year. Further, any two directors may also request for a special board meeting. The board committees usually meet at least three times year, except for

the Board Audit Committee which meets at least four times per year. The schedule for the regular Board and Committee meetings for the whole year is usually set and approved before the end of the previous year. The schedule is distributed to the directors and uploaded in the diligent Board Books before the start of the year. Because of this, attendance by the directors in Board and Committee meetings has always been exemplary.

For AboitizPower, the average attendance rate of directors in the regular and special board meetings is at 88%, while for AEV its 84%. The attendance for the committee meetings are as follows:

Committee	AboitizPower	AEV
Corporate Governance	100%	81%
Risk and Reputation	88%	96.30%
Audit	76%	90%
Related Party Transactions	100%	100%

Improvements in Corporate Governance Policies, Practices and Protocols

Review of Key Corporate Governance Policies

In 2017, the Group further strengthened and institutionalized good corporate governance practices that support and align with the Aboitiz corporate culture, purpose, and brand.

The Board of Directors of both AEV and AboitizPower approved amendments to the manual in order to refresh the companies' missions and purpose, adopt best corporate governance practices on the qualifications and disqualifications of their respective independent directors, compliance officer and corporate secretary, composition of board committees, among others. To align with the manual, the following policies were also amended and updated: General Trading Policy, Guidelines on the Nomination and Election of Independent Directors, Code of Ethics, and Conflict of Interest Policy.

The Board of Directors of both AEV and AboitizPower also approved the Whistleblowing Policy that provided platforms for direct communication lines from any team member or stakeholder to any one of the companies' highest officers - the Lead Independent Director, the Chairman of the Board of Directors, the President and Chief Executive Officer, the Compliance Officer, and the Head of the Internal Audit. Team members and stakeholders, such as suppliers and vendors, can report any wrongdoing to these top-level officers through the internal portal, AGORA, or through the companies' websites. To encourage reporting, the policy ensures that a whistleblower may report any alleged wrongdoing anonymously, free from fear of retaliation. Although the whistleblower is encouraged to provide contact details in case he wants to be apprised on the outcome of the investigation, this choice is left to the whistleblower's discretion.

Taking Advantage of Digital Tools

The Group took full advantage of developments in technology to ensure that updates in company policies and guidelines are disseminated promptly and accurately to all team members. This is especially important considering the geographic breadth of the Group's operations, from Benguet in the north to Davao in the south.

In the second half of 2017, the e-learning for the Code of Ethics was rolled out to all team members across the Group. This served to implement the mandate that 100% of the team members must attend a cascade of the Code, sign an affirmation that they have read it and a covenant that they will abide by it. Team members were provided a secure link to access relevant materials that allowed them to study and complete the modules at a time convenient to them, provided they do so within the deadline allotted. To ensure that the information was properly disseminated and understood, team members were required to pass a quiz after every module in order to be able to proceed to the next

Corporate Governance

102-17

module. This was to ensure that all team members remain fully aware of their commitments under the company's Code of Ethics, and the covenant that they will abide by the Code's principles and policies. The Compliance Team is also developing an e-learning platform for Data Privacy and expects to roll this out to all team members sometime in 2018.

Compliance with New Regulations

The Governance and Compliance Team facilitated the change management process for the adoption of the compliance requirements under the Data Privacy Act. The team conducted a total of 38 learning sessions across the Group, in which around 545 employees from 30 business units participated. In compliance with the Data Privacy Act, the business units appointed their respective data protection officers and a total of 16 business units have already complied with the phase 1 registration requirement of the National Privacy Commission. The data protection officers of the Group have organized themselves to coordinate compliance efforts to ensure that all business units will be able to comply with the Data Privacy Act.

The team also conducted the Aboitiz Group-Wide Awareness, Communication, and Training program for the Philippine Competition Act in preparation for the end of the grace period for compliance with the Philippine Competition Act in August 2017. A total of five learning sessions were held with a total of 176 attendees representing 12 business units. The team organized a "health check" or "self-audit" of existing practices across the Group to help business units identify and assess their competition law compliance risks. Based on the health check, the Chief Compliance Officer reported to the Risk Management Committee the potential regulatory risks on unfair competition and anti-competitive prohibited practices. The team also developed a Competition Manual, frequently asked questions (FAQs) for proper behavior, and e-learning as part of the continuing ACT Program for the Philippine Competition Act.

Project Concordia

2017 saw the launch of the Aboitiz Unified Compliance Management System, otherwise known as Project Concordia, which is a joint initiative of AEV and all of its business units. Its goals are to create a unified compliance management system that will raise the compliance maturity levels of all Aboitiz Group business units and to improve performance based on an integrated governance, risk, and compliance framework. As part of the rollout of Project Concordia, the discipline of enterprise architecture is applied to the process of mapping the future state of compliance within the Group. A data governance framework is also being developed to ensure data quality in the compliance management system.

The review of compliance and data governance policies are ongoing. The rollout of these policies are expected to start in the second quarter of 2018.

Challenges in Corporate Governance

There was a rise of a stricter and potentially disruptive regulatory environment in 2017. Governance practices that used to be merely recommendatory became strict requirements that all covered companies needed to follow. Regulatory agencies also continue to push the envelope of what are considered minimum good governance requirements. What may be considered exemplary governance policy two years ago is now merely an expected minimum requirement.

The Aboitiz Group's corporate governance principles are not static practices and principles that operate in a vacuum. They are firm enough to be implemented fairly across the Group, and yet remain flexible in order to respond and adapt to developments in corporate governance best practices. As shown by the Group's collective experience, especially in 2017, there will always be room for improvement when it comes to policies and processes. This is especially true in

today's challenging and disruptive regulatory and business environment.

But as long as the Group is guided by a unified purpose and all team members embody the Aboitiz core values of integrity, teamwork, innovation and responsibility in their daily

functions, then half the obstacle has already been overcome. The Group, for its part, will always strive to meet its commitments to comply with laws and regulations, to treat all shareholders equitably, and to commit to sustainable business practices in the pursuit of its purpose to drive change for a better world.

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

GROUP AWARDS

COMPANY	AWARD	CATEGORY
Aboitiz Group	JobStreet.com Top Companies 2017	• Special Award – Top Company in Central Visayas
	Philippine National Police - Civil Security Group	• Most Outstanding Private Detective Agency – Expro Detective Agency, Inc.
Aboitiz Equity Ventures	Fund Managers Association of the Philippines, Inc.	• Institutional Investors’ Governance Award
	Philippine Army Special Operations Command (Fort Magsaysay)	• Special Recognition
	Public Relations Society of the Philippines 52nd ANVIL Awards	• Gold Award – #BetterWorld campaign
	In-House Community Counsels of the Year Awards 2017	• In-House Team of the Year for Financial Services (ex-Banking) – AEV Legal Management Services
	IABC Philippines 15th Philippine Quill Awards	• Award of Merit – AEV Media Relations Program • Award of Excellence, Employee Engagement – BetterWorld campaign, Aboitiz Equity Ventures • Award of Excellence, Publication – Aboitiz Eyes • Award of Excellence, Digital Communication – Aboitiz Eyes
	ALB Philippine Law Awards 2017	• Philippine In-House Team of the Year
	2017 PSE Bell Awards	• Best Compliance and Ethics Program - Listed Companies
AboitizPower	ALB Philippine Law Awards 2017	• Debt Market Deal of the Year – AboitizPower’s Shelf-Registered Bonds • M&A Deal of the Year – AboitizPower’s Acquisition of Stake in GNPower Plants • Philippine Deal of the Year – AboitizPower’s Acquisition of Stake in GNPower Plants
	FinanceAsia 17th Best Companies in Asia Poll	• Best Managed Power Company in Asia
	Technical Education and Skills Development Authority Region XI	• Special Recognition – Davao Light
	The City Government of Davao Pasidungog: Garbo Sa Dabaw	• Special Recognition as Top Taxpayer – Davao Light
	Department of Education – Division of Davao City	• Special Recognition – Therma South
	Employers Confederation of the Philippines Kapatiran sa Industriya (KAPATID) Awards	• Employer of the Year – Hedcor
	The Asset Triple A Infrastructure Awards 2017	• Renewable Energy Deal of the Year, Hydro Category – Hedcor Sibulan PHP4.1 billion project notes facility
	17th Saringaya Awards by Department of Environment and Natural Resources Region V (DENR-V)	• Special Environmental Achievement Award
	2017 PSE Bell Awards	• Excellence in Corporate Governance – Winner
	Safety and Health Association of the Philippines Energy Sector 13th Energy Safety and Health Conference	• 2017 Hall of Famer Award – APRI
	Safety Organization of the Philippines National Industrial Safety Convention	• 2017 Outstanding Safety Professional Awards – APRI Team Members: Ronald Ambrocio (MakBan EHS Manager), Dennis Azarcon (MakBan Safety Supervisor), Casimiro Flores Jr. (Tiwi Safety Specialist), Jim Rey Recierdo (Tiwi EHS Manager), and Wilfredo Sarmago (Tiwi VP for Facility)

COMPANY	AWARD	CATEGORY
UnionBank	Public Relations Society of the Philippines 52nd ANVIL Awards	<ul style="list-style-type: none"> • Gold Award – UREKA Forum • Gold Award – GoBeyond Communities • Silver Award – Lumina Pandit
	Corporate Governance Asia 7th Asian Excellence Award	<ul style="list-style-type: none"> • Asia’s Best CEO – Justo A. Ortiz (Chairman and CEO) • Best Investor Relations Professional – Genaro Lapez (Executive Vice President) • Best Investor Relations Company
	ABF Retail Banking Awards 2017	<ul style="list-style-type: none"> • Domestic Retail Bank of the Year • Debit Card Initiative of the Year – GetGo Cebu Pacific Debit Card
	Asiamoney Best Bank Awards 2017	<ul style="list-style-type: none"> • Best Digital Bank - Philippines
	Stevie Awards for Great Employers	<ul style="list-style-type: none"> • Gold Stevie Winner, Employer of the Year - Banking
	7th Asia’s Best Employer Brand Awards	<ul style="list-style-type: none"> • Best Social Networking Recruitment Effort – “It’s Possible” Campaign • Award for Innovation and Recruitment – UnionBank Hackathon (U:HAC)
	Asia’s Training and Development Excellence Awards 2017	<ul style="list-style-type: none"> • Training Company of the Year – UnionBank University • Best Organizational Development Program – DNA Stories
	CFI.co Awards (Capital Finance International)	<ul style="list-style-type: none"> • Best Universal Bank Philippines 2017
	VISA	<ul style="list-style-type: none"> • Best New The Asian Banker Product Launch
	The Asian Banker	<ul style="list-style-type: none"> • Strongest Bank (by Balance Sheet) in the Philippines for 2017
CitySavings	Coalition for Better Education	<ul style="list-style-type: none"> • Presidential Award
	Small Business Corporation	<ul style="list-style-type: none"> • Most Valuable Development Partner
AboitizLand	Media Specialist Association of the Philippines ICE Awards 2017	<ul style="list-style-type: none"> • Silver ICE Award Activation Category – Foressa Mountain Town Virtual Reality campaign
Pilmico	2017 International Convention of Quality Control Circles	<ul style="list-style-type: none"> • Silver Award
Republic Cement Group	64th Annual National Mine Safety and Environment Conference (ANMSEC)	<ul style="list-style-type: none"> • 2017 Presidential Mineral Industry Environmental Award (PMIEA) Selection Committee Platinum Achievement Award, Surface Mining Operation Category – Republic Cement Teresa Plant • Runner-up – 2017 Safest Quarry Operations Award
Aboitiz Foundation	Public Relations Society of the Philippines 52nd ANVIL Awards	<ul style="list-style-type: none"> • Gold Award – Green Fashion Revolution
	Philippine Army Special Operations Command (Fort Magsaysay)	<ul style="list-style-type: none"> • Special Recognition
WeatherPhilippines	IABC Philippines 15th Philippine Quill Awards	<ul style="list-style-type: none"> • Award of Excellence, Non-profit Campaign – #WeatherWiser Nation • Top Award for Communication Management – WeatherPhilippines Foundation, Let’s Build a #WeatherWiser Nation campaign



(LEFT TO RIGHT) Jon, Mikel, Justo, Erramon, Antonio

Board of Directors

Aboitiz Equity Ventures, Inc.



(LEFT TO RIGHT) Enrique, Jose, Stephen, Raphael

Jon Ramon Aboitiz
Chairman of the Board

Erramon I. Aboitiz
Director

Enrique M. Aboitiz
Director

Mikel A. Aboitiz
Director

Justo A. Ortiz
Director

Antonio R. Moraza
Director

Jose C. Vitug
Independent Director

Raphael P.M. Lotilla
Independent Director

Stephen T. CuUnjieng
Independent Director

Corporate Officers

Aboitiz Equity Ventures, Inc.



Erramon I. Aboitiz
President
Chief Executive Officer



Sabin M. Aboitiz
Executive Vice President
Chief Operating Officer



Xavier Jose M. Aboitiz
Senior Vice President
Chief Human Resources Officer



Luis Miguel O. Aboitiz
Senior Vice President



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



Robert McGregor
Senior Vice President
Chief Strategy and Investment Officer



Susan V. Valdez
Senior Vice President
Chief Corporate Services Officer



Juan Antonio E. Bernad
Senior Vice President



Gabriel T. Mañalac
Senior Vice President
Group Treasurer



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



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



Melinda R. Bathan
First Vice President
Comptroller



Horacio C. Elicano
First Vice President
Chief Technology Officer
Data Privacy Officer



Annacel A. Natividad
First Vice President
Chief Risk Officer



Jojo S. Guingao
First Vice President
Digital Management



David Jude L. Sta. Ana
First Vice President
Government Relations

Business Unit Heads

Aboitiz Equity Ventures, Inc.



Antonio R. Moraza
President
Chief Operating Officer
Aboitiz Power Corporation



Emmanuel V. Rubio
Executive Vice President
Chief Operating Officer - Generation Business Group
Aboitiz Power Corporation



Luis Miguel O. Aboitiz
Executive Vice President
Chief Operating Officer - Corporate Business Group
Aboitiz Power Corporation



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



Justo A. Ortiz
Chairman of the Board
Union Bank of the Philippines



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



Erramon I. Aboitiz

Chairman
Aboitiz InfraCapital, Inc. | Incoming
Chief Executive Officer
Aboitiz Land, Inc.



Sabin M. Aboitiz

President
Chief Executive Officer
Pilmico Foods Corporation | President
Chief Executive Officer
Aboitiz InfraCapital, Inc.



Andoni F. Aboitiz

Chief Executive Officer
Aboitiz Land, Inc.*



Patrick B. Reyes

President
Chief Operating Officer
Aboitiz Land, Inc.



Catalino S. Abacan

President
Chief Executive Officer
City Savings Bank, Inc.



Lorenzo T. Ocampo

President
PETNET, Inc.

*Retired 2017

Management Directory 2017-2018

Aboitiz Equity Ventures, Inc.

Board of Directors

Jon Ramon Aboitiz
Chairman of the Board

Enrique M. Aboitiz
Director

Justo A. Ortiz
Director

Jose C. Vitug
Independent Director

Raphael P.M. Lotilla
Independent Director

Erramon I. Aboitiz
Director

Mikel A. Aboitiz
Director

Antonio R. Moraza
Director

Stephen T. CuUnjieng
Independent Director

Corporate Officers

Erramon I. Aboitiz
President
Chief Executive Officer

Horacio C. Elicano
First Vice President
Chief Technology Officer
Data Privacy Officer

Susan S. Policarpio
Vice President
Government Relations

Marwell D. Dalangin
Assistant Vice President
Digital Solutions

Andy G. Torrato
Assistant Vice President
Physical Assets Security

Sabin M. Aboitiz
Executive Vice President
Chief Operating Officer

Annacel A. Natividad
First Vice President
Chief Risk Officer

Maria Lourdes Y. Tanate
Vice President
Group Internal Audit

Marc Daniel K. Dy
Assistant Vice President
Corporate Finance

Patricia Anna C. Valles
Assistant Vice President
Employer Brand

Xavier Jose Y. Aboitiz
Senior Vice President
Chief Human Resources Officer

Jojo S. Guingao
First Vice President
Digital Management

Joseph Y. Tugonon
Vice President
Tax Advisory and Compliance

Dave Jesus T. Devilles
Assistant Vice President
Corporate Communication and
Sustainability

Norman Brian P. Yap
Assistant Vice President
Litigation

Luis Miguel O. Aboitiz
Senior Vice President

David Jude L. Sta. Ana
First Vice President
Government Relations

Maria Elizabeth L. Tan Chong
Vice President
Talent Retention and Systems

Leah I. Geraldez
Assistant Vice President
Corporate Compliance

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

Christopher M. Camba
Vice President
Government Relations

Maria Veronica C. So
Vice President
Treasury Services Group

Raul N. Imperial
Assistant Vice President
Risk Management

Robert McGregor
Senior Vice President
Chief Strategy and Investment Officer

Julie Ann T. Diongzon
Vice President
Treasury Services Group

Martin John S. Yasay
Vice President
Government Relations

Kenneth M. Lim
Assistant Vice President
Information Systems

Susan V. Valdez
Senior Vice President
Chief Corporate Services Officer

Ricardo F. Lacson
Vice President
Strategy

Mercedes Maria B. Zamora
Vice President
Talent Optimization

Pascualito Timothy D. Masion
Assistant Vice President
IT Operations

Juan Antonio E. Bernad
Senior Vice President

Maria Luisa L. Marasigan
Vice President
Reputation Management

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

Olyzza O. Mellomida
Assistant Vice President
Accounting

Gabriel T. Mañalac
Senior Vice President
Group Treasurer

Ma. Clarice U. Marucut
Vice President
Strategy and Investment

Maricar L. Bautista
Assistant Vice President
Media Relations

Marilou P. Plando
Assistant Vice President
Risk Management

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

Mary Geraldine P. Onganon
Vice President
Chief of Staff

Lehua L. Cabrera
Assistant Vice President
Labor Relations and Compliance

Francisco Victor G. Salas
Assistant Vice President
Investor Relations

Melinda R. Bathan
First Vice President
Comptroller

Aylmerita C. Penalzo
Vice President
Project Finance

Francis S. Cabanban
Assistant Vice President
Enterprise Architecture and
Project Management

Jose Grego U. Sitoy
Assistant Vice President
IT Security

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

Ma. Analina Y. Pedro
Vice President
Talent Attraction and Development

Mailene M. De La Torre
Assistant Vice President
Assistant Corporate Secretary

Percival Vincent P. Tan
Assistant Vice President
Government Relations

Board Committees

Board Corporate Governance Committee

Jon Ramon Aboitiz
Chairman of the Board
Chairman of the Committee

Jose C. Vitug
Independent Director
Member of the Committee

Stephen T. CuUnjieng
Independent Director
Member of the Committee

Xavier Jose M. Aboitiz
Chief Human Resources Officer
Ex-Officio Member of the Committee

Mikel A. Aboitiz
Director
Member of the Committee

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

Manuel Alberto R. Colayco
Chief Legal Officer
Incoming Corporate Secretary
and Chief Compliance Officer
Ex-Officio Member of the Committee

Board Audit Committee

Jose C. Vitug
Independent Director
Chairman of the Committee

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

Stephen T. CuUnjieng
Independent Director
Member of the Committee

Mikel A. Aboitiz
Director
Member of the Committee

Justo A. Ortiz
Director
Member of the Committee

Board Risk and Reputation Management Committee

Enrique M. Aboitiz
Director
Chairman of the Committee

Jon Ramon M. Aboitiz
Chairman of the Board
Member of the Committee

Erramon I. Aboitiz
President
Chief Executive Officer
Member of the Committee

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

Susan V. Valdez
Chief Corporate Services Officer
Ex-Officio Member of the Committee

Justo A. Ortiz
Director
Member of the Committee

Stephen T. CuUnjieng
Independent Director
Member of the Committee

Jose C. Vitug
Independent Director
Member of the Committee

Manuel R. Lozano
Chief Financial Officer
Ex-Officio Member of the Committee

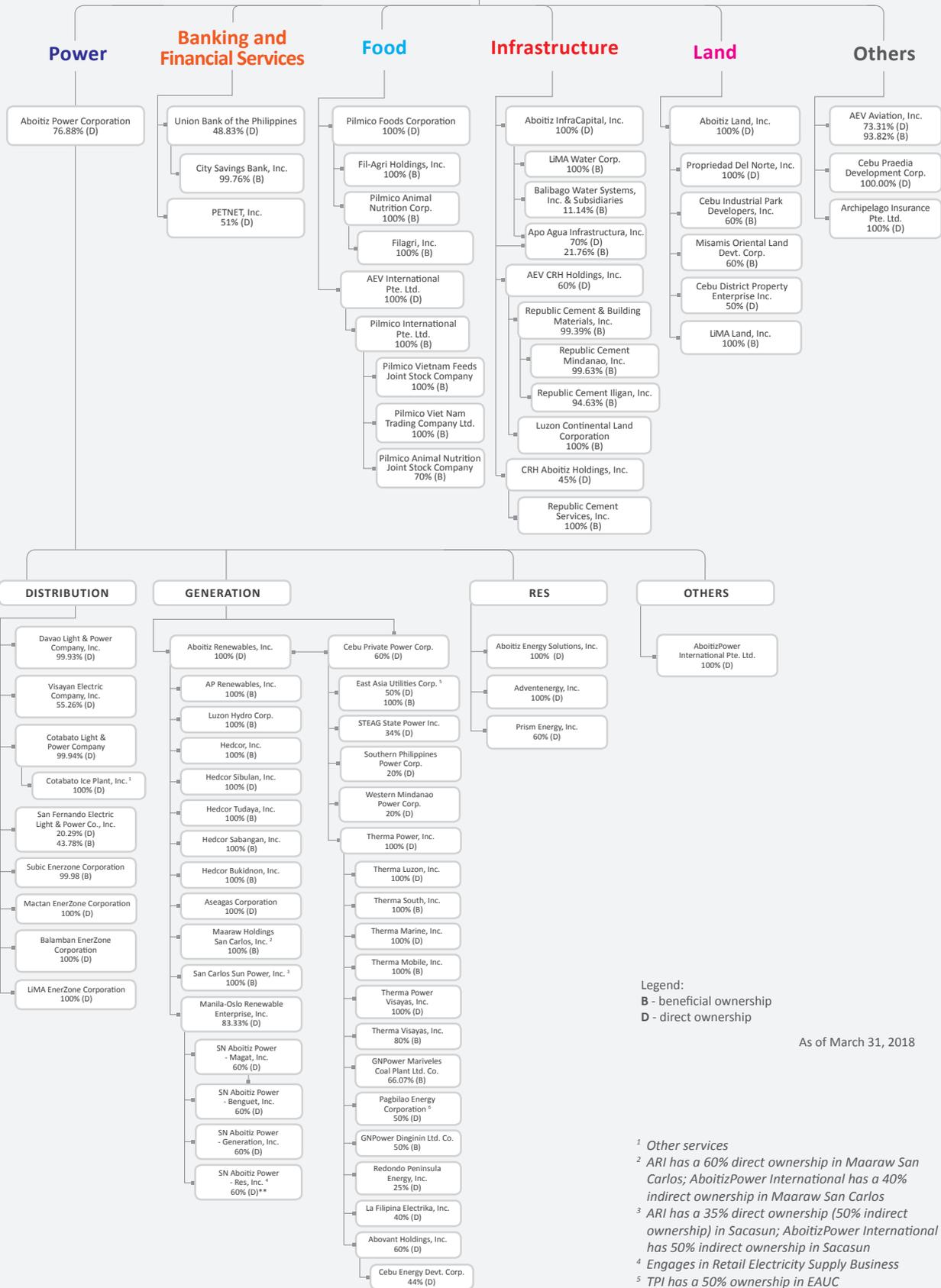
Board Related Party Transactions Committee

Stephen T. CuUnjieng
Independent Director
Chairman of the Committee

Jose C. Vitug
Independent Director
Member of the Committee

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

Corporate Structure





(LEFT TO RIGHT) Erramon, Romeo, Carlos, Antonio, Mikel

Board of Directors

Aboitiz Power Corporation



(LEFT TO RIGHT) Alfonso, Jon, Enrique, Jaime

Enrique M. Aboitiz
Chairman of the Board

Jon Ramon Aboitiz
Vice Chairman of the Board

Erramon I. Aboitiz
Director

Antonio R. Moraza
Director

Mikel A. Aboitiz
Director

Jaime Jose Y. Aboitiz
Director

Carlos C. Ejercito
Independent Director

Romeo L. Bernardo
Independent Director

Alfonso A. Uy
Independent Director

Corporate Officers

Aboitiz Power Corporation



Erramon I. Aboitiz
Chief Executive Officer



Antonio R. Moraza
President
Chief Operating Officer



Emmanuel V. Rubio
Executive Vice President
Chief Operating Officer
Generation Business Group



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



Luis Miguel O. Aboitiz
Executive Vice President
Chief Operating Officer
Corporate Business Group



Juan Antonio E. Bernad
Executive Vice President
Strategy and Regulatory



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



Robert McGregor
Executive Director
Business Development



Gabriel T. Mañalac
Senior Vice President
Group Treasurer



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



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



Donald L. Lane
Executive Director
Project Development and Execution



Chris B. Sangster
Executive Director - Power Generation Group
Incoming Executive Director
Project Development and Execution



Thomas J. Sliman, Jr.
Executive Director
Project Execution

Corporate Officers

Aboitiz Power Corporation



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



Beverly B. Tolentino
First Vice President
Chief Financial Officer
Generation Business Group



Ralph T. Crisologo
First Vice President
Project Development



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



Manuel Alberto R. Colayco
First Vice President
Incoming Corporate Secretary



John A. Crane
Senior Director
Business Development



John Earl Crider, Jr.
Executive Director
Chief Technology Officer
Generation Business Group



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



Alvin S. Arco
First Vice President
Regulatory Affairs

Business Unit Heads

Aboitiz Power Corporation



Felino M. Bernardo
President
Chief Operating Officer
Geothermal Business Unit



Joseph S. Yu
Executive Vice President
Chief Operating Officer
SN Aboitiz Power Business Unit



Danel C. Aboitiz
President
Chief Operating Officer
Oil Business Unit



Sebastian R. Lacson
President
Chief Operating Officer
Coal Business Unit



Carlos Ramon C. Aboitiz
President
Chief Operating Officer
Hedcor Business Unit



Anton Mari G. Perdices
Senior Vice President
Chief Operating Officer
Visayan Electric Company, Inc.



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



Rodger S. Velasco
Executive Vice President
Chief Operating Officer
Davao Light and Power Company, Inc.



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

Management Directory 2017-2018

Aboitiz Power Corporation

Board of Directors

Enrique M. Aboitiz Chairman of the Board	Erramon I. Aboitiz Director	Mikel A. Aboitiz Director	Carlos C. Ejercito Independent Director	Alfonso A. Uy Independent Director
Jon Ramon Aboitiz Vice Chairman of the Board	Antonio R. Moraza Director	Jaime Jose Y. Aboitiz Director	Romeo L. Bernardo Independent Director	

Corporate Officers

Erramon I. Aboitiz Chief Executive Officer	Beverly B. Tolentino First Vice President Chief Financial Officer Generation Business Group	Noel M. Gonzales Vice President Project Implementation	Ronald G. Chan Assistant Vice President IT Communications	Socorro L. Patindol Assistant Vice President Envl, Health and Safety - Coal
Antonio R. Moraza President Chief Operating Officer	Ralph T. Crisologo First Vice President Project Development	Bienamer D. Garcia Vice President Customer Services Distribution Business Group	Belen B. Catanduanes Assistant Vice President Human Resource Distribution Business Group	Carlos Copernicus S. Payot Assistant Vice President Accounting Operations (Support) Distribution Business Group
Emmanuel V. Rubio Executive Vice President Chief Operating Officer Generation Business Group	Joseph Trillana T. Gonzales First Vice President General Counsel Incoming Compliance Officer	Cherry A. Javier Vice President Industry Affairs	Evelyn B. Iglesias Assistant Vice President HR Operations and Attraction	Angeli A. Parcia Assistant Vice President Generation Finance Regulatory Affairs
Jaime Jose Y. Aboitiz Executive Vice President Chief Operating Officer Distribution Business Group	Manuel Alberto R. Colayco First Vice President Incoming: Corporate Secretary	Crisanto R. Laset, Jr. Vice President Energy Trading	Gedeon L. Gavan, Jr. Assistant Vice President Distribution Finance Regulatory Affairs	Nelson V. Perez Assistant Vice President Compliance Distribution Business Group
Luis Miguel O. Aboitiz Executive Vice President Chief Operating Officer Corporate Business Group	John Anthony Crane Senior Director Project Development	Raul C. Lucero Vice President Engineering Distribution Business Group	Joan Margareth C. Hao Assistant Vice President Business Process Management	Lemuel P. Quilos Assistant Vice President IT Operations Distribution Business Group
Juan Antonio E. Bernad Executive Vice President Regulatory and Strategy	John Earl Crider, Jr. Executive Director Chief Technology Officer Generation Business Group	Artemio D. Magnayon Vice President Project Execution (Geothermal)	Nemeley F. Jabla Assistant Vice President Energy Economics	Wilfredo A. Rodolfo III Assistant Vice President Corporate Branding and Communication
Liza Luv T. Montelibano Senior Vice President Chief Financial Officer Corporate Information Officer	Juan Alejandro A. Aboitiz First Vice President Energy Trading and Sales	Katrina M. Platon Vice President Legal for Regulatory Affairs	Ruby O. Jaucian Assistant Vice President Organizational Development	Rowena V. Romero Assistant Vice President Commercial Support Services
Robert McGregor Executive Director Business Development	Alvin S. Arco First Vice President Regulatory Affairs	Reynaldo A. Pangilinan Vice President Project Execution (Solar)	Raizza L. Manuel Assistant Vice President Retention and Systems	Raymond Carl R. Roseus Assistant Vice President Industry Relations
Gabriel T. Mañalac Senior Vice President Group Treasurer	Ronald Enrico V. Abad Vice President Project Development	Ma. Kristina Cinderella V. Rivera Vice President Human Resources and Administration	Junisse P. Mercado Assistant Vice President Land Search, Environmental and Social	Joey C. Rivera Assistant Vice President Energy and RES Accounting
Susan V. Valdez Senior Vice President Chief Reputation and Risk Management Officer	Ana Liza M. Aleta Vice President Strategy, Systems and Performance	Timothy Joseph P. Abay Assistant Vice President Assistant Controller	Arazeli L. Malapad Assistant Vice President Divisional Operating Profit Management and Special Projects	Clovis B. Racho Assistant Vice President Procurement and Logistics Distribution Business Group
M. Jasmine S. Oporto Senior Vice President Corporate Secretary Compliance Officer	Cristina B. Beloria Vice President Controller	Lee Hazel T. Balangue Assistant Vice President Business Development	Marnie F. Mañalac Assistant Vice President Strategy and Performance Management	Benedick M. Salvador Assistant Vice President Energy Sales - Visayas and Mindanao
Donald L. Lane Executive Director Project Development and Execution	Marco R. Carlos Vice President Safety, Health, Environment and Quality	Aladino B. Borja, Jr. Assistant Vice President Information Technology Distribution Business Group	Ma. Consolacion C. Mercado Assistant Vice President Legal for Energy	Dennis S. Verallo Assistant Vice President Utility Economics
Chris B. Sangster Executive Director - Power Generation Group Incoming: Executive Director Project Development and Execution	Katrina Michaela D. Calleja Vice President Corporate Branding and Communication	Gil G. Cardiel Assistant Vice President Geosciences	Jose Rafael R. Mendoza Assistant Vice President Business Attraction Distributino Business Group	Noreen Marie N. Vicencio Assistant Vice President Enterprise Risk Management
Thomas J. Sliman, Jr. Executive Director Project Execution	Dennis Edward A. De La Serna Vice President Regulatory	Mark Albert B. Canlas Assistant Vice President Project Development	Saturnino E. Nicanor, Jr. Assistant Vice President Internal Audit Generation Business Group	James Byron P. Yu Assistant Vice President Energy Products
Ma. Chona Y. Tiu First Vice President Chief Financial Officer Distribution Business Group	Rolando U. Gaerlan Vice President Energy Sales and Marketing	Roberto Alexander U. Camay Assistant Vice President Information Systems Management	Roberto V. Orozco Assistant Vice President Civil Site Construction	Rienzi O. Zano Assistant Vice President Project Development

Board Committees

Board Corporate Governance Committee

Jon Ramon Aboitiz Vice Chairman/Director Chairman of the Committee	Carlos C. Ejercito Independent Director Member of the Committee	Alfonso A. Uy Independent Director Member of the Committee	Xavier Jose M. Aboitiz Chief Human Resources Officer Ex-Officio Member of the Committee
Erramon I. Aboitiz Director Member of the Committee	Romeo L. Bernardo Independent Director Member of the Committee	Joseph Trillana T. Gonzales Compliance Officer Incoming Compliance Officer Ex-Officio Member of the Committee	

Board Audit Committee

Carlos C. Ejercito Independent Director Chairman of the Committee	Romeo L. Bernardo Independent Director Member of the Committee	Alfonso A. Uy Independent Director Member of the Committee	Mikel A. Aboitiz Director Member of the Committee	Antonio R. Moraza Director Member of the Committee
--	---	---	--	---

Board Risk and Reputation Management Committee

Enrique M. Aboitiz Chairman of the Board Chairman of the Committee	Mikel A. Aboitiz Director Member of the Committee	Romeo L. Bernardo Independent Director Member of the Committee	Manuel R. Lozano Chief Financial Officer Ex-Officio Member of the Committee	Susan V. Valdez Management Officer Chief Reputation and Risk Management Officer Ex-Officio Member of the Committee
Antonio R. Moraza Director Member of the Committee	Carlos C. Ejercito Independent Director Members of the Committee	Alfonso A. Uy Independent Director Member of the Committee	Liza Luv T. Montelibano Chief Financial Officer Ex-Officio Member of the Committee	

Board Related Party Transaction Committee

Alfonso A. Uy Independent Director Chairman of the Committee	Carlos C. Ejercito Independent Director Members of the Committee	Romeo L. Bernardo Independent Director Member of the Committee
---	---	---

Map of Operations

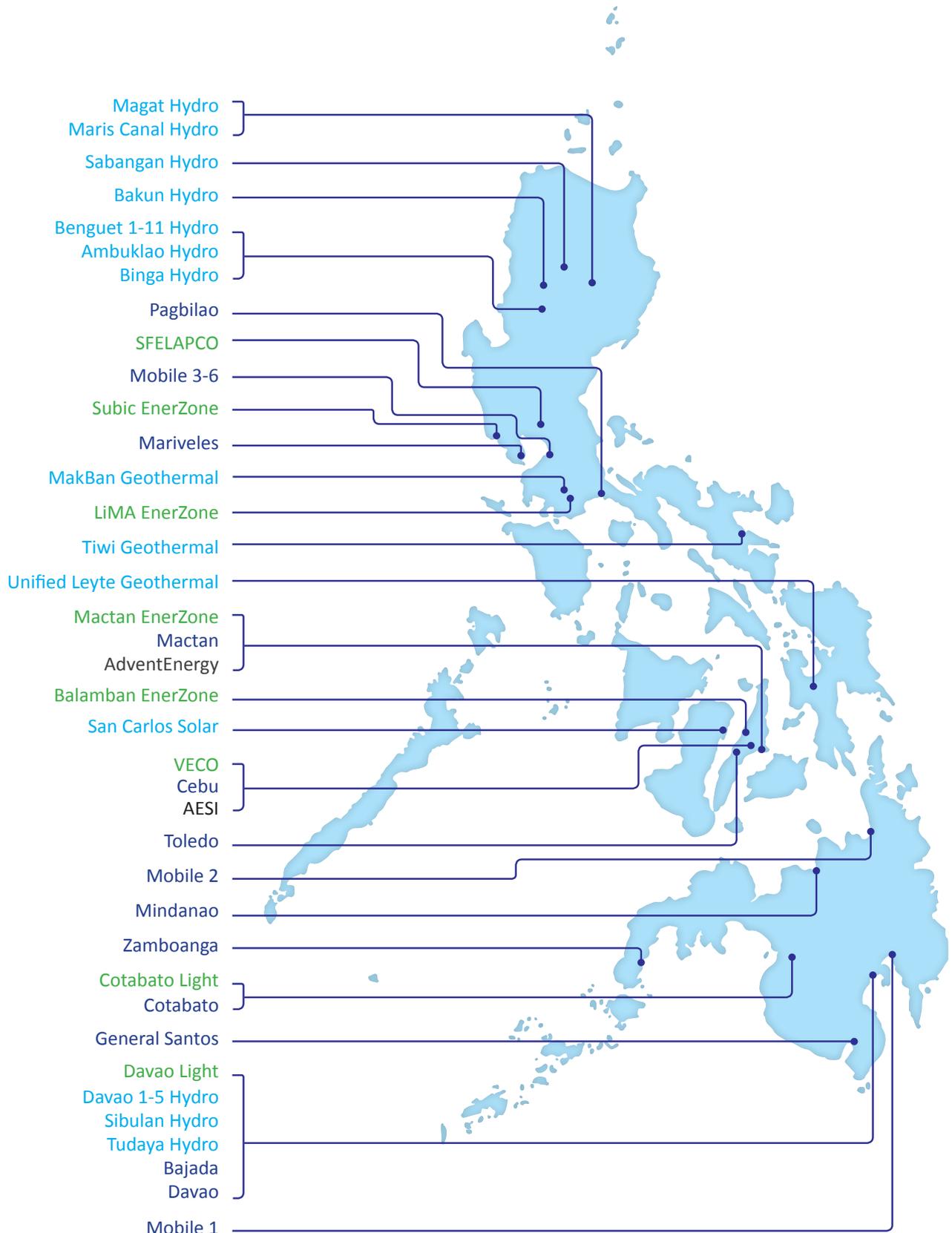
Aboitiz Power Corporation

● Generation – Renewable

● Generation – Thermal

● Distribution

● Retail Electricity Supplier



The Board Audit Committee Report to the Board of Directors

Aboitiz Equity Ventures, Inc.

The Board Audit Committee is pleased to present its report for the financial year ended December 31, 2017.

Audit Committee Responsibility

In giving effect to its duly approved charter, the Audit Committee assisted the Board of Directors in fulfilling its oversight responsibility to the Company and its stakeholders by providing advice relating to: (a) the adequacy and efficiency of the Company's system of internal controls, governance and risk management processes; (b) the quality and integrity of the Company's accounting, auditing, legal, ethical and regulatory compliances; (c) the annual independent audit of the Company's financial statements and the external auditors' qualification and independence; (d) the due observance of applicable laws and regulations that may have financial and other material exposure to the Company; and (e) according an avenue of communication among the independent auditors, the management, the internal audit and the Company.

The Committee has established a constructive and collaborative relationship with the Company's senior leadership to help in the discharge of, but careful not to pre-empt any responsibility in making final audit-related decisions.

Committee Membership

The Audit Committee is composed of five (5) members, three (3) of whom are independent directors including its Chairman. Jose C. Vitug, a retired Justice of the Supreme Court (an Independent Director) is the Chairman of the Committee. Other members of the committee are Atty. Raphael P. M. Lotilla (Independent Director), Stephen T. CuUnjieng (Independent Director), Justo A. Ortiz (Non-Executive Director) and Mikel A. Aboitiz (Non-Executive Director).

Mikel A. Aboitiz was elected to replace the late Mr. Roberto E. Aboitiz as Director and member of the Board Audit Committee during the AEV Annual Stockholder's meeting held May 15, 2017.

Meetings and Attendance

The Audit Committee carried out its function through its meetings with management, internal auditors, independent external auditors, and advisers, where appropriate.

The audit charter provides for the Committee to hold at least four (4) regular meetings a year, with the authority to convene special meetings when deemed required. It also holds an annual joint meeting with the Board Risk and Reputation Committee.

In 2017, five (5) meetings were held. The attendance by each member of the committee is as so indicated below:

Member	Mar 3, 2017 Regular Meeting	May 2, 2017 Regular Meeting	July 24, 2017 Regular Meeting	Nov 7, 2017 Regular Meeting	Nov 21, 2017 Joint with Risk
JOSE C. VITUG Chairman, Independent Director	✓	✓	✓	✓	✓
STEPHEN T. CUUNJIENG Independent Director	✓	✓	✓	✓	✓
RAPHAEL P. M. LOTILLA Independent Director	✓	✓	✓	✓	✓
JUSTO A. ORTIZ Non-Executive Director	x	✓	✓	✓	✓
ROBERTO E. ABOITIZ ¹⁴ Non-Executive Director	x	x	N/A	N/A	N/A
MIKEL A. ABOITIZ Non-Executive Director	N/A	N/A	x	x	x

¹⁴ Roberto E. Aboitiz passed away April 13, 2017

Attendees to these meetings also include the Group Internal Audit Head and, by invitation, the Chief Corporate Services Officer, the Chief Financial Officer, Controller and other key leaders when deemed necessary or appropriate.

External Quality Assessment (EQA)

The Group Internal Audit (GIA) team of AEV underwent an external quality assessment review conducted by the Institute of Internal Auditors (IIA) Philippines.

It is the opinion of the IIA that on the overall, the internal audit team of Aboitiz Equity Ventures, Inc. “Generally Conforms” to the Standards and Code of Ethics. “Generally Conforms” is the highest rating awarded in connection with an EQA and the internal audit team has been commended for this achievement.

For individual Standards, where the team is rated “Partially Conforms”, opportunities for improvement have been identified and action plans have been presented to the Audit Committee.

The EQA, much like any global certification is not required. But to acquire it helps build the reputation not just of internal audit but of Aboitiz as a company that not only conforms, complies and follows but adopts and implements the Standards and best practices of the internal audit function. The EQA certification is valid for 5 years till 2022. Until then, GIA will ensure that it continually works on its Quality Assurance Improvement Program and apply it across the group.

Financial Reports

The Audit Committee reviewed, discussed, and approved the 2017 quarterly unaudited consolidated financial statements. The Committee endorsed for approval by the Board the 2017 annual audited financial statements of Aboitiz Equity Ventures, Inc., its subsidiaries and alliances. Included in the review were the Management Discussion and Analysis of Financial Condition and Results of Operations following prior review and discussion with management, accounting, and the Company’s independent external auditor, SyCip Gorres Velayo & Co. (SGV)—a “member practice” of Ernst & Young (EY) in the Philippines.

The activities of the Audit Committee are performed in the context—

- That management has the primary responsibility for the financial statements and the financial reporting process; and
- That the Company’s independent external auditor is responsible for expressing an unqualified opinion on the conformity and consistency of application of the Company’s audited financial statements with Philippine Financial Reporting Standards.

External Auditors

Upon the endorsement of the Audit Committee to the Board which, in turn, sought the approval of the shareholders of Aboitiz Equity Ventures, Inc., during its Annual General Stockholders Meeting held last May 15, 2017, SyCip Gorres Velayo & Co. (SGV) was re-appointed as the independent external auditor for 2017.

To abide by good corporate governance practices, the new signing partner for SGV, Maria Veronica Andresa R. Pore, was introduced to the Committee. Ms. Pore replaced Leovina Mae V. Chu who has been the signing partner for AEV for the past five (5) years, 2012 to 2016.

The overall scope and audit plan of SGV were reviewed and approved during the November 7, 2017 regular Audit Committee meeting. The audit plan, fees and terms of engagement which covers audit-related services provided by SGV were also reviewed and found to be reasonable.

The results of the SGV audits and its assessment of the overall quality of the financial reporting process were presented and discussed during the first Audit Committee meeting the following year, March 6, 2018. SGV presented the effects of changes in relevant accounting standards and presentation of financial statements that impact on the reported results.

The Board Audit Committee Report to the Board of Directors

Aboitiz Equity Ventures, Inc.

Non-audit services related to project evaluation were provided by SGV for AEV parent in 2017; also, trainings were conducted as an assistance to the company particularly with regard to the adoption of new standards such as PFRS 9 and 15.

Internal Auditors

The Audit Committee is satisfied with the internal audit function and has assessed that it is operating effectively and to generally cover the risks pertinent to the company in its audits. The Committee has reviewed and approved the annual audit program for the year which also covers the adequacy of resources, qualifications and competency of the staff and independence of the internal auditor.

With reference to the IPPF Attribute Standard 1100 which states that “The Internal Audit Activity must be independent, and internal auditors must be objective in performing their work.”, the Committee confirms that the function is executed effectively and internal auditors have conducted their responsibilities objectively and in an unbiased manner. The Committee further confirms that, to the best of its knowledge and belief, the auditors have no personal or other impediments that would prevent them from objectively planning, conducting, reporting, or otherwise participating and reaching independent conclusions in their audit assignments in 2017. Internal audit is organizationally positioned to be independent— functionally reporting to the Board Audit Committee and administratively to the President and Chief Executive Officer.

The Audit Committee is satisfied with the content and quality of reports prepared and issued by the internal auditors during the year under review.

The Group Internal Audit (GIA) remains to be the single-point-of-contact for the Audit Committee. It takes the lead in setting the standards, initiatives and overall direction of the group audit teams which, in turn, focus their reviews on the top risks of their respective business units. Information systems and technology-related risks however, still remain to be an area covered by the group information systems auditors.

Based on audit reports and highlights presented to the Committee and with the contribution provided by management and other key leaders on the issues raised to their attention, the Committee concurs with internal audit’s assessment that, generally, there is reasonable assurance that the existing system of internal controls, risk management and governance allow for a generally adequate management of identified risks and effectively supports the improvement of the management of the Company as a whole. There is a need, however, to further strengthen governance and controls over security standards for information and related technologies particularly in relation to cybersecurity risks.

Review of the Audit Charters

Proposed changes to the audit charters were presented in its meeting held March 6, 2018 in relation to the results of the External Quality Assessment activity. These revisions will be take effect in 2018. The review and updating of the charters are done at least once a year, endorsed by the Audit Committee and approved by the Board.

Self-Assessment

The Committee conducted its annual self-assessment in accordance with the guidelines of SEC Memo Cir. No. 4, series of 2012. The assessment result showed that it fully complied with the requirements set forth in the Audit Charter and met the necessary and most important requirements set by global standards and best practices.

Risk Management

The partnership between the functions of risk management and internal audit has remained excellent. In order to continuously provide objective assurance to the board on the effectiveness of risk management, a joint audit and risk committee meeting is held at least once a year. In November 21, 2017, internal audit presented and discussed the results

of its validation review of the risk management action plans identified by the different business and corporate service units. Assurance was given when results of the review show that majority of risk action plans for the year were either acted upon (done) or being addressed (in-progress).

Also presented in the joint meeting are the top strategic risks that present a significant impact to the Company's ability to execute its plans, strategies and business objectives for the following year. These top risks serve as an input for the preparation of internal audit's master plan for the year.

Audit Forum

Continuously learning is one of the keystone activities in the Aboitiz group. A group-wide Audit Forum, was held last July 21, 2017 with the theme "The Role of Internal Audit in Advancing Business and Communities". The forum was well-attended by the Board, particularly the independent directors, senior management and auditors from the Aboitiz Group. Topics that were covered during the forum include (1) The 2017 State of the Internal Audit Profession; (2) The Role of Internal Audit in the Implementation of the Data Privacy Act; and (3) The Agile Internal Audit Function. The speakers, representing their respective institutions—PricewaterhouseCoopers (PwC) Phils., National Privacy Commission, Institute of Corporate Directors (ICD) and the Institute of Internal Auditors (IIA) Philippines—are experts in their respective fields. The forum and programmed fora continues to provide audit stakeholders a venue to keep abreast of the developments in the profession.

After considering, analyzing and reviewing all pertinent information on the integrity of financial reporting, effectiveness of internal controls, risk management, governance and compliance within the Aboitiz group of companies, the Committee is of the view that, in all material aspects, the duties and responsibilities as so outlined in its Charter have been satisfactorily performed.

On behalf of the Committee,



Jose C. Vitug
(Retired Justice, Supreme Court/Independent Director)
Chairman

Statement of Management's Responsibility for Financial Statements

Aboitiz Equity Ventures, Inc.

SECURITIES & EXCHANGE COMMISSION
SEC Building, EDSA Greenhills
Mandaluyong, Metro Manila

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

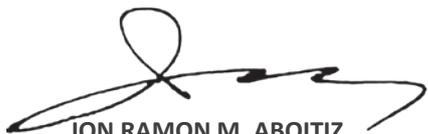
The management of Aboitiz Equity Ventures, Inc. is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for the years ended December 31, 2017 and 2016, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the consolidated financial statements including the schedules attached therein, and submits the same to the stockholders or members.

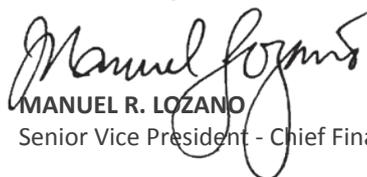
Scyp Gorres Velayo & Co., the independent auditor appointed by the stockholders, has audited the consolidated financial statements of the company in accordance with Philippine Standards on Auditing, and in its report to the stockholders or members, has expressed its opinion on the fairness of presentation upon completion of such audit.



JON RAMON M. ABOITIZ
Chairman of the Board



ERRAMON I. ABOITIZ
President & Chief Executive Officer



MANUEL R. LOZANO
Senior Vice President - Chief Financial Officer

Signed this 8th day of March, 2018.

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

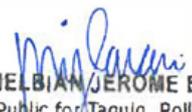
Before me, a notary public in and for the city named above, personally appeared:

Name	Passport/CTC	Date/Place Issued
Jon Ramon M. Aboitiz	EB9718353 11860761	November 29, 2013, Cebu City February 09, 2018, Cebu City
Erramon I. Aboitiz	EB7151577 26936151	January 14, 2013, Cebu City January 15, 2018, Cebu City
Manuel R. Lozano	EC1926563 14226194	August 18, 2014, NCR South February 20, 2018, Taguig City

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

Witness my hand and seal this _____ day of ~~MAR 20 2018~~ **MAR 20 2018** **TAGUIG CITY**

Doc. No. 195 ;
Page No. 40 ;
Book No. LXXVI ;
Series of 2018.


ATTY. MELBIAM JEROME E. LARAÑO
Notary Public for Taguig, Roll No. 59294
Commission no. 26, until 31 Dec. 2019
PTR No. A-3093788 / 01.03.18 / Taguig City
IBP No. 1063530 / 11.23.17 / Cavite
MCLE Compliance No. V-0015571 / 03.14.16
3/F Bonifacio Technology Center 31st Street
corner 2nd Avenue Crescent Park West
Global City Taguig City, Philippines

Independent Auditors' Report

Aboitiz Equity Ventures, Inc.

The Board of Directors and Stockholders
Aboitiz Equity Ventures, Inc.
32nd Street, Bonifacio Global City
Taguig City, Metro Manila
Philippines

Opinion

We have audited the consolidated financial statements of Aboitiz Equity Ventures, Inc. and its subsidiaries (the Group), which comprise the consolidated balance sheets as at December 31, 2017 and 2016, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2017, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2017 and 2016, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2017 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Accounting for Business Combination: Finalization of purchase price allocation for the acquisition of GNPowder Mariveles Coal Plant Ltd. Co. (GMCP)

In 2017, the Group finalized the fair value of the net assets acquired from its acquisition of partnership interests in GMCP on October 4, 2016. PFRS 3, *Business Combinations*, allows the fair value of assets acquired to be continually refined for a period of one year after the acquisition date in cases where judgment is required to ensure the adjustments made reflect new information obtained about facts and circumstances that existed as of acquisition date. The adjustments resulted in an increase in goodwill of ₱3.1 billion. Based on the quantitative materiality of the adjustment and degree of management judgment in assessing the fair value of the net assets, we have determined this to be a key audit matter.

The Group's disclosures about finalization of purchase price allocation for the acquisition of GMCP are included in Note 9 to the consolidated financial statements.

Audit Response

We obtained understanding on the Group's process of purchase price allocation which includes the identification of the fair value of the net assets. We reviewed the measurement of fair value of the net assets and adjustments made by the Group. Where the Group used an appraiser to perform valuation of its assets, we assessed the competence, capabilities and objectivity of the Group's specialist. We involved our internal specialist in reviewing the valuation methodology. We also evaluated the presentation and the disclosure of the transaction in the consolidated financial statements.

Accounting for Business Combination: Increased ownership in San Carlos Sun Power, Inc. (SACASUN)

On December 27, 2017, the Group through AboitizPower International Pte. Ltd., acquired the remaining 50% ownership interest in SACASUN from SunE Solar B.V. Consequently, SACASUN became a wholly owned subsidiary of the Group and was consolidated as of the acquisition date. Provisional bargain purchase gain amounting to ₱328.7 million was recognized as of December 31, 2017. Based on the quantitative materiality of the transaction and degree of management judgment in remeasuring of previously held interest and in assessing the fair value of the net assets, we have determined this to be a key audit matter.

The Group's disclosures about increased ownership in SACASUN are included in Note 9 to the consolidated financial statements.

Independent Auditors' Report

Aboitiz Equity Ventures, Inc.

Audit Response

We reviewed the agreement covering the acquisition. We involved our internal specialist in reviewing the valuation methodology and assumptions used in valuing acquired assets, including the fair value of the previously-held interest. We also evaluated the presentation and the disclosure of the transaction in the consolidated financial statements.

Impairment of Aseagas Corporation's (Aseagas) Property, Plant and Equipment

In November 2017, Aseagas temporarily ceased the operations of its biomass plant. In January 2018, after a full assessment of the biomass plant's issues, Aseagas decided to make the plant shutdown permanent. These circumstances indicate that the carrying amount of Aseagas's assets, which are primarily comprised of its property, plant and equipment, may not be recoverable. As of December 31, 2017, the Group performed an impairment test review which resulted to an impairment loss of ₱2.6 billion on its property, plant and equipment. We consider the impairment loss as a key audit matter due to the materiality of the amount and the significant management assumptions and judgment involved in estimating the recoverable amount of the property, plant and equipment.

The Group's disclosures about the impairment of assets of Aseagas are included in Notes 13 to the consolidated financial statements.

Audit Response

We obtained an understanding of management's process in estimating the recoverable amount of the property, plant and equipment. Since the Group engaged an independent appraiser to determine the estimated recoverable amount of Aseagas' property, plant and equipment, we assessed the competence, capabilities and objectivity of the independent appraiser. We reviewed the assumptions used in estimating the recoverable amount. We involved our internal specialist in reviewing the valuation methodology. We also evaluated the presentation and the disclosure of the transaction in the consolidated financial statements.

Recoverability of Goodwill

As of December 31, 2017, the goodwill amounted to ₱41.3 billion, which is attributable to several cash-generating units, which is considered significant to the consolidated financial statements. We consider the recoverability of goodwill as a key audit matter due to the materiality of the amount involved and the significant management assumptions and judgment involved, which includes cash-generating unit identification, discount and growth rate, revenue assumptions and material price inflation.

The Group's disclosures about goodwill are included in Note 12 to the consolidated financial statements.

Audit Response

We obtained an understanding of management's process in estimating the recoverable amount of goodwill and evaluate the related control. We involved our internal specialist in assessing the methodology and assumptions used by the Group in estimating value-in-use. We compared significant assumptions, such as growth rate, revenue assumptions and material price inflation, against historical data and industry outlook. Our internal specialist reviewed the discount rates by performing an independent testing on the derivation of the discount rates using market-based parameters. We performed sensitivity analyses to understand the impact of reasonable changes in the key assumptions. We also reviewed the Group's disclosures about those assumptions to which the outcome of the impairment test is most sensitive.

Revenue Recognition of Distribution Utilities

The Group's revenue from the sale of electricity accounts for 29% of the Group's consolidated revenue and is material to the Group. This matter is significant to the audit because the revenue recognized depends on the electric consumption captured, the rates applied across different customers and the systems involved in the billing process. Electric consumption captured is based on the meter readings taken on various dates for the different types of customers (i.e., industrial, commercial, and residential customers) within the franchise areas of operations of the distribution utilities.

Disclosures related to this matter are provided in Note 25 to the consolidated financial statements.

Audit Response

We obtained an understanding and evaluated the design and tested the controls over the billing and revenue process which includes the capture and accumulation of meter data in the billing system and calculation of billed amounts, and uploading of billed amounts from the billing system to the financial reporting system. We performed a test calculation of the rates using the Energy Regulatory Commission-approved rates and formulae, then compared them with the rates used in billing statements.

Accounting for Investment in an Associated Company

Aboitiz Equity Ventures, Inc. (AEV) exercises significant influence over Union Bank of the Philippines (UBP), a universal bank publicly listed in the Philippine Stock Exchange. AEV's investment in UBP is accounted for under the equity method. UBP's income is significantly affected by the level of provisioning of its loans and receivables, which requires significant management judgment.

The Group's disclosure on investments in associates is in Note 10 to the consolidated financial statements.

Audit Response

Our audit procedures included, among other things, requesting the statutory auditor of UBP to perform an audit on the relevant financial information of UBP for the purpose of the consolidated financial statements of the Group. We met with the statutory auditor of UBP and discussed the risk assessment, audit strategy and significant developments in UBP. We reviewed the working papers at the statutory

Independent Auditors' Report

Aboitiz Equity Ventures, Inc.

auditor's office, focusing on loans and receivables of UBP including the inputs and assumptions for specific and collective impairment assessment. We recomputed the Group's share in the net income of UBP and assessed the disclosures on the investment in associate in the consolidated financial statements.

Consolidation Process

AEV owns a significant number of domestic and foreign entities at varying equity interests. We considered the consolidation process as a key audit matter because it required significant auditor attention, particularly on the following areas: (a) fair value adjustments arising from business combinations, (b) numerous intercompany transactions, (c) alignment of accounting policies of the investees with the Group's policy on property, plant and equipment and investment properties, (d) translation of investees' foreign-currency-denominated financial information to the Group's functional currency and (e) other equity adjustments.

The Group's disclosure on the basis of consolidation is in Note 2 to the consolidated financial statements.

Audit Response

We obtained an understanding of the consolidation process and the related controls, the Group's process for identifying related parties and related party transactions, as well as the reconciliation of intercompany balances. We also checked the entities included in the consolidation. We reviewed the eliminating entries recorded, including fair value adjustments. In addition, we reviewed the currency translation adjustments, as well as the alignment of accounting policies on property, plant and equipment and investment properties.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2017, but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2017 are expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits, or otherwise appears to be materially misstated.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

Independent Auditors' Report

Aboitiz Equity Ventures, Inc.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Maria Veronica Andresa R. Pore.

SYCIP GORRES VELAYO & CO.

Maria Veronica Andresa R. Pore

Maria Veronica Andresa R. Pore

Partner

CPA Certificate No. 90349

SEC Accreditation No. 0662-AR-3 (Group A),
March 2, 2017, valid until March 1, 2020

Tax Identification No. 164-533-282

BIR Accreditation No. 08-001998-71-2018,
February 26, 2018, valid until February 25, 2021

PTR No. 6621311, January 9, 2018, Makati City

March 8, 2018

Independent Auditors' Report on Supplementary Schedules

Aboitiz Equity Ventures, Inc.

The Board of Directors and Stockholders
Aboitiz Equity Ventures, Inc.
32nd Street, Bonifacio Global City
Taguig City, Metro Manila
Philippines

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Aboitiz Equity Ventures, Inc. and Subsidiaries included in this Form 17-A and have issued our report thereon dated March 8, 2018. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to Financial Statements and Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for purposes of complying with the Securities Regulation Code Rule 68, as amended (2011) and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Maria Veronica Andresa R. Pore

Maria Veronica Andresa R. Pore
Partner
CPA Certificate No. 90349
SEC Accreditation No. 0662-AR-3 (Group A),
March 2, 2017, valid until March 1, 2020
Tax Identification No. 164-533-282
BIR Accreditation No. 08-001998-71-2018,
February 26, 2018, valid until February 25, 2021
PTR No. 6621311, January 9, 2018, Makati City

March 8, 2018

Consolidated Balance Sheets

Aboitiz Equity Ventures, Inc.

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(Amounts in Thousands)

	December 31, 2017	December 31, 2016 (As Restated; Note 9)
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	₱64,870,214	₱63,857,528
Trade and other receivables (Note 5)	24,192,785	21,732,203
Inventories (Note 6)	12,453,335	10,221,448
Derivative asset (Note 36)	228,644	188,417
Other current assets (Notes 7 and 8)	12,442,516	9,579,230
Total Current Assets	114,187,494	105,578,826
Noncurrent Assets		
Property, plant and equipment (Notes 13 and 19)	213,232,540	202,237,611
Investments and advances (Note 10)	91,922,376	86,950,461
Investment properties (Notes 14 and 29)	6,844,633	5,372,390
Intangible asset - service concession rights (Note 15)	3,062,307	3,222,123
Land and improvements (Note 13)	3,689,677	3,525,381
Goodwill (Notes 9 and 12)	41,308,689	41,249,629
Deferred income tax assets (Note 31)	1,525,630	1,893,878
Trade receivables - net of current portion (Note 5)	580,925	277,771
Derivative asset - net of current portion (Note 36)	113,297	103,443
Available-for-sale (AFS) investments (Note 3)	772,794	563,748
Held-to-maturity (HTM) investments	189,216	-
Net pension assets (Note 30)	176,952	115,264
Other noncurrent assets (Notes 8 and 16)	14,637,951	15,217,184
Total Noncurrent Assets	378,056,987	360,728,883
TOTAL ASSETS	₱492,244,481	₱466,307,709

LIABILITIES AND EQUITY

Current Liabilities

Bank loans (Note 17)	₱23,701,140	₱8,259,028
Trade and other payables (Notes 18, 34 and 39)	24,536,584	22,210,909
Derivative liability (Note 36)	47,577	127,442
Current portions of:		
Long-term debts (Note 19)	20,722,330	7,698,261
Long-term obligation on Power Distribution System (PDS) (Note 15)	40,000	40,000
Obligations under finance lease (Notes 13 and 22)	3,316,165	2,968,491
Income tax payable	703,489	685,215
Total Current Liabilities	73,067,285	41,989,346

(Forward)

	December 31, 2017	December 31, 2016 (As Restated; Note 9)
Noncurrent Liabilities		
Noncurrent portions of:		
Obligations under finance lease (Notes 13 and 22)	₱45,909,089	₱49,371,713
Long-term debts (Note 19)	168,364,717	189,184,633
Long-term obligations on PDS (Note 15)	186,071	197,248
Trade payables (Notes 18 and 34)	880,943	578,892
Derivative liability - net of current portion (Note 36)	–	233,435
Customers' deposits (Note 20)	6,269,383	7,040,347
Asset retirement obligation (Note 21)	2,959,060	1,821,577
Deferred income tax liabilities (Note 31)	1,623,915	1,567,411
Net pension liability (Note 30)	400,306	347,699
Total Noncurrent Liabilities	226,593,484	250,342,955
Total Liabilities	299,660,769	292,332,301
Equity Attributable to Equity Holders of the Parent		
Capital stock (Note 23)	5,694,600	5,694,600
Additional paid-in capital (Note 23)	13,013,197	13,013,197
<i>Other equity reserves:</i>		
Gain on dilution (Note 2)	5,043,152	5,376,176
Excess of book value over acquisition cost of an acquired subsidiary (Note 9)	469,540	469,540
Acquisition of non-controlling interests (Note 2)	(1,577,075)	(1,577,075)
<i>Accumulated other comprehensive income (loss):</i>		
Net unrealized mark-to-market gains on AFS investments	17,280	9,106
Cumulative translation adjustments (Note 36)	189,465	34,262
Actuarial losses on defined benefit plans (Note 30)	(657,754)	(783,891)
Share in actuarial losses on defined benefit plans of associates and joint ventures (Note 10)	(537,099)	(513,132)
Share in cumulative translation adjustments of associates and joint ventures (Note 10)	(107,913)	(95,378)
Share in net unrealized mark-to-market losses on AFS investments of associates (Note 10)	(3,237,987)	(3,938,424)
Retained earnings (Note 24)		
Appropriated	1,622,000	2,717,000
Unappropriated	135,600,929	120,390,178
Treasury stock at cost (Note 23)	(521,132)	(521,132)
	155,011,203	140,275,027
Non-controlling Interests	37,572,509	33,700,381
Total Equity	192,583,712	173,975,408
TOTAL LIABILITIES AND EQUITY	₱492,244,481	₱466,307,709

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Income

Aboitiz Equity Ventures, Inc.

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

(Amounts in Thousands, Except Earnings Per Share Amounts)

	Years Ended December 31		
	2017	2016	2015
REVENUES			
Sale of:			
Power and electricity (Note 25)	₱118,759,149	₱88,585,890	₱84,874,038
Goods	23,819,250	21,848,393	20,982,378
Real estate (Notes 13 and 25)	3,613,388	2,440,854	2,732,878
Fair value of swine (Note 8)	2,410,542	1,854,053	1,786,095
Service fees (Note 39)	1,620,401	1,453,336	827,222
Others (Note 34)	198,875	232,554	57,357
	150,421,605	116,415,080	111,259,968
COSTS AND EXPENSES			
Cost of generated and purchased power (Notes 6, 26, 27 and 39)	63,949,850	46,226,259	46,426,239
Cost of goods sold (Notes 6 and 27)	21,700,262	18,886,189	18,011,108
Operating expenses (Notes 27, 34, 38 and 39)	26,255,915	21,187,182	17,972,039
Cost of real estate sales (Note 6)	1,825,570	1,084,740	1,328,650
Overhead expenses (Note 27)	113,864	109,671	103,532
	113,845,461	87,494,041	83,841,568
OPERATING PROFIT	36,576,144	28,921,039	27,418,400
Share in net earnings of associates and joint ventures (Note 10)	9,053,733	9,651,787	6,589,452
Interest expense (Notes 22 and 35)	(13,117,362)	(9,567,997)	(7,881,566)
Interest income (Notes 4, 34 and 35)	1,375,695	1,436,933	1,132,001
Other income (expense) - net (Notes 5, 29 and 34)	(26,134)	2,501,026	224,010
INCOME BEFORE INCOME TAX	33,862,076	32,942,788	27,482,297
PROVISION FOR INCOME TAX (Note 31)	4,583,055	4,289,663	4,324,819
NET INCOME	₱29,279,021	₱28,653,125	₱23,157,478
ATTRIBUTABLE TO:			
Equity holders of the parent	₱21,608,695	₱22,473,458	₱17,679,116
Non-controlling interests	7,670,326	6,179,667	5,478,362
	₱29,279,021	₱28,653,125	₱23,157,478
EARNINGS PER SHARE (Note 32)			
Basic and diluted, for net income for the year attributable to ordinary equity holders of the parent	₱3.836	₱4.017	₱3.184

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Comprehensive Income

Aboitiz Equity Ventures, Inc.

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in Thousands)

	Years Ended December 31		
	2017	2016	2015
NET INCOME ATTRIBUTABLE TO:			
Equity holders of the parent	₱21,608,695	₱22,473,458	₱17,679,116
Non-controlling interests	7,670,326	6,179,667	5,478,362
	29,279,021	28,653,125	23,157,478
OTHER COMPREHENSIVE INCOME			
<i>Items that may be reclassified to consolidated statements of income:</i>			
Movement in net unrealized mark-to-market losses on AFS investments	(2,413)	(5,848)	(439)
Movement in cumulative translation adjustments, net of tax	199,556	(203,067)	174,906
Share in movement in cumulative translation adjustments of associates and joint ventures (Note 10)	(16,305)	128,173	119,113
Share in movement in net unrealized mark-to-market gains (losses) on AFS investments of associates (Note 10)	702,564	(189,693)	(2,245,010)
	883,402	(270,435)	(1,951,430)
<i>Items that will not be reclassified to consolidated statements of income:</i>			
Movement in actuarial gains (losses) on defined benefit plans, net of tax	126,137	12,076	(87,519)
Share in movement in actuarial losses on defined benefit plans of associates and joint ventures, net of tax	(22,788)	(178,244)	(8,751)
	103,349	(166,168)	(96,270)
TOTAL COMPREHENSIVE INCOME	₱30,265,772	₱28,216,522	₱21,109,778
ATTRIBUTABLE TO:			
Equity holders of the parent	₱22,562,144	₱22,068,509	₱15,543,938
Non-controlling interests	7,703,628	6,148,013	5,565,840
	₱30,265,772	₱28,216,522	₱21,109,778

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Changes in Equity

Aboitiz Equity Ventures, Inc.

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2017, 2016 AND 2015
(Amounts in Thousands, Except Dividends Per Share Amounts)

	Attributable to equity holders of the parent											Total			
	Capital Stock: Common (Note 23)	Additional Paid-in Capital (Note 23)	Gain on Dilution (Note 2)	Excess of Book Value Over Acquisition Cost of an Acquired Subsidiary (Note 9)	Acquisition of Non-controlling Interest (Note 2)	Net Unrealized Mark-to-Market Gains on AFS Investments (Note 2)	Cumulative Translation Adjustment (Note 36)	Actuarial Losses on Defined Benefit Plans, net of tax (Note 30)	Share in Actuarial Losses on Defined Benefit Plans of Associates and Joint Ventures (Note 10)	Share in Cumulative Translation Adjustments of Associates and Joint Ventures (Note 10)	Share in Unrealized Mark-to-Market Losses on AFS Investments of Associates and Joint Ventures (Note 10)		Retained Earnings: Appropriated (Note 24)	Treasury Stock (Note 23)	Non-controlling Interest
Balances at January 1, 2017	\$5,694,600	\$13,013,197	\$5,376,176	\$469,540	\$1,577,075	\$9,106	\$24,262	\$783,891	\$513,132	\$95,378	\$3,938,424	\$2,717,000	\$521,132	\$33,700,381	\$173,975,408
Net income for the year	-	-	-	-	-	-	-	-	-	-	-	21,608,695	-	7,670,326	29,279,021
Other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Movement in net unrealized mark-to-market losses on AFS investments	-	-	-	-	-	8,174	-	-	-	-	-	-	-	8,174	(2,413)
Movement in cumulative translation adjustments	-	-	-	-	-	-	155,203	-	-	-	-	-	-	155,203	199,556
Actuarial gains on defined benefit plans, net of tax	-	-	-	-	-	-	-	126,137	-	-	-	-	-	126,137	-
Share in movement in actuarial losses on defined benefit plan of associates and joint ventures	-	-	-	-	-	-	-	-	(23,967)	-	-	-	-	(23,967)	1,179
Share in cumulative translation adjustment of associates and joint ventures	-	-	-	-	-	-	-	-	-	(12,535)	-	-	-	(12,535)	(16,305)
Share in movement in unrealized mark-to-market losses on AFS investments of associates	-	-	-	-	-	-	-	-	-	-	700,437	-	-	700,437	702,564
Total comprehensive income (loss) for the year	-	-	-	-	-	8,174	155,203	126,137	(23,967)	(12,535)	700,437	-	-	22,562,144	30,265,772
Gain on dilution	-	-	(333,024)	-	-	-	-	-	-	-	-	-	-	(333,024)	(333,024)
Cash dividends - \$1.33 per share (Note 24)	-	-	-	-	-	-	-	-	-	-	-	-	-	(7,492,944)	(7,492,944)
Reversal of appropriation during the year	-	-	-	-	-	-	-	-	-	-	(1,095,000)	-	-	-	-
Cash dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	(3,077,223)	(3,077,223)
Balances at December 31, 2017	\$5,694,600	\$13,013,197	\$5,043,152	\$469,540	\$1,577,075	\$17,280	\$189,465	\$657,754	\$537,099	\$107,913	\$3,237,987	\$521,132	\$37,572,509	\$192,583,712	

Attributable to equity holders of the parent

	Capital Stock Common (Note 23)	Additional Paid-in Capital (Note 23)	Gain on Dilution (Note 2)	Excess of Book Value Over Acquisition Cost of an Acquired Subsidiary (Note 2)	Acquisition of Non-controlling Interest (Note 2)	Net Unrealized Mark-to-Market Gains on AFS Investments (Note 2)	Cumulative Translation Adjustment (Note 36)	Actuarial Losses on Defined Benefit Plans, net of tax (Note 30)	Share in Actuarial Losses on Defined Benefit Plans and Joint Ventures of Associates (Note 10)	Share in Cumulative Translation Adjustments of Associates and Joint Ventures of Associates (Note 10)	Share in Net Unrealized Mark-to-Market Losses on AFS Investments of Associates (Note 10)	Retained Earnings		Treasury Stock (Note 23)	Non-controlling Interest (As Restated; Note 9)	Total
												Appropriated (Note 24)	Unappropriated (Note 24)			
Balances at January 1, 2016	\$5,694,600	\$7,683,568	\$5,376,176	\$469,540	(\$1,577,075)	\$14,188	\$176,379	(\$795,967)	(\$334,456)	(\$193,921)	(\$3,748,731)	\$118,219,958	\$1,065,521,242	(\$1,065,585)	6,179,667	\$146,984,442
Net income for the year	-	-	-	-	-	-	-	-	-	-	-	22,473,458	-	-	28,653,125	-
Other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Movement in net unrealized mark-to-market losses on AFS investments	-	-	-	-	-	(5,082)	-	-	-	-	-	(5,082)	-	-	(766)	(5,848)
Movement in cumulative translation adjustments	-	-	-	-	-	-	(142,117)	-	-	-	-	(142,117)	-	-	(60,950)	(203,067)
Actuarial gains on defined benefit plans, net of tax	-	-	-	-	-	-	-	12,076	-	-	-	-	-	-	-	12,076
Share in movement in actuarial losses on defined benefit plan of associates and joint ventures	-	-	-	-	-	-	-	-	(178,676)	-	-	-	-	-	432	(178,244)
Share in cumulative translation adjustment of associates and joint ventures	-	-	-	-	-	-	-	-	-	98,543	-	-	-	-	29,630	128,173
Share in movement in unrealized mark-to-market losses on AFS investments of associates	-	-	-	-	-	-	-	-	-	-	(189,693)	-	-	-	(189,693)	-
Total comprehensive income (loss) for the year	-	-	-	-	-	(5,082)	(142,117)	12,076	(178,676)	98,543	(189,693)	22,088,509	(5,887,522)	-	6,148,013	28,216,522
Cash dividends - \$1.06 per share (Note 24)	-	-	-	-	-	-	-	-	-	-	-	-	2,717,000	-	-	(5,887,522)
Appropriation during the year	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cash dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sale of treasury shares	-	5,329,629	-	-	-	-	-	-	-	-	-	-	-	544,453	(4,456,950)	(4,456,950)
Acquisition of a subsidiary (Note 9)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	5,874,082	5,874,082
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,164,230	3,164,230
Balances at December 31, 2016	\$5,694,600	\$13,013,197	\$5,376,176	\$469,540	(\$1,577,075)	\$9,106	\$34,262	(\$83,891)	(\$513,132)	(\$95,378)	(\$3,938,424)	\$140,275,027	\$1,065,521,242	(\$521,132)	\$33,700,381	\$173,975,408

Consolidated Statements of Changes in Equity

Aboitiz Equity Ventures, Inc.

	Attributable to equity holders of the parent											Total			
	Capital Stock: Common (Note 23)	Additional Paid-in Capital (Note 23)	Gain on Dilution (Note 2)	Excess of Book Value Over Acquisition Cost of an Acquired Subsidiary (Note 9)	Acquisition of Non-controlling Interest (Note 2)	Net Unrealized Mark-to-Market Gains on AFS Investments	Cumulative Translation Adjustment on AFS Investments (Note 36)	Actuarial Losses on Defined Benefit Plans, net of tax (Note 30)	Share in Actuarial Losses on Defined Benefit Plans of Associates and Joint Ventures (Note 10)	Share in Cumulative Translation Adjustments of Associates and Joint Ventures (Note 10)	Share in Net Unrealized Mark-to-Market Losses on AFS Investments of Associates (Note 10)		Treasury Stock (Note 23)	Non-controlling Interest	
Balances at January 1, 2015	\$5,694,600	\$6,911,044	\$5,376,176	\$469,540	\$(1,577,075)	\$14,627	\$35,533	\$(315,444)	\$(277,293)	\$(1,996,305)	\$94,995,596	17,679,116	\$107,944,154	\$26,990,810	\$134,934,964
Net income for the year	-	-	-	-	-	-	-	-	-	-	17,679,116	-	17,679,116	5,478,362	23,157,478
Other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Movement in net unrealized mark-to-market losses on AFS investments	-	-	-	-	-	(439)	-	-	-	-	-	-	(439)	-	(439)
Movement in cumulative translation adjustments	-	-	-	-	-	140,846	-	-	-	-	-	-	140,846	34,060	174,906
Actuarial losses on defined benefit plans, net of tax	-	-	-	-	-	-	-	(87,519)	-	-	-	-	(87,519)	-	(87,519)
Share in movement in actuarial losses on defined benefit plan of associates and joint ventures	-	-	-	-	-	-	-	(19,012)	-	-	-	-	(19,012)	10,261	(8,751)
Share in cumulative translation adjustment of associates and joint ventures	-	-	-	-	-	-	-	-	83,372	-	-	-	83,372	35,741	119,113
Share in movement in unrealized mark-to-market losses on AFS investments of associates	-	-	-	-	-	-	-	-	-	(2,252,426)	-	-	(2,252,426)	7,416	(2,245,010)
Total comprehensive income (loss) for the year	-	-	-	-	-	(439)	140,846	(87,519)	83,372	(2,252,426)	17,679,116	-	15,543,988	5,565,840	21,109,778
Cash dividends - \$1.11 per share (Note 24)	-	-	-	-	-	-	-	-	-	(6,153,470)	-	-	(6,153,470)	-	(6,153,470)
Cash dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(4,243,450)	-	(4,243,450)	-	(4,243,450)
Sale of treasury shares	-	772,524	-	-	-	-	-	-	-	-	112,812	-	885,336	-	885,336
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	451,284	451,284
Balances at December 31, 2015	\$5,694,600	\$7,683,568	\$5,376,176	\$469,540	\$(1,577,075)	\$14,188	\$176,379	\$(334,456)	\$(193,921)	\$(3,748,731)	\$106,521,242	17,679,116	\$118,219,958	\$28,764,484	\$146,984,442

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

Aboitiz Equity Ventures, Inc.

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in Thousands)

	Years Ended December 31		
	2017	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	₱33,862,076	₱32,942,788	₱27,482,297
Adjustments for:			
Interest expense (Note 35)	13,117,362	9,567,997	7,881,566
Depreciation and amortization (Note 27)	8,455,978	6,829,395	4,956,308
Impairment loss on property, plant and equipment, goodwill and other assets (Notes 2, 12 and 13)	3,127,413	169,469	–
Net unrealized foreign exchange losses	746,648	1,532,081	1,392,912
Write-off / provision for decline in value of project costs and various assets	207,986	372,828	138,553
Loss (gain) on sale of:			
Property, plant and equipment (Note 13)	52,164	(50,125)	71,402
AFS investments (Note 3)	(1,549)	(25,105)	–
Gain on redemption of shares	–	(16,051)	–
Provision for impairment loss on investments and advances (Note 10)	–	–	13,937
Dividend income (Note 29)	(5,946)	(250)	(1,810)
Unrealized mark-to-market losses (gains) on derivatives	(367,868)	3,316	(317,645)
Unrealized excess of fair value over historical acquisition cost (Notes 9 and 29)	(392,340)	(350,939)	–
Net unrealized valuation gain on investment property (Notes 14 and 29)	(862,219)	(166,476)	(186,512)
Interest income	(1,375,695)	(1,436,933)	(1,132,001)
Share in net earnings of associates and joint ventures (Note 10)	(9,053,733)	(9,651,787)	(6,589,452)
Operating income before working capital changes	47,510,277	39,720,208	33,709,555
Decrease (increase) in:			
Trade and other receivables	(4,444,457)	(894,679)	(499,797)
Inventories	(1,565,400)	(810,917)	(638,947)
Pension asset	(82,030)	–	24,942
Other current assets	(2,426,441)	(1,559,481)	(2,669,217)
Increase (decrease) in:			
Trade and other payables (Note 9)	(1,235,398)	(24,234)	311,764
Pension liability	(98,406)	(59,559)	123,329
Customers' deposits	(708,720)	510,517	953,714
Net cash generated from operations	36,949,425	36,881,855	31,315,343
Income and final taxes paid	(4,267,206)	(4,868,433)	(4,056,356)
Net cash flows from operating activities	32,682,219	32,013,422	27,258,987
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash dividends received (Note 10)	6,060,299	8,608,988	5,126,894
Interest received	1,480,887	1,472,936	1,123,646
Proceeds from sale of:			
AFS investments	26,731	37,155	214,555
Property, plant and equipment	414,606	168,381	145,378

(Forward)

Consolidated Statements of Cash Flows

Aboitiz Equity Ventures, Inc.

	Years Ended December 31		
	2017	2016	2015
Acquisition through business combination, net of cash acquired (Note 9)	₱747,150	(₱44,572,591)	₱101,374
Proceeds from sale of common shares and redemption of preferred shares of associates and joint ventures (Note 10)	–	51,976	2,649,204
Additions to:			
AFS investments	(417,987)	(213,931)	–
Land and improvements (Note 13)	(444,907)	(438,962)	(685,642)
Property, plant and equipment and investment properties (Notes 13 and 14)	(18,317,445)	(31,024,798)	(19,514,009)
Investments in and advances to associates (Note 10)	(1,766,819)	(12,408,168)	(24,229,823)
Increase in intangible asset - service concession rights (Note 15)	(131,502)	(45,875)	(20,046)
Decrease (increase) in other noncurrent assets	599,306	(6,303,485)	(1,504,063)
Net cash flows used in investing activities	(11,749,681)	(84,668,374)	(36,592,532)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from avilment of long-term debts - net of transaction costs (Note 19)	43,968,605	74,674,514	44,494,653
Net proceeds from (settlements of) bank loans	15,424,292	(625,532)	1,055,647
Proceeds from issuance of treasury shares (Note 23)	–	5,874,083	885,336
Interest paid	(8,858,875)	(5,002,512)	(3,350,218)
Cash dividends paid and other changes to non-controlling interest	(3,077,223)	(4,434,075)	(4,243,450)
Cash dividends paid to equity holders of the parent (Note 24)	(7,492,944)	(5,887,523)	(6,153,470)
Payments of:			
Long-term debts (Note 19)	(51,545,504)	(4,232,593)	(2,813,140)
Obligations under finance lease (Note 21)	(7,877,292)	(7,517,917)	(7,482,447)
Net cash flows from (used in) financing activities	(19,458,941)	52,848,445	22,392,911
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,473,597	193,493	13,059,366
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(460,911)	82,151	40,952
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	63,857,528	63,581,884	50,481,566
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	₱64,870,214	₱63,857,528	₱63,581,884

See accompanying Notes to Consolidated Financial Statements.

Investor Information

Aboitiz Equity Ventures, Inc.

Head Office:

NAC Tower, 32nd Street, Bonifacio Global City,
Taguig City, Metro Manila 1634, Philippines
Tel (632) 886-2800 | Fax (632) 886-2407

Cebu Office:

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

Common Stock

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

Stockholders' Meeting

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

Stockholder Services and Assistance

Stock Transfer Service, Inc. (STSI) serves as the Company's
stock transfer agent.

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

STOCK TRANSFER SERVICE, INC.

Unit 34-D Rufino Pacific Tower,
6784 Ayala Avenue, Makati City 1226 Philippines
Tel (632) 403-3798 | (632) 403-2410 | (632) 403-2412
Contact Person:

Mr. Michael C. Capoy - mccapoy@stocktransfer.com.ph

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

Please write or call:

Investor Relations

Aboitiz Equity Ventures, Inc.
Mr. Judd Salas
Tel (63-2) 886-2702 | Fax (632) 886-2407
Email: aev_investor@aboitiz.com
Website: www.aboitiz.com

102-3, 102-53

The Board Audit Committee Report to the Board of Directors

Aboitiz Power Corporation

The Board Audit Committee is pleased to present its report for the financial year ended December 31, 2017.

Audit Committee Responsibility

In giving effect to its duly approved charter, the Audit Committee assisted the Board of Directors in fulfilling its oversight responsibility to the Company and its stakeholders by providing guidance relating to: (a) the adequacy and efficiency of the company's system of internal controls, governance and risk management processes; (b) the quality and integrity of the company's accounting, auditing, legal, ethical and regulatory compliances; (c) the annual independent audit of the Company's financial statements and the external auditors' qualification and independence; (d) due observance of applicable laws and regulations that may have financial and other material exposure to the Company; and (e) providing an avenue of communication among the independent auditors, the management, the internal audit and the Company.

It has established a constructive and collaborative relationship with the Company's senior leadership to assist not to pre-empt any responsibility in making final audit-related decisions.

Committee Membership

The Audit Committee is composed of five (5) members, three (3) of whom are independent directors including the Chairman.

Carlos C. Ejercito (Independent Director) is the Chairman of the Committee. Other members of the committee are Romeo L. Bernardo (Independent Director), Alfonso A. Uy (Independent Director), Antonio R. Moraza (Executive Director), and Mikel A. Aboitiz (Non-Executive Director).

Meetings and Attendance

The Audit Committee carried out its function through its meetings with management, internal auditors, independent external auditors, and advisers, where appropriate.

The audit charter provides for the Committee to hold at least four (4) regular meetings a year, with the authority to convene special meetings, when deemed required. It also holds an annual joint meeting with the Board Risk and Reputation Committee.

In 2017, five (5) meetings were held. The attendance by each member of the committee is as so indicated below:

Member	Mar 3, 2017 Regular Meeting	May 2, 2017 Regular Meeting	July 24, 2017 Regular Meeting	Nov 7, 2017 Regular Meeting	Nov 21, 2017 Joint with Risk
CARLOS C. EJERCITO Chairman, Independent Director	✓	✓	✓	✓	✓
ROMEO L. BERNARDO Independent Director	✓	✓	✓	✓	✓
ALFONSO A. UY Independent Director	X	✓	✓	✓	✓
ANTONIO R. MORAZA Executive Director	X	✓	X	✓	X
MIKEL A. ABOITIZ Non-Executive Director	✓	X	✓*	X	X

*Attended via Videocon

Attendees to these meetings also include the Group Internal Audit Head, and, by invitation, the Chief Corporate Services Officer, Chief Financial Officer, Controller and other key leaders when deemed appropriate.

External Quality Assessment

The Internal Audit teams of Aboitiz Power (AP) underwent an external quality assessment review conducted by the Institute of Internal Auditors (IIA) Philippines.

It is the opinion of the IIA that on the overall, the internal audit team of Aboitiz Power Corporation “**Generally Conforms**” to the *Standards* and Code of Ethics. Generally Conforms is the highest rating awarded in connection with an EQA and the internal audit team has been commended for this achievement.

For individual *Standards* where the team is rated “Partially Conforms”, opportunities for improvement have been identified and committed action plans have been presented to the Audit Committee.

The EQA, much like any global certification is not required. But to acquire it helps build the reputation not just of internal audit but of Aboitiz as a company that not only conforms, complies and follows but adopts and implements the *Standards* and best practices of the internal audit function. The EQA certification is valid for 5 years till 2022. Until then, internal audit will ensure that it continually works on its Quality Assurance Improvement Program and apply it across the group.

Financial Reports

The Audit Committee reviewed, discussed, and endorsed for the approval of the Board the 2017 quarterly unaudited consolidated financial statements and the 2017 annual audited financial statements of Aboitiz Power Corp., its subsidiaries and alliances. Included in the review were the Management Discussion and Analysis of Financial Condition and Results of Operations following prior review and discussion with management, accounting, and the company’s independent external auditor, SyCip Gorres Velayo & Co. (SGV)—a member practice of Ernst & Young (EY) in the Philippines.

The activities of the Audit Committee are performed in the context—

- That management has the primary responsibility for the financial statements and the financial reporting process; and
- That the company’s independent external auditor is responsible for expressing an unqualified opinion on the conformity and consistency of application of the Company’s audited financial statements with Philippine Financial Reporting Standards.

External Auditors

Upon the endorsement of the Audit Committee to the Board which, in turn, sought the approval of the shareholders of Aboitiz Power Corp., during its Annual General Stockholders Meeting held last May 15, 2017, SyCip Gorres Velayo & Co. (SGV) was re-appointed as the independent external auditor for 2017.

To abide by good corporate governance practices, the new signing partner for SGV, Maria Veronica Andresa R. Pore, was introduced to the Committee. Ms. Pore replaced Leovina Mae V. Chu who has been the signing partner for AP for the past five (5) years, 2012 to 2016.

The overall scope and audit plan of SGV were reviewed and approved during the November 7, 2017 regular Audit Committee meeting. The audit plan, fees and terms of engagement which covers audit-related services provided by SGV were also reviewed and found to be reasonable.

The results of the SGV audits and its assessment of the overall quality of the financial reporting process were presented and discussed during the first Audit Committee meeting the following year, March 6, 2018. SGV presented the effects of changes in relevant accounting standards and presentation of financial statements that impact on the reported results.

The Board Audit Committee Report to the Board of Directors

Aboitiz Power Corporation

Other than the audit-related fees, AP also engaged the services of SGV to conduct post-reviews and other procedures for the purpose of issuing a comfort letter in connection with the issuance of the P3 billion Bonds in 2017. SGV also provided financial and tax due diligence as well as training assistance to the company particularly with regards to the adoption of new standards such as PFRS 9 and 15.

Internal Auditors

The Audit Committee is satisfied with the internal audit function and has assessed that it is operating effectively and is able to generally cover the top risks pertinent to the company in its audits. The Committee has reviewed and approved the annual audit program for the year which also covers the adequacy of resources, qualifications and competency of the staff and independence of the internal auditor.

With reference to the IPPF Attribute Standard 1100 which states that “The Internal Audit Activity must be independent, and internal auditors must be objective in performing their work.”, the Committee confirms that the function is executed effectively and internal auditors have conducted their responsibilities objectively and in an unbiased manner. The Committee further confirms that, to the best of its knowledge and belief, the auditors have no personal or other impairments that would prevent them from objectively planning, conducting, reporting, or otherwise participating and reaching independent conclusions in their audit assignments in 2017. Internal audit is organizationally positioned to be independent— functionally reporting to the Board Audit Committee and administratively to the President and Chief Executive Officer.

The Audit Committee is satisfied with the content and quality of reports prepared and issued by the internal auditors during the year under review.

Internal Audit remains to be the single-point-of-contact for the Audit Committee. It takes the lead in setting the standards, initiatives and overall direction of the group audit teams which, in turn, focus their reviews on the top risks of their respective business units. Information systems and technology-related risks, however, still remain to be an area covered by the group information systems auditors.

Based on audit reports and highlights presented to the Committee and with the contribution provided by management and other key leaders on the issues raised to their attention, the Committee concurs with internal audit’s assessment that, generally, there is reasonable assurance that the existing system of internal controls, risk management and governance allow for a generally adequate management of identified risks and effectively supports the improvement of the management of the Company as a whole. There is a need, however, to further strengthen governance and controls over security standards for information and related technologies particularly in relation to cybersecurity risks.

Review of Audit Charter

Proposed changes to the audit charters were presented in its meeting held March 6, 2018 in relation to the results of the External Quality Assessment activity. These revisions will be take effect in 2018. The review and updating of the charters are done at least once a year, endorsed by the Audit Committee and approved by the Board.

Self-Assessment

The Committee conducted its annual self-assessment in accordance with the guidelines of SEC Memo Cir. No. 4, series of 2012. The assessment result showed that it fully complied with the requirements set forth in the Audit Charter and met the necessary and most important requirements set by global standards and best practices.

Risk Management

The partnership between the functions of risk management and audit has remained solid. In order to continuously provide objective assurance to the board on the effectiveness of risk management, a joint audit and risk committee meeting is held at least once a year. In November 21, 2017, internal audit presented and discussed the results of its validation review of the risk management action plans identified by the different business and corporate service units.

Assurance was given when results of the review show that majority of risk action plans for the year generally, were either acted upon (done) or being addressed (in-progress).

Also presented in the joint meeting are the top strategic risks that present a significant impact to the Company's ability to execute its plans, strategies and business objectives for the following year. These top risks serve as an input for the preparation of internal audit's master plan for the year.

Audit Forum

Continuously learning is one of the keystone activities in the Aboitiz group. A group-wide Audit Forum, was held last July 21, 2017 with the theme "The Role of Internal Audit in Advancing Business and Communities". The forum was well-attended by the Board, particularly the independent directors, senior management and auditors from the Aboitiz Group. Topics that were covered during the forum include (1) The 2017 State of the Internal Audit Profession; (2) The Role of Internal Audit in the Implementation of the Data Privacy Act; and (3) The Agile Internal Audit Function. The speakers, representing their respective institutions—PricewaterhouseCoopers (PwC) Phils., National Privacy Commission, Institute of Corporate Directors (ICD) and the Institute of Internal Auditors (IIA) Philippines—are experts in their respective fields. The forum continues to provide audit stakeholders a venue to keep abreast of the developments in the profession.

After considering, analyzing and reviewing all pertinent information to the integrity of financial reporting, effectiveness of internal controls, risk management, governance and compliance within the Aboitiz group of companies, the Committee is of the view that, in all material aspects, the duties and responsibilities as so outlined in its Charter have been satisfactorily performed.

In behalf of the Committee,



Carlos C. Ejercito
Chairman, Independent Director

Statement of Management's Responsibility for Financial Statements

Aboitiz Power Corporation

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

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of Aboitiz Power Corporation is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for the years ended December 31, 2017 and 2016 in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the financial statements including the schedules attached therein, and submits the same to the stockholders.

SyCip Gorres Velayo & Co., the independent auditor appointed by the stockholders, has audited the financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.



ENRIQUE M. ABOITIZ, JR.
Chairman of the Board



ERRAMÓN L. ABOITIZ
Chief Executive Officer



LIZA LUV T. MONTELIBANO
SVP/Chief Financial Officer/Corporate Information Officer

Signed this 8th day of March 2018

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

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

Name	Passport/CTC	Date/Place Issued
ENRIQUE M. ABOITIZ, JR.	EB9219812 11799943	September 24, 2013, Manila February 5, 2018, Cebu City
ERRAMON I. ABOITIZ	P2251997A 26936151	March 11, 2017; DFA Manila January 15, 2018, Cebu City
LIZA LUV T. MONTELIBANO	EC1111684 25044302	May 16, 2014, NCR South January 23 2018, City of Manila

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.

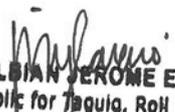
Witness my hand and seal this MAR 19 2018.

Doc. No. 11;

Page No. 124;

Book No. 124;

Series of 2018


ATTY. MELBANI JEROME E. LARARO
Notary Public for Taguig, Rol# No. 59294
Commission no. 26, until 31 Dec. 2019
PTR No. A-3693788/ 01.03.18 / Taguig City
IBP No. 1063530 / 11.23.17 / Cavite
MCLE Compliance No. V-0015571 / 03.14.16
3/F Bonifacio Technology Center 31st Street
corner 2nd Avenue Crescent Park West
Global City Taguig City, Philippines

Independent Auditors' Report

Aboitiz Power Corporation

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
Aboitiz Power Corporation
32nd Street, Bonifacio Global City
Taguig City, Metro Manila
Philippines

Opinion

We have audited the consolidated financial statements of Aboitiz Power Corporation and its subsidiaries (the Group), which comprise the consolidated balance sheets as at December 31, 2017 and 2016, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2017, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2017 and 2016, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2017 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Accounting for Business Combination: Finalization of purchase price allocation for the acquisition of GNPowder Mariveles Coal Plant Ltd. Co. (GMCP)

In 2017, the Group finalized the fair value of the net assets acquired from its acquisition of partnership interests in GMCP on October 4, 2016. PFRS 3, *Business Combinations*, allows the fair value of assets acquired to be continually refined for a period of one year after the acquisition date in cases where judgment is required to ensure the adjustments made reflect new information obtained about facts and circumstances that existed as of acquisition date. The adjustments resulted in an increase in goodwill of ₱3.1 billion. Based on the quantitative materiality of the adjustment and degree of management judgment in assessing the fair value of the net assets, we have determined this to be a key audit matter.

The Group's disclosures about finalization of purchase price allocation for the acquisition of GMCP are included in Note 9 to the consolidated financial statements.

Audit Response

We obtained understanding on the Group's process of purchase price allocation which includes the identification of the fair value of the net assets. We reviewed the measurement of fair value of the net assets and adjustments made by the Group. Where the Group used an appraiser to perform valuation of its assets, we assessed the competence, capabilities and objectivity of the Group's specialist. We involved our internal specialist in reviewing the valuation methodology. We also evaluated the presentation and the disclosure of the transaction in the consolidated financial statements.

Accounting for Business Combination: Increased ownership in San Carlos Sun Power, Inc. (SACASUN)

On December 27, 2017, the Group through AboitizPower International Pte. Ltd., acquired the remaining 50% ownership interest in SACASUN from SunE Solar B.V. Consequently, SACASUN became a wholly owned subsidiary of the Group and was consolidated as of the acquisition date. Provisional bargain purchase gain amounting to ₱328.7 million was recognized as of December 31, 2017. Based on the quantitative materiality of the transaction and degree of management judgment in remeasuring of previously held interest and in assessing the fair value of the net assets, we have determined this to be a key audit matter.

Independent Auditors' Report

Aboitiz Power Corporation

The Group's disclosures about increased ownership in SACASUN are included in Note 9 to the consolidated financial statements.

Audit Response

We reviewed the agreement covering the acquisition. We involved our internal specialist in reviewing the valuation methodology and assumptions used in valuing acquired assets, including the fair value of the previously-held interest. We also evaluated the presentation and the disclosure of the transaction in the consolidated financial statements.

Impairment of Aseagas Corporation's (Aseagas) Property, Plant and Equipment

In November 2017, Aseagas temporarily ceased the operations of its biomass plant. In January 2018, after a full assessment of the biomass plant's issues, Aseagas decided to make the plant shutdown permanent. These circumstances indicate that the carrying amount of Aseagas's assets, which are primarily comprised of its property, plant and equipment, may not be recoverable. As of December 31, 2017, the Group performed an impairment test review which resulted to an impairment loss of ₱2.6 billion on its property, plant and equipment. We consider the impairment loss as a key audit matter due to the materiality of the amount and the significant management assumptions and judgment involved in estimating the recoverable amount of the property, plant and equipment.

The Group's disclosures about the impairment of assets of Aseagas are included in Notes 4 and 12 to the consolidated financial statements.

Audit Response

We obtained an understanding of management's process in estimating the recoverable amount of the property, plant and equipment. Since the Group engaged an independent appraiser to determine the estimated recoverable amount of Aseagas' property, plant and equipment, we assessed the competence, capabilities and objectivity of the independent appraiser. We reviewed the assumptions used in estimating the recoverable amount. We involved our internal specialist in reviewing the valuation methodology. We also evaluated the presentation and the disclosure of the transaction in the consolidated financial statements.

Recoverability of Goodwill

As of December 31, 2017, the goodwill amounted to ₱40.3 billion, which is attributable to several cash-generating units, which is considered significant to the consolidated financial statements. We consider the recoverability of goodwill as a key audit matter due to the materiality of the amount involved and the significant management assumptions and judgment involved, which includes cash-generating unit identification, discount and growth rate, revenue assumptions and material price inflation.

The Group's disclosures about goodwill are included in Note 13 to the consolidated financial statements.

Audit Response

We obtained an understanding of management's process in estimating the recoverable amount of goodwill and evaluate the related control. We involved our internal specialist in assessing the methodology and assumptions used by the Group in estimating value-in-use. We compared significant assumptions, such as growth rate, revenue assumptions and material price inflation, against historical data and industry outlook. Our internal specialist reviewed the discount rates by performing an independent testing on the derivation of the discount rates using market-based parameters. We performed sensitivity analyses to understand the impact of reasonable changes in the key assumptions. We also reviewed the Group's disclosures about those assumptions to which the outcome of the impairment test is most sensitive.

Revenue Recognition of Distribution Utilities

The Group's revenue from the sale of electricity accounts for 37% of the Group's consolidated revenue and is material to the Group. This matter is significant to the audit because the revenue recognized depends on the electric consumption captured, the rates applied across different customers and the systems involved in the billing process. Electric consumption captured is based on the meter readings taken on various dates for the different types of customers (i.e., industrial, commercial, and residential customers) within the franchise areas of operations of the distribution utilities.

Disclosures related to this matter are provided in Notes 3 and 21 to the consolidated financial statements.

Audit Response

We obtained an understanding and evaluated the design and tested the controls over the billing and revenue process which includes the capture and accumulation of meter data in the billing system and calculation of billed amounts, and uploading of billed amounts from the billing system to the financial reporting system. We performed a test calculation of the rates using the Energy Regulatory Commission-approved rates and formulae, then compared them with the rates used in billing statements.

Consolidation Process

Aboitiz Power Corporation owns a significant number of domestic and foreign entities at varying equity interests. We considered the consolidation process as a key audit matter because it required significant auditor attention, particularly on the following areas: (a) fair value adjustments arising from business combinations, (b) numerous intercompany transactions, (c) alignment of accounting policies of the investees with the Group's policy on property, plant and equipment and investment properties, (d) translation of investees' foreign-currency-denominated financial information to the Group's functional currency and (e) other equity adjustments.

Independent Auditors' Report

Aboitiz Power Corporation

The Group's disclosure on the basis of consolidation is in Note 3 to the consolidated financial statements.

Audit Response

We obtained an understanding of the consolidation process and the related controls, the Group's process for identifying related parties and related party transactions, as well as the reconciliation of intercompany balances. We also checked the entities included in the consolidation. We reviewed the eliminating entries recorded, including fair value adjustments. In addition, we reviewed the currency translation adjustments, as well as the alignment of accounting policies on property, plant and equipment and investment properties.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2017, but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2017 are expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits, or otherwise appears to be materially misstated.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

Independent Auditors' Report

Aboitiz Power Corporation

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is
Maria Veronica Andresa R. Pore

SYCIP GORRES VELAYO & CO.

Maria Veronica Andresa R. Pore

Maria Veronica Andresa R. Pore

Partner

CPA Certificate No. 90349

SEC Accreditation No. 0662-AR-3 (Group A),
March 2, 2017, valid until March 1, 2020

Tax Identification No. 164-533-282

BIR Accreditation No. 08-001998-71-2018,
February 26, 2018, valid until February 25, 2021

PTR No. 6621311, January 9, 2018, Makati City

March 8, 2018

Independent Auditors' Report on Supplementary Schedules

Aboitiz Power Corporation

The Board of Directors and Stockholders
Aboitiz Power Corporation
32nd Street, Bonifacio Global City
Taguig City, Metro Manila
Philippines

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Aboitiz Power Corporation and Subsidiaries included in this Form 17-A and have issued our report thereon dated March 8, 2018. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to Financial Statements and Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for purposes of complying with the Securities Regulation Code Rule 68, as amended (2011) and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Maria Veronica Andresa R. Pore

Maria Veronica Andresa R. Pore
Partner
CPA Certificate No. 90349
SEC Accreditation No. 0662-AR-3 (Group A),
March 2, 2017, valid until March 1, 2020
Tax Identification No. 164-533-282
BIR Accreditation No. 08-001998-71-2018,
February 26, 2018, valid until February 25, 2021
PTR No. 6621311, January 9, 2018, Makati City

March 8, 2018

Consolidated Balance Sheets

Aboitiz Power Corporation

ABOITIZ POWER CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(Amounts in Thousands)

	December 31	
	2017	2016 (As Restated; Note 9)
ASSETS		
Current Assets		
Cash and cash equivalents (Note 5)	₱35,699,631	₱47,094,741
Trade and other receivables (Note 6)	17,359,828	15,465,121
Derivative assets (Note 34)	228,644	188,417
Inventories (Note 7)	5,643,607	4,452,812
Other current assets (Note 8)	9,029,886	6,448,096
Total Current Assets	67,961,596	73,649,187
Noncurrent Assets		
Investments and advances (Note 10)	31,248,595	30,595,989
Property, plant and equipment (Note 12)	204,025,303	192,976,388
Intangible assets (Note 13)	46,344,658	46,718,057
Derivative assets - net of current portion (Note 34)	113,297	103,444
Available-for-sale (AFS) investments - net of allowance for impairment of ₱5,254	102,999	100,309
Net pension assets (Note 27)	56,400	45,667
Deferred income tax assets (Note 29)	1,406,796	1,802,570
Other noncurrent assets (Note 14)	10,217,355	11,015,283
Total Noncurrent Assets	293,515,403	283,357,707
TOTAL ASSETS	₱361,476,999	₱357,006,894

LIABILITIES AND EQUITY

Current Liabilities

Short-term loans (Note 16)	₱4,717,300	₱4,155,600
Current portions of:		
Long-term debts (Note 17)	20,692,751	7,458,363
Finance lease obligation (Note 35)	3,316,165	2,968,491
Long-term obligation on power distribution system (Note 13)	40,000	40,000
Derivative liabilities (Note 34)	47,577	127,442
Trade and other payables (Note 15)	19,852,383	17,398,218
Income tax payable (Note 29)	646,115	654,392
Total Current Liabilities	49,312,291	32,802,506

(Forward)

	December 31	
	2017	2016 (As Restated; Note 9)
Noncurrent Liabilities		
Noncurrent portions of:		
Long-term debts (Note 17)	₱131,360,749	₱151,914,172
Finance lease obligation (Note 35)	45,909,089	49,371,713
Long-term obligation on power distribution system (Note 13)	186,071	197,248
Derivative liabilities - net of current portion (Note 34)	–	233,435
Customers' deposits (Note 18)	6,094,690	6,831,242
Asset retirement obligation (Note 19)	2,959,060	1,821,577
Net pension liabilities (Note 27)	361,228	247,387
Deferred income tax liabilities (Note 29)	912,601	1,043,996
Other noncurrent liabilities (Notes 11 and 36)	402,756	334,398
Total Noncurrent Liabilities	188,186,244	211,995,168
Total Liabilities	237,498,535	244,797,674
Equity Attributable to Equity Holders of the Parent		
Paid-in capital (Note 20a)	19,947,498	19,947,498
Net unrealized losses on AFS investments	(625)	(3,311)
Share in net unrealized valuation gains on AFS investments of an associate (Note 10)	124,121	114,920
Cumulative translation adjustments (Note 34)	113,637	(78,232)
Share in cumulative translation adjustments of associates and joint ventures (Note 10)	(144,507)	(128,203)
Actuarial losses on defined benefit plans (Note 27)	(601,461)	(607,913)
Share in actuarial gain (loss) on defined benefit plans of associates and joint ventures (Note 10)	4,963	(1,878)
Acquisition of non-controlling interests	(259,147)	(259,147)
Excess of cost over net assets of investments (Note 9)	(421,260)	(526,883)
Loss on dilution (Note 2)	(433,157)	–
Retained earnings (Note 20b)		
Appropriated	34,060,000	34,060,000
Unappropriated (Notes 10 and 20c)	63,006,308	52,597,568
	115,396,370	105,114,419
Non-controlling Interests	8,582,094	7,094,801
Total Equity (Note 20c)	123,978,464	112,209,220
TOTAL LIABILITIES AND EQUITY	₱361,476,999	₱357,006,894

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Income

Aboitiz Power Corporation

ABOITIZ POWER CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

(Amounts in Thousands, Except Earnings Per Share Amounts)

	Years Ended December 31		
	2017	2016	2015
OPERATING REVENUES			
Sale of power (Notes 21 and 32):			
Generation	₱57,418,126	₱35,692,441	₱33,368,797
Distribution	43,532,403	44,585,832	41,379,270
Retail electricity supply	18,065,832	8,478,789	10,227,771
Technical, management and other fees (Note 32)	374,942	406,207	198,114
	119,391,303	89,163,269	85,173,952
OPERATING EXPENSES			
Cost of purchased power (Notes 22 and 32)	35,392,094	28,909,987	27,902,180
Cost of generated power (Note 23)	28,557,756	17,316,272	18,524,059
Depreciation and amortization (Notes 12 and 13)	7,596,268	6,043,527	4,322,000
General and administrative (Note 24)	7,222,268	6,613,876	5,818,090
Operations and maintenance (Note 25)	6,449,188	3,969,307	3,921,046
	85,217,574	62,852,969	60,487,375
FINANCIAL INCOME (EXPENSES)			
Interest income (Notes 5 and 32)	927,012	1,083,535	846,293
Interest expense and other financing costs (Notes 16, 17 and 33)	(11,247,780)	(7,704,011)	(6,633,858)
	(10,320,768)	(6,620,476)	(5,787,565)
OTHER INCOME (EXPENSES)			
Share in net earnings of associates and joint ventures (Note 10)	4,697,864	3,641,210	3,979,947
Other income (expenses) - net (Note 28)	(1,704,000)	1,669,212	(336,639)
	2,993,864	5,310,422	3,643,308
INCOME BEFORE INCOME TAX	26,846,825	25,000,246	22,542,320
PROVISION FOR INCOME TAX (Note 29)	3,858,398	3,496,140	3,589,669
NET INCOME	₱22,988,427	₱21,504,106	₱18,952,651
ATTRIBUTABLE TO:			
Equity holders of the parent	₱20,416,442	₱20,002,582	₱17,603,797
Non-controlling interests	2,571,985	1,501,524	1,348,854
	₱22,988,427	₱21,504,106	₱18,952,651
EARNINGS PER COMMON SHARE (Note 30)			
Basic and diluted, for income for the year attributable to ordinary equity holders of the parent	₱2.77	₱2.72	₱2.39

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Comprehensive Income

Aboitiz Power Corporation

ABOITIZ POWER CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in Thousands)

	Years Ended December 31		
	2017	2016	2015
NET INCOME ATTRIBUTABLE TO:			
Equity holders of the parent	₱20,416,442	₱20,002,582	₱17,603,797
Non-controlling interests	2,571,985	1,501,524	1,348,854
	22,988,427	21,504,106	18,952,651
OTHER COMPREHENSIVE INCOME (LOSS)			
<i>Other comprehensive income (loss) that may be reclassified to profit or loss in subsequent periods:</i>			
Share in net unrealized valuation gains (losses) on AFS investments of an associate (Note 10)	9,201	–	(4,167)
Movement in unrealized gain (loss) on AFS investments	2,686	(3,311)	–
Movement in cumulative translation adjustments	389,254	(55,357)	147,340
Share in movement in cumulative translation adjustment of associates and joint ventures (Note 10)	(16,304)	128,173	119,113
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	384,837	69,505	262,286
<i>Other comprehensive income (loss) that will not be reclassified to profit or loss in subsequent periods:</i>			
Actuarial gain (losses) on defined benefit plans, net of tax (Note 27)	(13,186)	1,221	(81,205)
Share in actuarial gains on defined benefit plans of associates and joint ventures, net of tax (Note 10)	6,841	496	44,841
Net other comprehensive gain (loss) not to be reclassified to profit or loss in subsequent periods	(6,345)	1,717	(36,364)
Total other comprehensive income for the year, net of tax	378,492	71,222	225,922
TOTAL COMPREHENSIVE INCOME	₱23,366,919	₱21,575,328	₱19,178,573
ATTRIBUTABLE TO:			
Equity holders of the parent	₱20,617,187	₱20,124,770	₱17,821,712
Non-controlling interests	2,749,732	1,450,558	1,356,861
	₱23,366,919	₱21,575,328	₱19,178,573

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Changes in Equity

Aboitiz Power Corporation

ABOITIZ POWER CORPORATION AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2017, 2016 AND 2015 (Amounts in Thousands, Except Dividends Per Share Amounts)

	Attributable to Equity Holders of the Parent											
	Share in Capital (Note 20a)	Share in Net Unrealized Gains on AFS Investments (Note 10)	Share in Net Unrealized Gains on AFS Investments (Note 10)	Share in Cumulative Translation Adjustments of Associates and Joint Ventures (Note 10)	Share in Actuarial Gains (Losses) on Defined Benefit Plans (Note 27)	Share in Actuarial Gains (Losses) on Defined Benefit Plans (Note 10)	Excess of cost over net assets of investment (Note 9)	Loss on Dilution (Note 9)	Retained Earnings Appropriated (Note 20b)	Retained Earnings Unappropriated (Note 20b)	Non-controlling Interests	Total
Balances at January 1, 2017	₱19,947,498	₱114,920	₱78,232	₱128,203	₱607,913	₱1,878	₱526,883	₱-	₱34,060,000	₱52,597,568	₱7,094,801	₱112,209,220
Net income for the year	-	-	-	-	-	-	-	-	20,416,442	-	2,571,985	22,988,427
Other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-
Movement in unrealized loss on AFS investments	-	2,686	-	-	-	-	-	-	-	-	-	11,887
Movement in cumulative translation adjustments	-	-	191,869	-	-	-	-	-	-	-	197,385	389,254
Share in movement in cumulative translation adjustment of associates and joint ventures	-	-	-	(16,304)	-	-	-	-	-	-	-	(16,304)
Actuarial gains (losses) on defined benefit plans, net of tax	-	-	-	-	6,452	-	-	-	-	-	(19,638)	(13,186)
Share in actuarial gains on defined benefit plans of associates and joint ventures	-	-	-	-	-	6,841	-	-	-	-	-	6,841
Total comprehensive income (loss) for the year	-	2,686	191,869	(16,304)	6,452	6,841	-	-	20,416,442	-	2,749,732	23,366,919
Reversal of excess of cost over net assets of investments	-	-	-	-	-	-	105,623	-	-	-	-	105,623
Loss on dilution	-	-	-	-	-	-	-	(433,157)	-	-	-	(433,157)
Cash dividends - ₱1.36 a share (Note 20b)	-	-	-	-	-	-	-	-	(10,007,702)	-	-	(10,007,702)
Cash dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(1,281,223)	(1,281,223)
Change in non-controlling interests	-	-	-	-	-	-	-	-	-	-	18,784	18,784
Balances at December 31, 2017	₱19,947,498	₱124,121	₱113,637	₱144,507	₱601,461	₱4,963	₱421,260	₱(433,157)	₱34,060,000	₱63,006,308	₱8,582,094	₱123,978,464

	Attributable to Equity Holders of the Parent											
	Share in Net Unrealized Gains on AFS Investments of an Associate (Note 10)	Share in Actuarial Gains (Losses) on Defined Benefit Plans of Associates and Joint Ventures (Note 10)	Share in Cumulative Translation Adjustments of Associates and Joint Ventures (Note 10)	Share in Actuarial Gains (Losses) on Defined Benefit Plans of Associates and Joint Ventures (Note 10)	Share in Actuarial Gains (Losses) on Defined Benefit Plans of Associates and Joint Ventures (Note 10)	Excess of cost over net assets of investment (Note 9)	Retained Earnings Appropriated (Note 20b)	Unappropriated Earnings (Note 20b)	Non-controlling Interests (As Restated; Note 9)	Total	Total	
Balances at January 1, 2016	P-	P114,920	P185,431	(P256,376)	(P609,066)	(P3,748)	(P259,147)	(P421,260)	P20,900,000	P57,970,269	P4,045,046	P101,613,567
Net income for the year	-	-	-	-	-	-	-	-	-	20,002,582	1,501,524	21,504,106
Other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-
Movement in unrealized loss on AFS investments	(3,311)	-	-	-	-	-	-	-	-	-	-	(3,311)
Movement in cumulative translation adjustments	-	(5,697)	-	-	-	-	-	-	-	-	(49,660)	(55,357)
Share in movement in cumulative translation adjustment of associates and joint ventures	-	-	128,173	-	-	-	-	-	-	-	-	128,173
Actuarial gains (losses) on defined benefit plans, net of tax	-	-	-	2,527	-	-	-	-	-	-	(1,306)	1,221
Share in actuarial gains on defined benefit plans of associates and joint ventures	-	-	-	-	-	496	-	-	-	-	-	496
Total comprehensive income (loss) for the year	(3,311)	(5,697)	128,173	2,527	496	-	-	-	-	20,002,582	1,450,558	21,575,328
Acquisition of subsidiaries (As Restated; Note 9)	-	(257,966)	-	(1,374)	1,374	-	-	(105,623)	-	-	3,164,230	2,800,641
Appropriation during the year	-	-	-	-	-	-	-	-	13,160,000	(13,160,000)	-	-
Cash dividends - P1.66 a share (Note 20b)	-	-	-	-	-	-	-	-	-	(12,215,283)	-	(12,215,283)
Cash dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(1,614,684)	(1,614,684)
Change in non-controlling interests	(P3,311)	(P78,232)	(P128,203)	(P607,913)	(P1,878)	(P259,147)	(P526,883)	P34,060,000	P52,597,568	P7,094,801	P112,209,220	
Balances at December 31, 2016	P-	P114,920	P185,431	(P256,376)	(P609,066)	(P3,748)	(P259,147)	(P421,260)	P20,900,000	P57,970,269	P4,045,046	P101,613,567

Consolidated Statements of Cash Flows

Aboitiz Power Corporation

ABOITIZ POWER CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in Thousands)

	Years Ended December 31		
	2017	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	₱26,846,825	₱25,000,246	₱22,542,320
Adjustments for:			
Interest expense and other financing costs (Note 33)	11,247,780	7,704,011	6,633,858
Depreciation and amortization (Notes 12 and 13)	7,596,268	6,043,527	4,322,000
Impairment loss on property, plant and equipment, goodwill and other assets (Notes 4, 12, 13 and 14)	3,233,036	169,469	–
Net unrealized foreign exchange losses	333,868	1,505,671	1,390,459
Loss (gain) on disposal of property, plant and equipment	86,913	(70,252)	(5,656)
Write-off of project costs and other assets (Note 13)	79,881	249,176	69,137
Gain on redemption of shares (Note 28)	–	(16,051)	–
Share in net earnings of associates and joint ventures (Note 10)	(4,697,864)	(3,641,210)	(3,979,947)
Interest income (Notes 5 and 32)	(927,012)	(1,083,535)	(846,293)
Unrealized fair valuation loss (gains) on derivatives (Note 34)	(451,270)	3,316	(317,645)
Gain on remeasurement in step acquisition (Note 9)	(310,198)	(350,939)	–
Operating income before working capital changes	43,038,227	35,513,429	29,808,233
Decrease (increase) in:			
Trade and other receivables	(3,062,564)	401,465	(249,822)
Inventories	(1,190,795)	(996,007)	128,229
Other current assets	(2,263,317)	(1,831,918)	(1,453,104)
Increase (decrease) in:			
Trade and other payables	(1,834,708)	464,167	(421,548)
Long-term obligation on power distribution system	(40,000)	(40,000)	(40,000)
Customers' deposits	(736,552)	447,964	696,788
Net cash generated from operations	33,910,291	33,959,100	28,468,776
Income and final taxes paid	(3,674,360)	(4,071,120)	(3,269,179)
Net cash flows from operating activities	30,235,931	29,887,980	25,199,597
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash dividends received (Note 10)	5,070,559	7,847,263	4,071,041
Proceeds from redemption of shares (Note 10)	8,809	57,076	2,677,204
Interest received	1,135,069	1,132,366	837,978
Net collection of advances (Note 10)	7,443	–	285,520
Proceeds from sale of property, plant and equipment	10,846	162,190	35,714

(Forward)

Consolidated Statements of Cash Flows

Aboitiz Power Corporation

	Years Ended December 31		
	2017	2016	2015
Additional AFS investments	₱–	(₱100,000)	₱–
Acquisitions through business combinations, net of cash acquired (Note 9)	894,655	(44,353,542)	–
Additions to:			
Property, plant and equipment (Note 12)	(16,068,050)	(28,203,291)	(15,701,414)
Intangible assets - service concession rights (Note 13)	(86,159)	(45,875)	(20,046)
Decrease (increase) in other noncurrent assets	1,073,472	(6,055,228)	(636,988)
Additional investments (Note 10)	(1,499,569)	(11,821,307)	(451,655)
Net cash flows used in investing activities	(9,452,925)	(81,380,348)	(8,902,646)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from availment of long-term debt - net of transaction costs (Note 17)	43,957,187	73,474,514	16,350,925
Cash dividends paid (Note 20b)	(10,007,702)	(12,215,283)	(12,215,283)
Payments of:			
Long-term debt (Note 17)	(50,967,235)	(3,085,581)	(908,611)
Finance lease obligation (Note 35)	(7,877,292)	(7,517,917)	(7,482,447)
Net availments of short-term loans (Note 16)	561,700	1,587,600	2,465,000
Changes in non-controlling interests	(757,071)	(1,614,684)	(1,430,153)
Interest paid	(7,032,286)	(3,145,421)	(2,228,186)
Net cash flows from (used in) financing activities	(32,122,699)	47,483,228	(5,448,755)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(11,339,693)	(4,009,140)	10,848,196
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(55,417)	5,612	18,198
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	47,094,741	51,098,269	40,231,875
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 5)	₱35,699,631	₱47,094,741	₱51,098,269

See accompanying Notes to Consolidated Financial Statements.

Investor Information

Aboitiz Power Corporation

Head Office:

NAC Tower, 32nd Street, Bonifacio Global City,
Taguig City, Metro Manila 1634, Philippines
Tel (632) 886-2800 | Fax (632) 886-2407

Cebu Office:

Aboitiz Corporate Center,
Gov. Manuel A. Cuenco Avenue,
Kasambagan, Cebu City 6000, Philippines
Tel (6332) 411-1800 | Fax (6332) 231-2556

Common Stock

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

Stockholders' Meeting

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

Stockholder Services and Assistance

Stock Transfer Service, Inc. (STSI) serves as the Company's
stock transfer agent.

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

STOCK TRANSFER SERVICE, INC.

Unit 34-D Rufino Pacific Tower,
6784 Ayala Avenue, Makati City 1226, Philippines
Tel (632) 403-3798 | (632) 403-2410 | (632) 403-2412

Contact Person:

Mr. Michael C. Capoy - mccapoy@stocktransfer.com.ph

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

Please write or call:

Investor Relations

Aboitiz Power Corporation
Mr. Judd Salas
Tel (632) 886-2702 | Fax (632) 886-2407

Email: ap_investor@aboitiz.com

Website: www.aboitizpower.com

GRI Content Index

Aboitiz Equity Ventures, Inc.



102-55

Category	Aspects	Relevant section	Material concerns	Within organization	Outside organization	Relevance outside the organization
Environment	Energy	Power and Infrastructure	Energy Conservation Renewable Energy Generation	✓		
	Water		Efficient use of Water Maintain the standard quality of water are discharge	✓		
	Waste		Recycling of waste Proper Disposal	✓	✓	Dispose the waste through accredited recycler
	Compliance to Environmental Laws		Meet the environmental regulations	✓		
	Biodiversity		Minimize the impact on Biodiversity	✓		
	GHG Emission		To be carbon neutral	✓		
Society	Community	Corporate Social Responsibility, Banking, Land and Food	Be the neighbor of Choice	✓		
	Disaster Resilience		Increase the capacity of local government and communities in disaster preparedness	✓		
Product Responsibility	Product & Service Labeling	Power and Food	Transparency of Products & Services	✓		
	Customer Privacy		Client Information Security / Privacy	✓		
	Compliance		Compliance to Regulatory Requirements	✓		
Labor Practices	Employment	Talent Management	Attract, retain and optimize A-People	✓		
	Training & Development			✓		
	Health and Safety			✓		
Economic	Financial Return	Power, Banking, infrastructure, Land, Report of the CEO, Report of the CFO	Grow Profitably	✓		
	Financial Growth					

General Standard Disclosure		Section	Page No.	Remarks
GRI 101: Foundation 2016 (GRI 101 does not include any disclosures)				
GRI 102: General Disclosures 2016				
Organizational Profile				
102-1	Name of the organization			Aboitiz Equity Ventures, Inc.
102-2	Activities, brands, products, and services	Our Businesses	6–7	
102-3	Location of headquarters	Investor Information/Contact Details	187	
102-4	Location of operations	Our Businesses	6–7	
102-5	Ownership and legal form	Corporate Structure	155	
102-6	Markets served	Our Businesses	6–7	
102-7	Scale of the organization	Our Businesses	6–7	
102-8	Information on employees and other workers	Management Approach: Talent Management, Appendices	134–135, 218	
102-9	Supply Chain			Ongoing
102-10	Significant changes to the organization and its supply chain			None
102-11	Precautionary Principle or approach			None
102-12	External initiatives			None
102-13	Membership of associations			Not disclosed
Strategy				
102-14	Statement from senior decision-maker	Chairman's Message, CEO Message	16–21, 28	
102-15	Key impacts, risks, and opportunities	Management Approach	126	
Ethics and Integrity				
102-16	Values, principles, standards, and norms of behavior	Advancing Business and Communities	3	
102-17	Mechanisms for advice and concerns about ethics	Corporate Governance	143–145	
Governance				
102-18	Governance structure	Corporate Governance	140–143	
102-19	Delegating authority	Corporate Governance	140–143	
102-20	Executive-level responsibility for economic, environmental, and social topics	Corporate Governance	139–140	
102-21	Consulting stakeholders on economic, environmental, and social topics	Corporate Governance	139–140	
102-22	Composition of the highest governance body and its committees	Corporate Governance	140–143	
102-23	Chair of the highest governance body	Corporate Governance	138	
102-24	Nominating and selecting the highest governance body	Corporate Governance	140–143	
102-25	Conflicts of interest	Corporate Governance		None
102-26	Role of highest governance body in setting purpose, values, and strategy	Corporate Governance	140–143	
102-27	Collective knowledge of highest governance body	Corporate Governance	139–145	
102-28	Evaluating the highest governance body's performance	Corporate Governance	139–145	
102-29	Identifying and managing economic, environmental, and social impacts	Management Approach	128	
102-30	Effectiveness of risk management processes	Management Approach	128	
102-31	Review of economic, environmental, and social topics	Corporate Governance	136–145	

GRI Content Index

Aboitiz Equity Ventures, Inc.

102-55

General Standard Disclosure		Section	Page No.	Remarks
102-32	Highest governance body's role in sustainability reporting			The President & CEO approves the report.
102-33	Communicating critical concerns	Management Approach	125	
102-34	Nature and total number of critical concerns	Management Approach	125	
102-35	Remuneration policies			https://bit.ly/2qEsfb0
102-36	Process for determining remuneration			https://bit.ly/2qEsfb0
102-37	Stakeholders' involvement in remuneration			https://bit.ly/2qEsfb0
102-38	Annual total compensation ratio			https://bit.ly/2qEsfb0
102-39	Percentage increase in annual total compensation ratio			https://bit.ly/2qEsfb0
Stakeholder Engagement				
102-40	List of stakeholder groups	Management Approach: Stakeholder Engagement	125	
102-41	Collective bargaining agreements	Appendices	219	
102-42	Identifying and selecting stakeholders	Management Approach: Stakeholder Engagement	124	
102-43	Approach to stakeholder engagement	Management Approach: Stakeholder Engagement	124	
102-44	Key topics and concerns raised	Management Approach: Stakeholder Engagement	124	
Reporting Practice				
102-45	Entities included in the consolidated financial statements	About the Report: Boundaries, Scope, and Materiality	4-5	
102-46	Defining report content and topic Boundaries	About the Report: Boundaries, Scope, and Materiality	5	
102-47	List of material topics	Management Approach: Sustainability Policy and Framework	120-121	
102-48	Restatements of information	Appendices		None
102-49	Changes in reporting	About the Report: Boundaries, Scope, and Materiality	4	
102-50	Reporting period	About the Report: Boundaries, Scope, and Materiality	4	
102-51	Date of most recent report			May 15, 2017
102-52	Reporting cycle	About the Report: Boundaries, Scope, and Materiality	4	
102-53	Contact point for questions regarding the report	Investor Information/Contact Details	187	
102-54	Claims of reporting in accordance with the GRI Standards	About the Report	5	
102-55	GRI content index	GRI Content Index	212-216	
102-56	External assurance			Financial statements are externally assured.
GRI 103: Management Approach 2016				
103-1	Explanation of the material topic and its Boundary	Management Approach	133	
103-2	The management approach and its components	Management Approach	133	
103-3	Evaluation of the management approach	Management Approach	133	

Aspect	Specific Disclosure		Section	Page No.	Remarks
GRI 201: Economic Performance 2016	201-1	Direct economic value generated and distributed	Financial Highlights	10-13	
	201-2	Financial implications and other risks and opportunities due to climate change			Financial implication of risk due to climate change is very much applicable to Power (Generation & Distribution) SBU. When doing the Risk Management for this SBU, the impacts are identified and preventive measures are taken.
GRI 202: Market Presence 2016	202-1	Ratios of standard entry level wage by gender compared to local minimum wage			We meet the Department of Labor & Employment requirements and pay higher than the entry level wage.
	202-2	Proportion of senior management hired from the local community	Appendix	218	
	203-1	Infrastructure investments and services supported	Infrastructure	79, 82	
GRI 203: Indirect Economic Impacts 2016	203-2	Significant indirect economic impacts	Corporate Social Responsibility	108	
GRI 302: Energy 2016	302-1	Energy consumption within the organization	Appendix	219	
	302-5	Reductions in energy requirements of products and services	Appendix	219	
GRI 303: Water 2016	303-1	Water withdrawal by source	Appendix	219	
	303-2	Water sources significantly affected by withdrawal of water			None. We meet the Water quality standards set by Department of Environment & Natural Resources.
GRI 304: Biodiversity 2016	304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas			None
	304-2	Significant impacts of activities, products, and services on biodiversity			None
	304-3	Habitats protected or restored			We manage the Aboitiz Cleanergy Park in Punta Dumalag, a bird haven and marine sanctuary.
GRI 305: Emissions 2016	305-1	Energy indirect (Scope 2) GHG emissions	Appendix	219	
	305-2	Other indirect (Scope 3) GHG emissions	Appendix	219	
	305-3	GHG emissions intensity	Appendix	219	
	305-4	Reduction of GHG emissions	Appendix	219	
GRI 306: Effluents and Waste 2016	306-2	Waste by type and disposal method	Appendix	219	

GRI Content Index

Aboitiz Equity Ventures, Inc.

102-55

Aspect	Specific Disclosure	Section	Page No.	Remarks
GRI 403: Occupational Health and Safety 2016	403-1	Workers representation in formal joint manager-worker health and safety committees		To follow
	403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities		To follow
	403-3	Workers with high incidence or high risk of diseases related to their occupation		To follow
	403-4	Health and safety topics covered in formal agreements with trade unions		To follow
GRI 404: Training and Education 2016	404-1	Average hours of training per year per employee	Appendix	218
	404-2	Programs for upgrading employee skills and transition assistance programs	Management Approach	132
	404-3	Percentage of employees receiving regular performance and career development reviews		All employees receive performance review annually.
GRI 495: Diversity and Equal Opportunity 2016	405-2	Ratio of basic salary and remuneration of women to men		Employee wage are based on position level and not by gender.
GRI 406: Non-discrimination 2016	406-1	Incidents of discrimination and corrective actions taken		None
GRI 408: Child Labor 2016	408-1	Operations and suppliers at significant risk for incidents of child labor		None
GRI 409: Forced or Compulsory Labor 2016	409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor		None
GRI 411: Rights of Indigenous Peoples 2016	411-1	Incidents of violations involving rights of indigenous peoples		None
GRI 413: Local Communities 2016	413-1	Operations with local community engagement, impact assessments, and development programs	Corporate Social Responsibility	108
	413-2	Operations with significant actual and potential negative impacts on local communities		None

Focus Areas & Metrics

People	2015	2016	2017
Team Member and Engagement			
No. of team members employed	31,132	31,070	30,815
Team member satisfaction rating result	72%	72%	40%
Average training hours per team member	36	28	28
No. of volunteered hours	36,167	49,146	72,168
Retention rate	92%	92%	90%
Corporate Social Responsibility			
No. of direct beneficiaries	507,086	484,205	651,766
Amount of CSR fund allocation in millions (Php)	415	442	456
No. of CSR projects	1,038	1,526	1,863
Customer Focus			
Customer satisfaction rating	4.2	4.2	4.3
No. of customers served	6,592,007	8,114,128	8,306,015
Disaster Resilience			
No. of automated weather stations deployed	777	792	826
No. of individuals trained in capacity-building training	922	2,402	1,772
Planet			
Carbon Emissions Reduction			
Carbon productivity in PHP million revenue/t CO2e	-	0.43	0.39
No. of trees planted in millions (cumulative)	3.8	5.4	5.7
Resource Efficiency			
Water consumption in cu.m	1,143,118	1,310,675	2,774,658
Energy consumption in mWh	413,421	600,946	611,682
Waste Management			
Weight of materials recycled in tons	-	80	32
Renewable Energy			
RE source, net sellable capacity (cumulative)	1,217	1,263	1,263
Ratio of RE to non-RE source	38% RE, 62% NRE	32% RE, 68% NRE	32% RE, 68% NRE
Profit			
Financial Return			
Total shareholder return (5 years)	12%	15%	9%
Return on equity	17%	19.7%	16%
Financial Growth (PHP billion)			
Net income after tax	17.7	22.5	21.6
EBITDA	40.2	48.1	57.0

Appendix of Tables

	2016	2017
--	------	------

Total Work-Force 102-8

Corporate Center ¹	293	424
Power	5,784	5,587
Banking	4,282	4,604
Food	2,828	3,777
Land	458	506
Other ²	17,311	15,917
Total	31,070	30,815

Training Hours 404-1

Corporate Center	3,915	4,465
Power	14,670	45,868
Banking	78,294	57,709
Food	8,658	7,513
Land	10,217	5,603
Total	115,754	121,158

Gender Distribution

	Male	Female	Male	Female
Corporate Center	210	191	218	201
Power	2,179	735	2,282	781
Banking	2,350	1,756	1,935	2,669
Food	354	215	434	274
Land	148	155	221	190

New Hires and Turnover

	New Hires	Turnover	New Hires	Turnover
Corporate Center	111	32	93	34
Power	387	265	308	321
Banking	506	250	1,001	516
Food	81	69	198	87
Land	41	67	115	127

Geographical Distribution 202-2

	Luzon	Visayas	Mindanao	Luzon	Visayas	Mindanao
Corporate Center	299	84	18	320	80	19
Power	1,409	626	879	1,443	715	905
Banking	3,164	796	146	3,520	489	595
Food	332	47	179	409	57	229
Land	106	197	-	203	208	-

Age Distribution

	2016			2017		
	Below 30	30-50	Over 50	Below 30	30-50	Over 50
Corporate Center	91	252	59	100	257	62
Power	827	1,675	410	877	1,737	449
Banking	453	591	20	1,740	2,596	268
Food	202	328	39	290	383	35
Land	98	176	28	148	231	32

¹ Includes WeatherPhilippines and Aboitiz Foundation team members.

² Refers to Construction Group, Shipbuilding, Ramon Aboitiz Foundation, and other business units of the Aboitiz Group not yet included in the reporting scope.

Percent of team members in a collective bargaining agreement 102-41	Corporate Center	Power	Banking	Food	Land
	0%	17%	29%	4%	0%

New Hires Profile	Corporate Center	Power	Banking	Food	Land
Male	54%	66%	41%	64%	55%
Female	46%	34%	59%	36%	45%
Below 30	46%	60%	72%	66%	50%
30 to 50	47%	38%	27%	34%	49%
Above 50	7%	2%	1%	0%	1%
Luzon	90%	39%	86%	55%	59%
Visayas	7%	38%	9%	7%	41%
Mindanao	3%	23%	5%	38%	0%
Staff	44%	82%	33%	74%	40%
Supervisor	15%	12%	35%	18%	42%
Manager	23%	5%	30%	5%	15%
AVP and Up	18%	1%	2%	3%	3%

Materials and Waste 306-2

	2016	2017
Solid Waste in tons	246	102
Hazardous Waste in tons	3,132	2,650
Fuel oil in liters	329,204,466	154,925,603
Cement in bags ⁽³⁾		29,651
Concrete in cubic meters ⁽³⁾		2,514

Energy 302-1, 302-5

Energy Consumption in GJ		
Corporate Center	6,163	6,668
Power	1,894,770	1,867,188
Banking	79,527	71,180
Food	182,944	256,507
Land ⁽⁴⁾	–	514
Total	2,163,404	2,202,057

Water 301-1

Water consumption (in cubic meters)		
Corporate Center	9,828	16,397
Power	671,830	902,037
Banking	215,208	163,041
Food	413,808	1,683,339
Land ⁽⁴⁾	–	9,843
Total	1,310,675	2,774,658

Greenhouse Gas Emissions 305-1

Emissions in tons CO2e		
Total	2,799,188	2,486,147

⁽³⁾ For selected projects of AboitizLand.

⁽⁴⁾ In 2016, the energy and water consumptions of Land were folded into Corporate Center.



The Aboitiz Equity Ventures Annual Report 2017 is printed on X-Per Premium White, made with environment-friendly ECF (Elemental Chlorine Free) pure cellulose, FSC-certified and carbon neutral.

