

Enriching Lives

abotiz
Equity Ventures

Mission

To create long-term value
for all its stakeholders

Brand Essence

Passion for better ways

Brand Spikes

- Driven
- Driven to Lead
- Driven to Excel
- Driven to Serve

Corporate Values

- Passion
- Innovation
- Professionalism
- Integrity



Aboitiz Equity Ventures

AEV is the publicly listed holding and investment company of the Aboitiz Group with major investments in power, banking and food. The company is consistently recognized in international surveys as among the Philippines' best managed companies and has also been cited for its commitment to good corporate governance.

At a Glance

Power

Banking

Food



Business Description

With a generation portfolio comprising of 39 plant units located in Luzon, Visayas and Mindanao, the generation group aims to establish a right mix portfolio for its assets. We aspire to provide a reliable source of energy to our customers, responsibly harness power from both renewable (hydroelectric and geothermal) and non-renewable (coal and oil) energy sources, and offer the supply at a reasonable price.

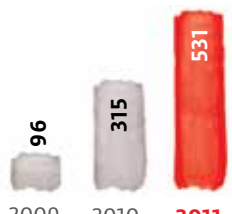
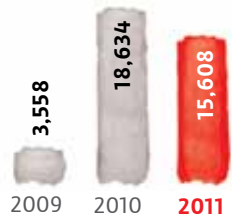
Since 1905, the power distribution business has been seeking innovative and efficient systems that meet the consumers' need of electricity, wherever they may be. AboitizPower has 7 distribution utilities nationwide, among them the 2nd and 3rd largest private utilities in the country. To date, our distribution utilities serve over 740,000 customers in Luzon, Visayas and Mindanao.

UnionBank is the 6th largest private domestic commercial bank in the Philippines. It offers a wide range of financial products and services to retail customers, middle market and corporate segments, and major government institutions. The bank is also a recognized leader and premier provider of corporate cash management, B2B and B2G solutions.

Thrift bank CitySavings believes in keeping banking straightforward and simple so customers can enjoy warm and helpful service, as well as attractive rates. It retains its 'small bank' personality while growing its network and embracing technology to offer greater convenience to customers. Majority of the bank's clients are public school teachers who avail of DepEd salary loans.

Pilmico Foods, established in 1962, is one of the country's largest flour milling companies that primarily manufactures flour and wheat by-products. In 1998, through wholly owned subsidiary, Pilmico Animal Nutrition, it ventured into the feeds and swine business.

Net Income Contribution (in Php millions)



2011 Operating Highlights

- Average selling price of generated power dropped by 7% due to the softening of market prices at the Wholesale Electricity Spot Market
- Attributable capacity increased by 15% from 2,051 MW to 2,350 MW.
- Assumed full ownership and control over the 70-MW Bakun hydro run of river plant
- Acquired four power barges at Navotas with total capacity of 242 MW
- Completed the rehabilitation of the Ambuklao hydro facility, which provided an expanded capacity of 105 MW
- Completed the 4-MW Irisan hydro greenfield project
- For the geothermal group, rehabilitation efforts resulted to units running from 3% to 8% more efficiently

- Registered slower unitary sales growth compared to 2010, due to a relatively wet and cool 2011
- Implemented Performance Based Regulation that improved margins from P1.25/kWh to P1.44/kWh
- Stable generation supply due to new generation capacity in Visayas and adequate rainfall for the hydro plants in Mindanao
- New or upgraded facilities and substations that improved service delivery

- Net income posted 23.2% growth to Php6.6 bn this year from last year's Php5.4 bn.
- Return on average equity and return on average assets at 16.7% and 2.5% from 15.5% and 2.2%, respectively.
- Resources expanded by 6.8% to Php270.2 bn from Php253.0 bn.
- Deposits grew by 6.1% to Php204.2 bn from Php192.5 bn.
- Revenue-to-expense ratio exceeded the bank's target of 2.0x.
- Total capital adequacy ratio strengthened to 18.2% from 17.0% and Tier 1 ratio to 15.3% from 13.3%.
- Total branch network is 189 with 223 onsite and offsite ATMs as of Dec 2011.

- Net interest income increased by 29% to Php1.3 bn.
- Return on equity reached 35.8%.
- Capital adequacy ratio was at 16.8%.
- Total assets grew by 44% to Php13 bn vis-à-vis 2010's Php9 bn.
- Total loan portfolio expanded to P9.9 bn or 52% from P6.5 bn from the same period in 2010.
- Deposits hit P8 bn, up by 49% from P5.4 bn in 2010.
- Year-end NPL ratio of 0.7% and NPL cover of 195.4%.
- Opened 5 new branches – 3 in Luzon and 2 in the Visayas, currently has a total of 30 branches and extension offices nationwide.

- Total revenue increased by 14% compared to 2010.
- Feeds volume grew by 1% and the average price per metric ton also increased.
- Both feed mills in Iligan and Tarlac passed the HACCP and ISO 9001:2008 certification.
- Launched the refreshed Pilmico Feeds brand for greater meaning and stronger presence at retail.
- Introduced Allegro HR Management System, for a more effective, streamlined and well managed Human Resource system.

2012 Outlook

- Focus on greenfield projects, which are at varying stages of development for two coal plants in Davao and Subic, and concentrate on one brownfield project in Pagbilao
- Begin construction of three run-of-river plants: Tudaya 1&2 in Davao del Sur (13.7 MW) and Sabangan in Benguet (13.2 MW) in 2012, which will add 27 MW to the company's portfolio upon their completion
- Continue rehabilitation of geothermal plant units to lower future repair costs
- Support business growth by further strengthening back room support through common systems and building the organization through training and culture building programs.

- High kWh sales growth due to new malls, factories and buildings in Cebu and Davao
- With National Power Corp. reducing allocation supply, the distribution utilities are actively looking for long term service contracts to ensure reliable supply
- Focus on revenue protection efforts to control systems losses
- Further standardize Information Systems by implementing Oracle Work Asset Management throughout the group
- Continue with upgrading of facilities and infrastructure to provide a reliable and flexible distribution network

- Prioritize customer satisfaction through enhanced retail focus and stronger sales management approach.
- Continue to invest in technology, cultivate partnerships and rationalize branch network expansion in strategic areas to maximize growth in both deposits and loan accounts.
- Continue to focus on improving the performance of its earning assets portfolio, with loan asset acquisition in the retail, middle-market and corporate sectors.

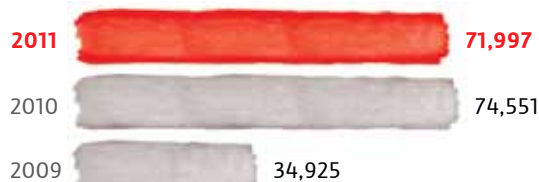
- Continue to create a nationwide presence and be the preferred lending institution of the public school teachers
- Continue to build the organization to support the rapid growth and expansion.
- Roll-out the refreshed brand and undertake brand engagement programs that enhances the bank's existing culture anchored on its new tagline and brand philosophy of "Simple is Good".

- Pilmico Foods Corporation celebrates 50th anniversary in 2012.
- Foresee flour growth in the areas of ready-to-eat snack foods, noodles and biscuits and the continuous expansion of bakery chains particularly in Visayas and Mindanao.
- Goal is to grow feeds at an average of 10% per year.
- Will complete work started in 2011 on the port dredging and rehabilitation of the unloading facility in Iligan to accommodate bigger international vessels that will bring up our unloading rate from 7,500 to 10,000 metric tons a day.

Financial Highlights

(in Php millions)

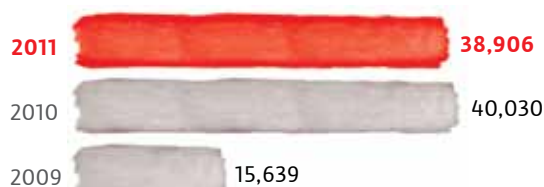
Revenues



Cash Dividend Paid to Common



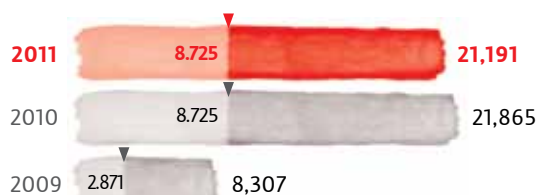
EBITDA



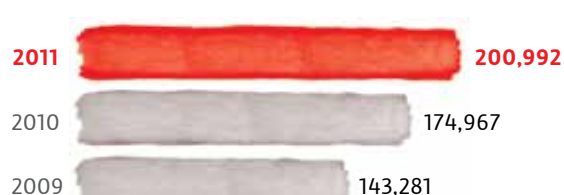
Cash and Cash Equivalents



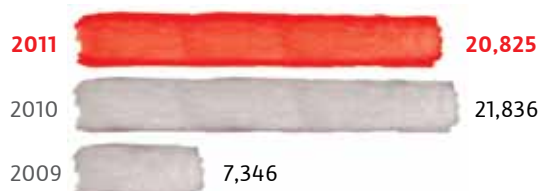
Net Income to Equity Holders of the Parent



Total Assets



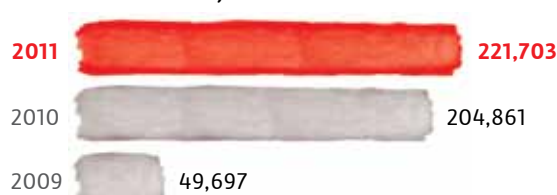
Core Net Income to Equity Holders of the Parent



Equity Attributable to Equity Holders of the Parent



Market Capitalization



Financial Summary

(in Php millions)

	2009	2010	2011	% change (2011 vs 2010)
INCOME STATEMENT				
Revenues	34,925	74,551	71,997	-3.4%
Operating costs & expenses	(27,783)	(45,682)	(49,073)	7.4%
Operating profit	7,142	28,869	22,925	-20.6%
Equity in net earnings of associates	4,265	6,843	11,229	64.1%
Other charges	(923)	(4,808)	(5,840)	21.5%
Income before income tax	10,483	30,904	28,314	-8.4%
Provision for income tax	(1,038)	(1,625)	(1,729)	6.4%
Net income from continuing operations	9,445	29,279	26,586	-9.2%
Net income (loss) from disposal group	510	(1,466)	-	-100.0%
Net income before non-controlling interests	9,955	27,813	26,586	-4.4%
Non-controlling interests	(1,648)	(5,948)	(5,394)	-9.3%
Net income attributable to equity holders of the parent	8,307	21,865	21,191	-3.1%
EBITDA	15,639	40,030	38,906	-2.8%
FINANCIAL CONDITION				
Total assets	143,281	174,967	200,992	14.9%
Total liabilities	88,639	96,650	106,014	9.7%
Non-controlling interests	9,945	14,005	17,900	27.8%
Equity attributable to equity holders of the parent	44,697	64,313	77,078	19.8%
RATIOS				
Per share (Pesos)				
Earnings	1.49	3.96	3.84	-3.1%
Book value	8.09	11.65	13.96	19.8%
Cash dividend to common	0.27	0.52	1.58	203.8%
Return on equity	23%	51%	37%	
Current ratio	0.79	2.36	2.96	
Debt/equity	1.62	1.23	1.12	
Net debt/equity	1.28	0.70	0.59	

Income Contribution Breakdown

PER BUSINESS SEGMENT (in Php millions)

POWER

11 | 16,500

10 | 19,133

09 | 4,324

BANKING

11 | 3,445

10 | 2,628

09 | 1,808

FOOD

11 | 1,233

10 | 1,529

09 | 1,227

Equity Investment Breakdown

PER BUSINESS SEGMENT (in Php millions)

POWER

11 | 52,452

10 | 43,883

09 | 26,421

BANKING

11 | 22,147

10 | 17,757

09 | 13,468

FOOD

11 | 3,259

10 | 2,412

09 | 2,371

From your Chairman and President & CEO

Dear Fellow Shareholders,

2011 was another good year for your company despite the headwinds faced by the Philippines from the continuing economic uncertainties in the United States, Europe's sovereign debt problem, and the political upheavals in many oil-producing countries that have caused a spiraling of fuel prices.

The country proved resilient enough to face these challenges, resulting in modest economic growth of 3.7%. Aboitiz Equity Ventures, Inc. (AEV) likewise turned in a steady performance, remaining on course in its strategic intents even though the wind that powered us to extraordinary heights in 2010 had slowed down.

We are pleased to make this report on behalf of all AEV team members whose dedication and commitment to our shared goals enabled the sustained growth of your company. Our team members also made possible the many activities we undertook during the year that enriched the lives of our stakeholders.

Your company ended 2011 with a net income of Php21.2 billion (bn), a slight decline of 3% from the previous year. The power businesses under Aboitiz Power Corporation (AboitizPower) remained our biggest contributor representing 78% of AEV's income, followed by the banking and food units with income contributions of 16% and 6%, respectively.

Creating Shareholder Value

In tandem with enriching the lives of thousands of our stakeholders, we also delivered healthy returns for you, our shareholders, in 2011. Over the year, your company's stock price appreciated by 8.2%, on top of the 312% appreciation in 2010. For the year that passed, AEV yielded a Total Return to Shareholder (TRS) of 12.5%, inclusive of the Php8.7 bn in cash dividends that we paid out in April 2012.

We are pleased to report that for the second year in a row, AboitizPower was again recognized and awarded the Overall Best Company in the Philippines – Large Cap in Asiamoney's Best Managed Companies Awards for 2011. AEV, for its part, won 2nd place in the Best in Investor Relations category.

Pursuing our Strategic Intents

AboitizPower will continue spearheading your company's future growth by building new capacity through investments in greenfield projects and the rehabilitation of existing ones. It aims to build the "right mix" of energy sources in its generating portfolio to be able to deliver better power solutions to help drive economic activity at reasonable and competitive prices.

AboitizPower is investing Php35 bn to add 354 megawatts (MW) of new capacity in Mindanao by 2015 to help address the critical power shortage in the region. The additional capacity, will come from the 300-MW clean coal facility of Therma South, Inc. and 54-MW of run-of-river hydro plants of Hedcor, Inc. With our partnerships with the Meralco Group and Taiwan Cogeneration Corp., and Team Energy Philippines Corp., we are also adding 1,000-MW of capacity to the Luzon grid.

We are pleased to make this report on behalf of all AEV team members whose dedication and commitment to our shared goals enabled the sustained growth of your company.

In our banking business, 2011 was marked by the tremendous progress in UnionBank's strategic move of balancing revenues by increasing customer revenues relative to trading gains. It grew consumer finance, cash management and revenues from commercial customers at faster rates than competition, in the process increasing market share.

UnionBank will continue to strengthen its customer franchise through enhanced retail focus and a stronger sales management approach. It will likewise pursue investments in technology and rationalize branch network expansion in strategic areas to maximize growth channels for deposits and loan accounts. In 2012, the bank plans to relocate and open new branches to support its community banking strategy.

CitySavings, for its part, increased its income contribution by 69% mainly due to AEV's increased ownership stake in the thrift bank. Its entry into Luzon, with two branches opened in 2011 and 6 more coming up in 2012, should keep its growth momentum as it pursues expansion towards a nationwide presence, aiming to become the preferred lending institution for public school teachers across the country.

Despite the challenges brought by the volatility in prices of commodities particularly wheat, our food unit Pilmico foresees growth in flour with the continuous expansion of bakery chains especially in the Visayas and Mindanao. The feeds business is likewise projected to be on the path of continued growth.

Pilmico refreshed its feeds brand in 2011 in an effort to strengthen its market presence while continuing to offer value to customers, which in turn would redound to better growth and effective business results.

Strengthening our Organization

Even if our business expansions in recent years have placed a lot of pressure on the organization and a great demand for talent attraction, we are very pleased with the way our whole team has coped with it. The team

continues to focus its efforts to attract, retain and optimize talent in the Group to ensure Team Aboitiz keeps up with the growth of the business.

Our Human Resources Team conceptualizes retention and optimization initiatives, and has increased efforts to build the capabilities and expertise of team members. They are being trained with various leadership, knowledge and skills enhancement programs, designed to support growth and expansion, thus preparing the Group to meet new challenges in the future. We recognize that we need to have the best team in place for us to achieve our business aspirations.

We also recognize that growing the business is only part of the work that needs to be done to continue to build value for our stakeholders. Making sure we are not putting at risk what we have already built so far is the other part.

With this in mind, we launched our Enterprise Risk Management (ERM) Program in 2010, and today, we are well on our way to achieving a risk-aware culture within the Aboitiz Group. Vital to the success of your company and its business units is for us to understand, anticipate, manage and capitalize on our key risks. While there are certain risks inherent in specific industries, the ERM program enables management to institutionalize effective policies and processes to mitigate new and emerging risks, ensuring a sustainable business with predictable results.

Our target is to hit Level 4 in the Aon Risk Maturity Index by 2013, an innovative tool designed to capture and assess an organization's risk management practices. When we reach Level 4, we would already have a clear understanding of our organization's key risks and consistently executing activities to address said risks.

We are now implementing a strategic roadmap to ensure the continuous mitigation of identified risks, as well as developing a business continuity program to achieve enterprise resilience.

From your *Chairman and President & CEO*

We continue working towards further strengthening our corporate governance program to ensure more transparency and safeguard the interests of all AEV stakeholders.

We are guided by the principles of fairness that have been engrained for generations in all of us, institutionalizing best practices that align majority and minority interests.

In recognition of our strengthened commitment to good corporate governance, the Institute of Corporate Directors has ranked AEV, AboitizPower and Unionbank, as among the gold awardees in the institute's scorecard for publicly listed companies.

Enriching the Lives of Our Communities

As we grow and protect our business, it is in the heart and soul of our corporate culture to provide opportunities for development of the communities around us. Enriching the lives of people in our host communities is another necessary ingredient to ensure our sustainable business growth.

The Aboitiz Group continues to enrich the lives of others through increased employment opportunities, CSR programs, and other initiatives that benefit our stakeholders, among them our team members and their families, and our communities.

Our CSR initiatives are implemented mainly through the Aboitiz Foundation, but on top of these, our business units across the country also initiate their own programs. About Php391 million was used for social development projects Group-wide in 2011. This support has allowed us not only to increase our number of projects but also to widen the coverage of communities we serve.

Group-wide, we continue to remain focused on education-related assistance, which has been our major thrust ever since as we believe that education is the key to a better future for our beneficiaries. We also have vibrant programs on enterprise development, primary and child health care, as well as various employee-initiated activities.

With our strong financial position and our continuing efforts to further strengthen the organization, we look to the future with much optimism and confidence.

We take pride in our team members' strengthened spirit of volunteerism. Their 2011 initiatives included their active participation in our Group-wide annual tree planting, Brigada Eskwela, Adopt-A-School projects that they themselves initiated, and our Christmas outreach program. They too immediately responded to calls for help from victims of tropical storm Sendong that devastated Cagayan de Oro, Iligan and Dumaguete before yearend 2011.

These employee-initiated projects are instrumental in bringing hope, joy and even survival to our countrymen as team members go out of their way to make a difference in the lives of others. We cannot thank them enough for their spirit of cooperation and generosity.

Passion for a Better World

We continued to strengthen our sustainability initiatives led by our flagship program APARK or the Aboitiz Passion for Agroforest and Reforest to Keep program. We enhance the biodiversity of areas across the country where our businesses operate by planting indigenous trees. Our goal is to plant 3 million trees by 2015 and we are confident we will hit or even surpass our target.

Our Race to Reduce campaign that encourages the prudent consumption of power, paper and water in our business units is gaining strength Groupwide.

Preparing for Further Growth

Indeed, with our strong financial position and our continuing efforts to further strengthen the organization, we look to the future with much

optimism and confidence. Prospects are looking good for the country and we want to capitalize on the opportunities that will come our way in a growing economy. We see plenty of opportunities for further growth that, in turn, enable us to help enrich even more lives.

Our future is defined by the choices we make today. A milestone decision we made in 2011 was to transfer the corporate headquarters of AEV and AboitizPower from Cebu to Manila by mid-2013. While it was not an easy decision to make, aware as we are of what this would mean especially to our Cebu-based fellow team members and their respective families, we are all making the necessary effort to uproot ourselves from what has been our home for decades.

The move to Manila is a decision whose time has come after decades of discussion. We are confident that this decision will have a significant positive impact on our future as an organization.

We also thank with much appreciation Ambassador Roberto R. Romulo who served as Independent Director of AEV for 10 years. He brought all his talents to the Board, contributing insight and perspective in many of our discussions. It was a distinct privilege to have worked with him over the past decade. We value very much not only his contributions as a board member but also his friendship.

Our appreciation extends to our business partners, customers, suppliers and our host communities, all of whom we value as true partners in our business relationship.

And we thank all our team members across the AEV Group for their loyalty, dedication and valuable contributions to ensure the continued success of your company. They continue to be driven: driven to lead, driven to excel and driven to serve as they create long-term value and enrich the lives of all our stakeholders.

Our Gratitude and Appreciation

On behalf of all our team members, we extend our deep gratitude to all of you, our dear shareholders, for your continued trust and confidence.

Sincerely, Yonnes,



Jon Ramon Aboitiz
Chairman of the Board



Erramon Aboitiz
President & CEO



Results of Operations

Your company ended 2011 with revenues of Php72 billion (bn), down by 3.4% from a year ago. Earnings before interest, taxes, depreciation and amortization stood at Php38.9 bn, lower by 2.8%, while net income was a healthy Php21.2 bn, slightly lower than the Php21.9 bn during the previous year. Core net income was at Php20.8 bn, lower by 4.6% year-on-year (YoY).

AEV's power business still contributed the lion's share of the parent company's income at 78% albeit down from last year's 85%. Banking on the other hand stepped up and increased its share to 16% with food accounting for the balance with 6%.

Power

Aboitiz Power Corporation (AboitizPower) ended the year in review with a lower Php16.5 bn income contribution vis-à-vis last year's Php19.1 bn. Adjusted for non-recurring items, power posted a 14% decrease in its earnings share from Php18.7 bn to Php16.1 bn.

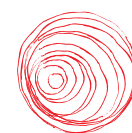
<i>Power</i>	2009	2010	2011	% change ('11 vs '10)
Revenues (mn pesos)	23,174	59,551	54,871	-8%
EBITDA (mn pesos)	9,867	34,362	32,846	-4%
Income contribution	4,324	19,133	16,500	-14%

Power Generation

Income contribution (mn pesos)	3,558	18,634	15,608	-16%
Attributable power sales (GWh)	4,619	9,762	9,422	-3%
Attributable capacity (MW)	1,745	2,051	2,350	15%
Attributable renewable capacity (MW)	808	850	906	7%

Power Distribution

Income contribution (mn pesos)	1,200	1,478	1,830	24%
Attributable power sales (GWh)	3,322	3,606	3,727	3%
Customers (number - in thousands)	658	685	741	8%



The 360-MW
SN Aboitiz
Power-
Magat, Inc.
plant located
along the
border of
Ramon,
Isabela and
Alfonso
Lista, Ifugao,
Northern
Luzon.



Generation

In 2011, the power generation business provided earnings of Php15.6 bn, lower by 16% YoY, due to the lower average selling price and net generation for the period.

Softening of market prices at the Wholesale Electricity Spot Market (WESM) compared with the previous year resulted to a 7% drop in the average selling price of generated power. Both demand and supply conditions that prevailed during the year were responsible for the recorded 41% YoY drop in the average price of electricity in the WESM's Luzon spot market.

Demand for electricity was flat compared with the previous year. Supply, in the meantime, showed marked improvements as average outage levels for Luzon-based power plants went down vis-à-vis 2010 levels.

Negative impact on earnings, however, was tempered by AboitizPower's strategic move of lowering its exposure to the spot market with the group's increased contracted capacity.

AboitizPower's net generation was down 3% YoY from 9,762 GWh to 9,422 GWh. This drop was mainly due to the reduced spot market transactions brought about by the low prices prevailing in the WESM.

In 2011, the power generation business provided earnings of Php15.6 bn, lower by 16% YoY, due to the lower average selling price and net generation for the period.

Results of Operations

Power

One of your company's coal plants was impacted by higher fuel costs. Coal prices in 2011 reached new heights given the unfavorable global supply situation. As most of the plant's bilateral contracts did not have a fuel cost pass through mechanism, AboitizPower's profitability was weighed down by this plant's lower margins.

The ancillary services provided by AboitizPower's merchant hydro assets grew significantly over last

year. With the elevated water levels vis-à-vis 2010, the capability of both Magat and Binga to offer ancillary services was significantly enhanced. The year saw a higher level of accepted capacities by the National Grid Corporation of the Philippines. The combined income contribution of these assets recorded an 84% YoY expansion.

As of end-2011, AboitizPower's attributable capacity was at 2,350 MW, posting a 15% YoY increase. The expansion was due to the following: assumption of full ownership of and control over the 70-MW Bakun hydro run-of-river plant in May 2011, acquisition of the 242-MW Navotas power barges in May 2011, the full completion of the rehabilitation of the Ambuklao hydropower facility in September 2011, the completion of the 4-MW Irisan hydropower Greenfield project in September 2011, and the partial completion of the rehabilitation works at the Binga hydropower facility.

As of end-2011, AboitizPower's attributable capacity was at 2,350 MW, posting a 15% YoY increase.



The 700-MW Pagbilao coal-fired plant in Quezon Province, Southern Luzon.



Distribution

The power distribution business, meanwhile, registered both higher sales volume and margins, resulting to a 24% increase in the distribution group's income contribution to Php1.8 bn from last year's Php1.5 bn.

Attributable electricity sales by the distribution utilities grew 3% from 3,606 gigawatt hours (GWh) to 3,727 GWh mainly as a result of increased sales to the industrial segment which was 6% higher YoY.

Margins on the other hand improved by 15% to P1.44 per kilowatt hour (KWh) given the implementation by some of the distribution utilities of their approved distribution tariffs under the Performance-Based Regulation (PBR). In addition, Davao Light and Power Company posted lower operating costs as improved supply conditions in Mindanao meant it did not have to operate its back-up power plant, resulting in savings.

Our distribution businesses have seen increasingly stable returns as all of our companies have entered

into the PBR regime implemented by the Energy Regulatory Commission (ERC). The implementation of the new rates of both Subic EnerZone and San Fernando Electric in 2012 complete the remaining companies of AboitizPower's distribution business inclusion in the PBR scheme, as Cotabato Light is preparing itself for its next reset in April 2013.

We have continued to keep watch over our system losses, always cognizant of the reduced cap of 8.5% set by the ERC. VECO has had marked improvement in the reduction of its losses through its focus on pilferage violations as well as the pursuit of its project on Elevated Meter Clusters, a project aimed at reducing direct tapping of connections to our secondary lines. VECO expects to meet the 8.5% requirement within the first 5 months of the year, and will thereafter steadily remain within its cap. Cotabato's system loss remains a concern but is always carefully monitored.

Results of Operations

Banking

Banking subsidiaries UnionBank and CitySavings had a combined income contribution to AEV of Php3.4 bn, a 31% increase from Php2.6 bn of the previous year. The sterling performance of these banking units helped offset the slightly lower profits of AEV's power business.

<i>Banking</i>		2009	2010	2011	('10 vs '11)
Income contribution (mn pesos)		1,808	2,628	3,445	31%
UnionBank		1,712	2,313	2,914	26%
CitySavings		96	315	531	69%
Net interest income (bn pesos)		7.2	8.1	8.3	3%
UnionBank		6.5	7.1	7.0	-1%
CitySavings		0.7	1.0	1.3	29%
Total loans (bn pesos)		71	81	97	20%
UnionBank*		66	74	87	17%
CitySavings		5	7	10	52%
Total deposits (bn pesos)		198	198	212	7%
UnionBank		195	193	204	6%
CitySavings		3	5	8	49%
NPL ratio (%)	UnionBank**	2.6%	3.7%	2.3%	38%
	CitySavings	0.9%	0.8%	0.7%	-3%
Return on equity (%)	UnionBank	14.6%	15.5%	16.7%	8%
	CitySavings	41.1%	50.2%	35.8%	-29%
Return on assets (%)	UnionBank	2.0%	2.2%	2.5%	14%
	CitySavings	5.2%	6.6%	5.0%	-24%

* Gross Loans and Preferreds Only

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

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1



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2



Provide you with an automated collection facility where all donations end up in one enhanced account. Easily disburse your donations with a personal check writing system.

3

DONATION HISTORY

Date	Donor/Church	Amount
19 Jun 2011	Our Lady of the Holy Spirit	Php 2,000
06 June 2010	Waypoint Ministries	Php 5,000
01 June 2010	China Christian	Php 1,000
09 Dec 2009	Rev. Jesus Church	Php 4,000
21 Feb 2009		Php 1,000



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Results of Operations

Banking



UnionBank Eastwood City Branch

In 2011, Union Bank of the Philippines (UnionBank) provided a larger income contribution to AEV at Php2.9 bn, up by 26% YoY.

UnionBank

In 2011, Union Bank of the Philippines (UnionBank) provided a larger income contribution to AEV at Php2.9 bn, up by 26% YoY and helped offset the lower contribution from Power.

UnionBank's net income at Php6.6 bn is attributable primarily to a 56% increase in non-interest income to Php9.6 bn from Php6.1 bn. This was driven by higher trading gains that almost doubled to Php5.4 bn as the bank continued to take advantage of market volatilities.



Outside the notable improvement in the bank's non-interest income, the retail-led expansion in credit portfolio and improvement in deposit mix were the other biggest contributors in 2011 as UnionBank continued pushing its FOCUS 2020 agenda.

On the asset side, the retail, middle-market and SME customer segments account for about two-thirds of net loan portfolio in terms of average daily balance (ADB) and almost three-fourths of interest income from customer businesses.

On the liability side, the growth in average peso low cost deposits outpaced the expansion in average total deposits, translating to a 70 basis points improvement in its share to total deposits.

The auto and mortgage loan businesses fared fairly well as it posted 38% YoY growth in terms of ADB to Php18 bn from Php13 bn in 2010. Mortgage loans grew by 38% to Php11 bn from Php8 bn while auto loans grew by 40% to Php7 bn from Php5 bn. However, margins continued to be under pressure and net interest income growth from this business was at 27%.

To sustain the bank's performance in this segment, it continues to expand dealer coverage by adding more dealer coordinators and motivating branches to originate consumer finance transactions, as well as expand relationships with brokers to increase participation in funding secondary home sales.

Initiatives for 2012 will focus on increasing share of earning assets to extract greater yields from the portfolio; growing retail and SME business assets; broadening customer base and deepening relationships through innovative product and service offerings; continuing deposit build-up focused on low cost deposits to lower cost of funds; and sustaining trading profits.

The bank is also continuing to focus on building its unique UnionBank culture anchored on living its purpose which is to "Make Da Diff" in the communities it serves, to elevate lives and make dreams come true. This it does by connecting and enabling communities through Smart banking in the spirit of UBUNTU.



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Results of Operations

Banking



CitySavings, AEV's non-listed thrift bank, contributed earnings of Php531 mn in 2011, up 69% from the previous year's Php315 mn.

CitySavings

City Savings Bank (CitySavings), AEV's non-listed thrift bank, contributed earnings of Php531 mn in 2011, up 69% from the previous year's Php315 mn. The higher contribution could be attributed to the increased ownership stake in CitySavings coupled with the 7% improvement in the bank's bottomline performance.

CitySavings recorded a 29% YoY expansion in its net interest income, mainly brought by a 33% YoY increase in its interest income on loans and service fees.

The robust growth, however, was tempered by a 36% YoY rise in operating expenses that resulted from the implementation of the bank's expansion program and various initiatives during the year, including a rebranding program that has been rolled out in its new Luzon branches.

The bank's expanded network resulted to additional access to new markets, both for its loan assets and deposits. CitySavings opened five new branches during the year, three in Luzon, including the flagship Ortigas branch, and two in the Visayas.

The rebranding has brought to fruition a new tagline and brand philosophy, 'Simple is Good', and reflects the bank's commitment to managing business in a way that keeps customers at the core of what it does, to earn their trust through building meaningful and from-the-heart relationships.



Other major initiatives during the year included the replacement of its core banking system that is expected to further improve CitySavings' processes and turnaround time.

The bank had a total loan book of Php9.9 bn by end-2011, up 52% YoY. Total resources as of year-end were close to Php13 bn, a 44% increase, while the bank's NPL ratio was less than 1% and NPL coverage ratio at 195%. Total capital funds amounted to Php1.8 bn with a capital adequacy ratio of 16.8%.

And while CitySavings faced some challenges during the year, these were overcome by the team members' steadfast commitment and "can do" spirit. The banking industry expects tougher times ahead but CitySavings is ready for these, always positioning itself for success.

2012 will be a defining year for the bank, and growth will have to come from volume increases and the expansion of its customer franchise, CitySavings' biggest challenge to date. It faces new frontiers in Luzon with the confidence of duplicating success in the Visayas and Mindanao through the team's commitment and focus on strategy. The bank plans to open six more branches in Luzon in 2012 towards the goal of a nationwide presence and to be the preferred lending institution of public school teachers.



Results of Operations

Food

Pilmico Foods Corporation (Pilmico), recorded a 19% decline in income contribution in 2011 from Php1.5 bn to Php1.2 bn despite a 14% revenue growth from volume increases recorded by the feeds and swine operating divisions and higher average selling prices booked by the flour and feeds units.

Higher input costs weighed down the profitability of the flour and swine segments as their income contributions posted declines of 36% and 75%, respectively. Only the feeds unit recorded a positive growth of 14% during the year as higher selling price cushioned the rise in raw material costs.

The drag was mostly brought about by economic uncertainties in Europe and the United States as well as unrest in major oil producing countries that resulted in unstable prices of world commodities such as wheat, corn, soya, and fuel.

<i>Food</i>	2009	2010	2011	('10 vs '11)
Revenues (in mn pesos)	11,104	12,886	14,753	14%
Flour	6,239	6,649	7,211	8%
Feed	3,987	5,174	6,425	24%
Swine	878	1,062	1,117	5%
EBITDA	1,778	2,183	1,841	-16%
Income Contribution (in mn pesos)	1,227	1,529	1,233	-19%
Flour	405	726	468	-36%
Feed	699	637	724	14%
Swine	124	165	42	-75%

“The feeds unit recorded a positive growth of 14% during the year as higher selling price cushioned the rise in raw material costs.”





Results of Operations

Food

Volatility became the norm as wheat prices increased by as much as 37% due to futures prices, impacting Pilmico's overall margins for the year.

The 2nd half proved most challenging for the swine business when prices of live hogs were at a low due to several factors, including an increase in pork imports that affected the swine and feeds business in general.

While swine volume is 11% higher, the average farm gate price was about 5% lower than the previous year.

Flour volume for the year was lower by 1% likewise caused by imported flour sold at lower prices. Although of lower quality, there was an increasing market acceptance of imported flour by both distributors and end-users due to the price gap. While selling price per bag of flour went up, the increase in cost of wheat ate into margins.

Pilmico's feeds volume grew by 1% and the average price per metric ton also increased.

Despite the challenges, Pilmico's core businesses are expected to continue growing. Its strategy of maximizing and growing existing businesses – while at the same time looking for opportunities to diversify and grow the breadth and depth of its products and services – should minimize risk and create a more stable business model.

Growth for flour is seen in the areas of ready-to-eat snack foods, noodles and biscuits and the continuous expansion of bakery chains particularly in Visayas and Mindanao. The strategy is to protect market share and grow with population at a rate of about 2% per year while remaining focused on competitive price positioning.



Pilmico aims to grow feeds at an average of 10% per year, and the biggest contributor to this growth should be Mindanao, followed by Luzon and Visayas.



The feeds business will continue to be very competitive with the emergence of smaller players and the expansion of low-end to medium level players. Pilmico aims to grow feeds at an average of 10% per year, and the biggest contributor to this growth should be Mindanao, followed by Luzon and Visayas.

Feeds growth will remain anchored on existing programs and products where volume increase will essentially come from core distribution structure and core hog products.

A new look and feel for the feeds brand should help it stand out in a cluttered retail environment once it becomes visible in packaging, point-of-sale and other merchandising collaterals. The brand refresh is about confidently and clearly establishing value in the market and to customers.

In 2012, Pilmico allocated about Php1.2 bn in capital expenditures for maintenance and expansion projects. Port dredging and rehabilitation of the unloading facility in Iligan is expected to



▲ The Nucleus Farm of Pilmico Animal Nutrition in Sitio Guliman, Sto Rosario, Capas, Tarlac.

be completed within the year. This improvement will allow Pilmico to accommodate bigger international vessels and increase unloading rate from 7,500 to 10,000 metric tons a day.



From your Chief Financial Officer

Dear Shareholders,

Despite uncertainties in the global markets in 2011 brought about by such major factors as the debt turmoil in Europe, the tsunami disaster in Japan, flooding in Thailand and Australia, and populist uprisings in the Arab world, the Philippines enjoyed a relatively stable year, even though the economy's growth slowed down considerably to 3.5% from the previous year's 7.3%. The slower growth was mainly due to reduced government spending and a decline in exports.

Continued strong remittances from overseas Filipino workers coupled with a robust banking sector, a buoyant stock market, and a stable political environment all contributed to higher consumer confidence and spending. This, in turn, helped many businesses post healthy profit growth, despite external pressures from rising oil and commodity prices.

Amid this backdrop, Aboitiz Equity Ventures posted a consolidated net income of Php21.2 bn, a slight 3% decline from the previous year's record Php21.9 bn, translating to earnings per share of Php3.84. Power accounted for 78% of your company's earnings, followed by income contributions of 16% and 6% from the banking and food groups, respectively.

During the year, your company incurred various non-recurring adjustments to revenue and expense, most of which were related to its power

businesses. Removing these items, core net income came in at Php20.8 bn, a drop of 5% from the comparable figure in 2010.

Your company posted a very healthy consolidated EBITDA (earnings before interest, taxes, depreciation and amortizations) in 2011 of Php38.9 bn, a decline of only 2% from the previous year. This led to a 13% increase in our cash levels to Php29.5 bn versus the year-end 2010 level of Php26.1 bn, even after having paid out a cash dividend of Php8.7 bn in the second quarter of the year.

The decline in the 2011 earnings of the power generation sector, the largest business segment in the group, resulted in the lower net income for the whole enterprise. This was driven primarily by the much lower prices in the spot market, and as a strategy, we have stepped up efforts to contract as much of our baseload capacity as possible, with the exception of our large hydros, which makes economic sense to keep as merchant capacity.

Aboitiz Equity Ventures posted a consolidated net income of Php21.2 bn, a slight 3% decline from the previous year's record Php21.9 bn, translating to earnings per share of Php3.84.

Our power distribution group's net income contribution posted a significant improvement, driven by higher sales volume and improved margins resulting from the tariff increases allowed under the new Performance-Based Rate regime of the Energy Regulatory Commission.

The strong performance of our banking units partly helped mitigate the decline in our overall profit. Both Union Bank of the Philippines (UnionBank) and City Savings Bank (CitySavings) turned in sterling performances for the year, earning Returns on Average Equity of 16.7% and 35.8%, respectively.

During the year, AEV increased its stake in UnionBank by 2.4% at a cost of Php910 mn, bringing its ownership in the bank to 43.3% at yearend 2011. CitySavings' presence in Luzon marked its first full year in 2011, adding 5 new branches in various urban centers, including one in Metro Manila. The results of the thrift bank's first year in Luzon, which accounts for more than 50% of the market it serves, are very encouraging. Plans are in place in 2012 to expand the branch networks of both banks.

Your company's food group suffered a decline in its profits, with volumes in flour and feeds relatively flat year on year. Higher commodity prices resulted in a squeeze in profit margins, and the higher average selling prices were insufficient to compensate for the higher raw material costs.

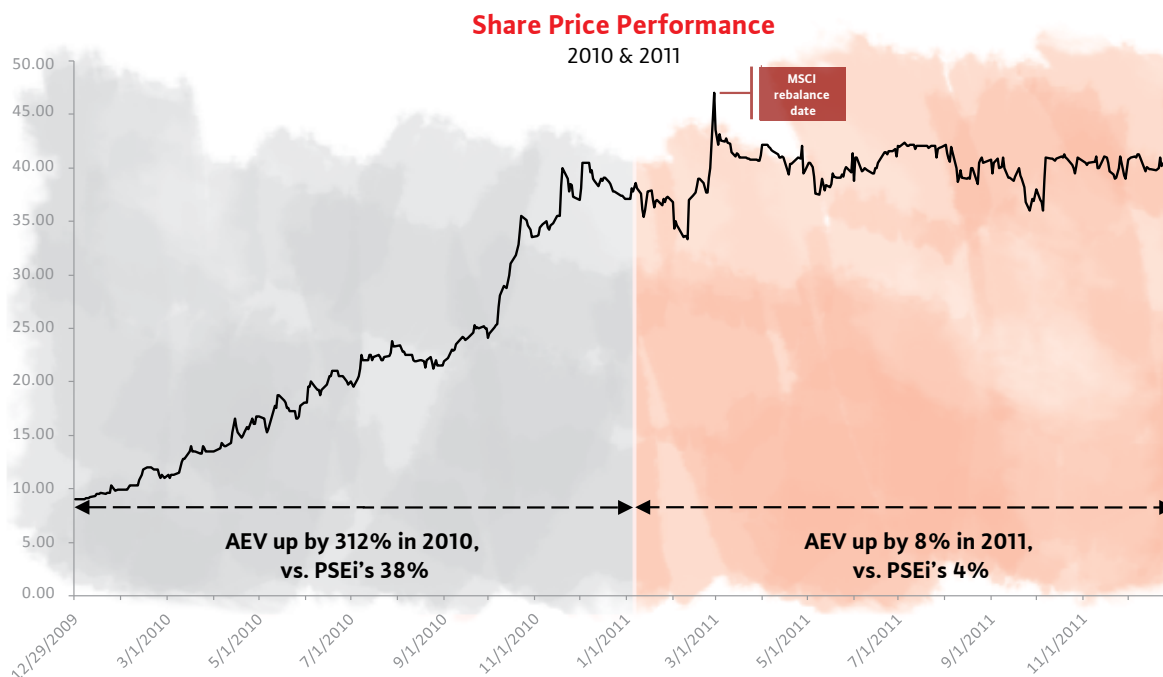
Your company's consolidated assets were up by 15% to Php201 bn, mainly by way of new acquisitions in the power sector, while total liabilities increased by 10% to Php106 bn, as the group took on additional long-term debt to fund

Your company's consolidated assets were up by 15% to Php201.7 bn, mainly by way of new acquisitions in the power sector, while total liabilities increased by 10% to Php106.4 bn, as the group took on additional long-term debt to fund its capital expenditure programs.

its capital expenditure programs. Current ratio at yearend was at 3.0x versus 2.4x at the end of the previous year, while net debt-to-equity ratio was at 0.6 compared with the 0.7 at yearend 2010. A key metric we look at is net debt/EBITDA, which improved further to 1.41x, and reflects the strength of your company's balance sheet. This gives us much flexibility to add leverage, in the event we identify a large expansion or acquisition opportunity.

The group's capital expenditure (capex) program in 2011 came in significantly below budget, as several of our large Greenfield power projects experienced delays in their start-up phase. Total amount spent on capex was Php24.8 bn, and AEV's beneficial share of this was Php13.5 bn. For 2012, the group's capex program is projected to be almost Php47 bn, with AEV's beneficial share amounting to Php18.8 bn. The two large projects that account for the major share of this capex are the coal-fired plants in Subic and in Davao.

From your Chief Financial Officer



In terms of market capitalization, AEV ranked among the largest companies in the Philippine Stock Exchange, ending the year with a value of Php221.7 bn. In the earlier part of 2011, AEV was included in the prestigious MSCI index, following the inclusion of its subsidiary AboitizPower in late 2010. Your company's stock price appreciated 8.2% over the year, on top of the 312% appreciation in the year 2010. AEV yielded a Total Return to Shareholder (TRS) in 2011 of 12.5%, inclusive of the cash dividend paid in April.

In the low interest rate environment that prevailed throughout the year, we saw the opportunity to refinance a total of Php4 bn of the Group's long-term debt, mostly at the holding company level, saving us at least two percentage points or approximately Php100 mn per annum. We also raised a total of Php8.5 bn through various fixed-rate note issues with tenors of 5 to 7 years, at very attractive rates of between 6.1% and 7.2%.

As part of our enterprise risk management initiative, the group's debt portfolio is structured and managed so as to minimize the various financial risks inherent in our businesses, including interest rate, liquidity and foreign exchange risks. At the parent company, we have no debt principal amortizations until 2015, while at the consolidated level, our debt maturities amount to a manageable Php9.3 bn and Php6.9 bn in 2012 and 2013, respectively.

In terms of market capitalization, AEV ranked among the largest companies in the Philippine Stock Exchange, ending the year with a value of Php221.7 bn.

“More than ever, your company is in a much stronger position because of its sustained profitability over the last few years.”

Less than 10% of total group debt is short-term in tenor, as we take advantage of the favorable yield curve to smoothen our debt maturity profile. To address interest-rate risk, over 90% of the group's debt is fixed rate, again considering the relatively small premium to pay for doing so.

In terms of currency, there is a mismatch in our debt at a subsidiary that was acquired in the government's power privatization program. But as we move forward, we are structuring our power purchase agreements to allow us to pass on currency movements.

Your company was also very active in its investor relations (IR) efforts and participated in various IR conferences in Asia, Europe and North America

throughout the year. We are very encouraged about the very positive sentiment that major institutional investors have on Asia, and particularly on the Philippines. We are also pleased to note that more of the large securities brokerage houses now cover both AEV and AboitizPower, to help us get our story out to the investing public.

More than ever, your company is in a much stronger position because of its sustained profitability over the last few years. This allows us greater flexibility as we continue to pursue our various expansion programs and develop both greenfield and brownfield opportunities.

The challenge we now face is to deploy wisely the capital that the Aboitiz Group companies generate. We are confident that we are up to the task.

Steve

Stephen G. Paradies

Senior Vice President
Chief Financial Officer



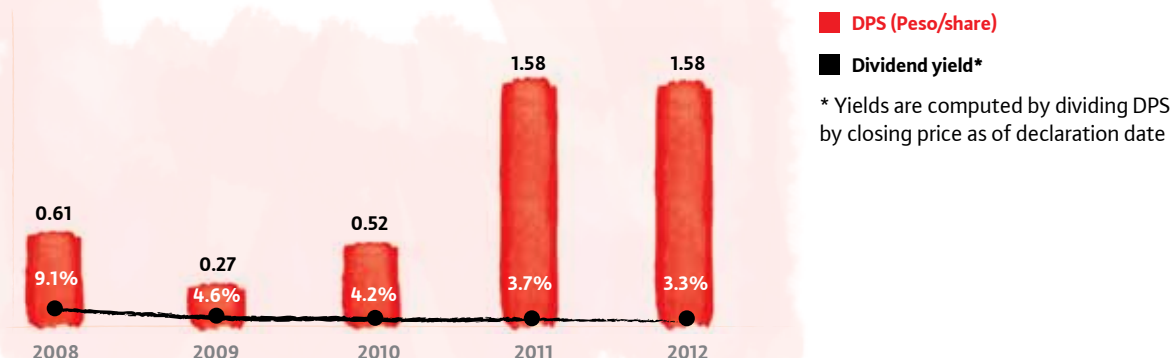
Shareholder Value

Earnings and Dividends (2008–2011)

(in Php millions)



Dividend Per Share (DPS) and Dividend Yield



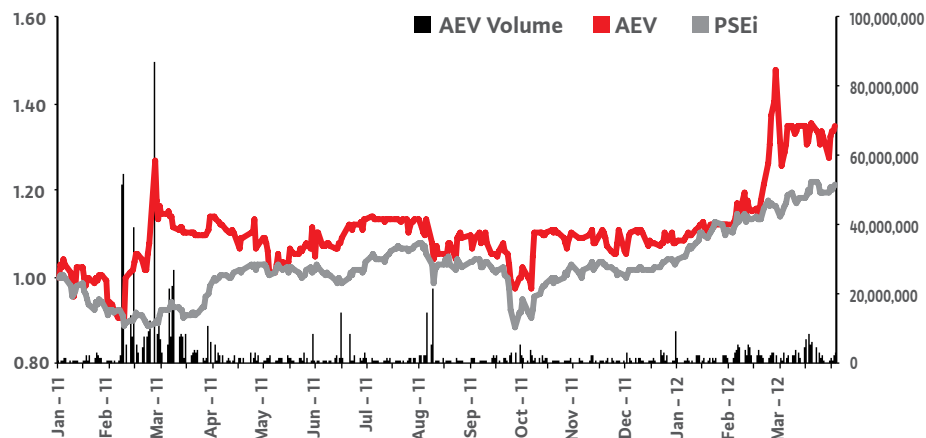
Share Price Performance

	2011	YTD March 2012
AEV	8%	25%
PSEi	4%	17%

AEV Stock Price (Peso/share)

	HIGH	LOW
2011	47.00	33.30
2010	40.50	9.00
2009	9.30	5.30

Outstanding Shares as of March 31, 2012 – 5,521,871,821



Treasury Report

Overview of 2011 Financing Activities

The Treasury Group's main thrust is to arrange appropriate financial structures to address the financing requirements of the Aboitiz Group.

The Treasury Services Group provides a wide range of financial services to all business units and subsidiaries within Aboitiz Equity Ventures (AEV). This includes short and long term loans as well as wholesale cash management, credit facilities management, foreign exchange and project finance. The Treasury Group's main thrust is to arrange appropriate financial structures to address the financing requirements of the Aboitiz Group.

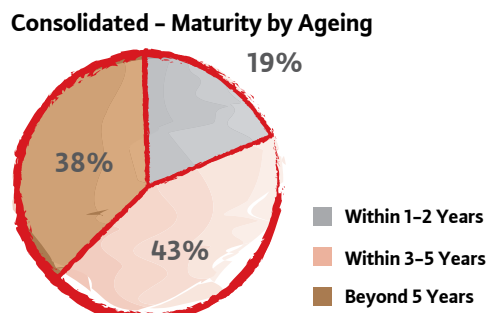
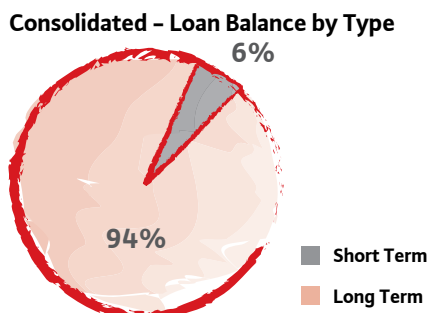
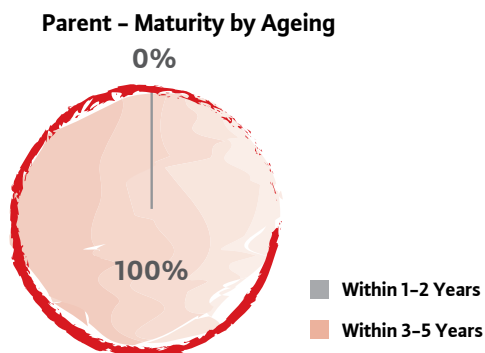
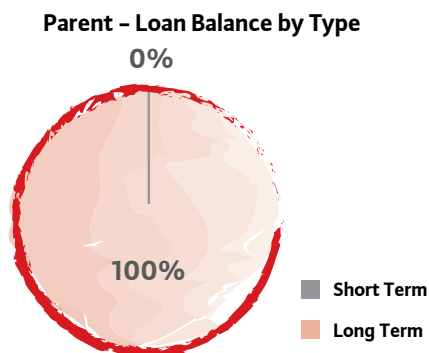
The Treasury Group maintains relationships with a host of financial counterparties that include local and foreign banks, investment houses and institutional lenders, bondholders, credit rating agencies and all those associated with the provision of credit facilities for the Aboitiz Group.

The Treasury Group looks to maximize the individual strengths of these financial counterparties in a cohesive and competitive manner to address the diverse requirements of AEV while at the same time developing mutually beneficial long term relationships with them.

By end of December 2011, AEV had business relationships with over 20 financial institutions and major institutional funders, both in the Philippines and abroad.

The Treasury Group obtains short- to long-term facilities from local and foreign banks on a competitive basis. This is to diversify AEV's sources of credit facilities, manage its maturity profile and

AEV Loan Charts



Treasury Report

maintain a high level of competitiveness among the counterparties.

For longer term debt requirements, the Treasury Group taps the domestic capital markets either in the form of Corporate Notes or Retail Bonds. Treasury also works with a number of banks and multi-lateral agencies for the more complicated Project Financing for greenfield projects and ongoing Special Purpose Vehicle (SPV) operations.

Treasury also taps contingent credit facilities such as performance and financial guarantees and hedging products of the foreign banks to minimize financial volatility.

At the AEV Parent level, outstanding loan as of December 2011 was at Php4 bn. On a consolidated basis, outstanding loan was Php85.7 bn.

Subsidiaries and affiliates capitalize on the strong credit of AEV, the risk-balanced project structure and healthy project economics to procure non-recourse debt facilities to finance investments.

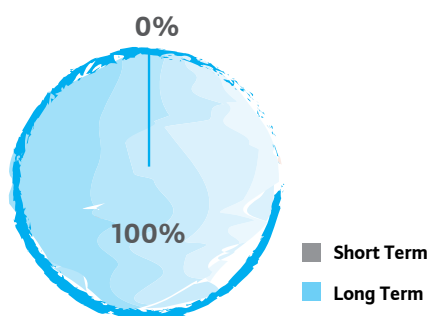
For AboitizPower, its greenfield projects and SPV operations rely primarily on the very deep and mature Philippine Peso market which has shown growth, high level of structuring sophistication and resiliency to the volatile international financial markets.

During 2011, AboitizPower arranged a Php5 bn fixed rate notes facility due 2016 through the debt capital market and used part of the proceeds to retire higher interest obligation to save on interest.

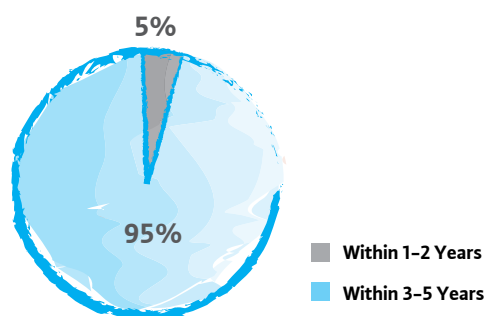
At the Parent level, AboitizPower's outstanding loans, notes and bonds as of Dec 2011 totaled Php13.5 bn. On a consolidated basis, outstanding loan is Php73.2 bn.

AP Loan Charts

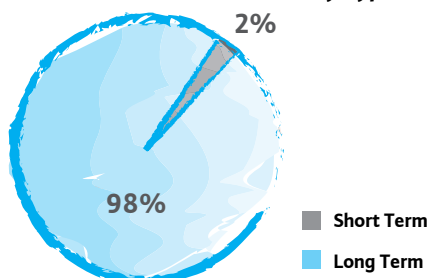
Parent - Loan Balance by Type



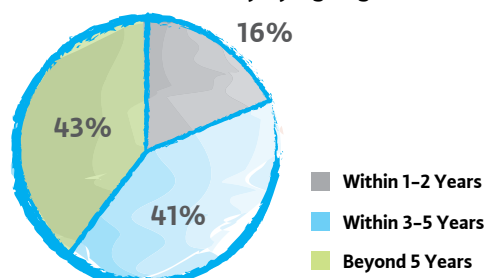
Parent - Maturity by Ageing



Consolidated - Loan Balance by Type



Consolidated - Maturity by Ageing



Its subsidiaries and affiliates likewise capitalize on the strong credit of AboitizPower, which has been assigned the highest possible rating by the Philippine Rating Services Corporation (PhilRatings) for the company's bonds and corporate notes.

The "PRS Aaa" rating shows the company's extremely strong capacity to meet its financial commitments and meant AboitizPower's credit was of the highest quality with minimal credit risk.

The PRS Aaa rating covers AboitizPower's Php3.89 bn Corporate Notes that will mature in 2013 and 2015 and its Php3 bn Fixed-Rate Bonds with maturities in 2012 and 2014.

The PRS Aaa rating covers AboitizPower's Php3.89 bn Corporate Notes that will mature in 2013 and 2015 and its Php3 bn Fixed-Rate Bonds with maturities in 2012 and 2014.



Gabriel T. Mañalac
Senior Vice President
Treasurer

Risk Management Report

Embedding Risk Management into the Aboitiz Corporate Culture

Since the Aboitiz Group embarked on its Enterprise Risk Management (ERM) Program in 2010, great strides have been achieved in identifying and addressing potential risks throughout the whole breadth and depth of Aboitiz Equity Ventures (AEV). More importantly, the seeds of risk management (RM) consciousness have taken firm roots throughout the entire organization and showed dramatic progress in 2011.

2011 Enterprise Risk Management Program Highlights:

- Gaining access to the international reinsurance market through successful RM and insurance roadshows in Singapore and London, leading to the optimization of risk finance by developing Group insurance programs such as the Group Industrial All Risk Program for Key Power Generation Business Units and Group Sabotage and Terrorism Insurance for AEV and its business units (BUs).
- Intensified development of risk culture and infused risk awareness in the organization. The ERM team sponsored risk management awareness and education sessions in June attended by the board of directors and senior management of the Aboitiz Group.
- Strengthening the RM capability of the organization by initiating programs on specialized areas of Risk Management such as Project Risk Management, Financial Risk Management and Risk Engineering.
- Commenced initial phases of the development of a Business Continuity Management (BCM) System across AEV and its BUs. (See Figure 1. BCM Development activities)

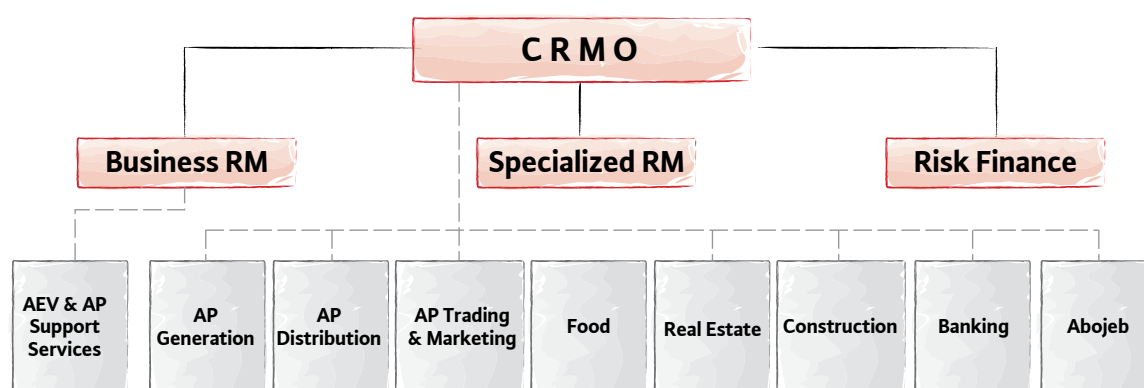
The seeds of risk management (RM) consciousness have taken firm roots throughout the entire organization and showed dramatic progress in 2011.



Figure 1. BCM Development Activities

- Identification and assignment of dedicated Operational Risk Managers per SBU – which led to the organization of the Risk Management Steering Committee in preparation for the 2012 implementation of the ORM program at the BU level.

Risk Management Steering Committee (Operational Level)



2012 – Preparing for the Road Ahead

In December 2011, AEV sponsored a risk management maturity index assessment following the index developed by Aon in partnership with the Wharton School of the University of Pennsylvania.

Board Directors and senior officers of AEV and its BUs went through this assessment to gauge the degree of the Group and the individual organizations' level of risk management sophistication against leading practices and benchmarked them with similar organizations in the region and globally.

1st Aboitiz ERM Forum

Continuing the momentum from our Enterprise Risk Management (ERM) Program Launch in 2010 and guided by the results of the risk management maturity index, AEV through its ERM Group organized the gathering of over 100 risk management leaders and

professionals across all the Aboitiz Businesses for the first ever Aboitiz Group ERM Forum last February 20, 2012 at Marriot Cebu.

The forum's flow revolved around the theme of **4 in 2013: Preparing for the road ahead.** 4 represents the Group's risk maturity goal of having Risk Management practices Operational by end of 2013.

The forum featured RM experts from Aon, SGV, Lockton, Citibank, Standard Chartered Bank and ING. Their presentations focused on the new approaches and developments in the fields of ERM, insurance, financial and commodity Risks, as well as the outlook for these areas in the coming years.

Risk Management Report

Essential to the success of AEV and its businesses is the integral process of understanding, anticipating and managing its key risks. While certain risks are inherent to specific industries – and they are usually accompanied by rewarding opportunities – the ERM program enables management to institutionalize effective policies and processes to mitigate new and emerging risks.

Reputation Risk

AEV recognizes that reputation is its single most valuable asset, a competitive advantage that enables the company to earn the trust of shareholders and stakeholders. The company's sterling reputation, which has provided so much opportunity, took generations to firm up and is something that the company wants to protect, build and enhance continuously.

Higher corporate governance standards, the rise of influencers and civil society groups, social media, and greater scrutiny from key stakeholders have created a new environment where corporate reputation has become a differentiating asset as well as the number one risk.

Managing reputation requires understanding the reputational terrain which has now expanded from the usual general public to the Group's very own team members, partners, shareholders, lenders, communities, NGOs, regulators, advocacy groups, and those in the traditional media and social media.

The stakeholders' view and perception of the company's image thus determine AEV's Employer Brand, Societal & Regulatory Brand, Customer Brand, and Shareholder Brand.

Managing reputational risk requires organizational capability through a governance structure with intelligent processes. These are currently being implemented across the Group and are linked to business strategy to help ensure that issues are identified early on to be able to develop prevention strategies, implement changes and monitor issues.

In February 2012, the Risk Management Board Committee of AEV and AboitizPower approved the expansion of the Committee's responsibilities to include oversight over the company's Reputation

“AEV recognizes that reputation is its single most valuable asset, a competitive advantage that enables the company to earn the trust of shareholders and stakeholders.”

Management System, thus its new name Risk & Reputation Management Board Committee. The Committee has oversight responsibilities not only on Reputation Issues Management, but also in establishing a proper governance structure to support its framework and building organization, as well as its intelligence capability.

Competition Risk

AEV and its BUs operate in very competitive environments, and failure to properly consider changes in their respective markets and the actions of competitors can greatly diminish competitive advantage.

To strengthen competitive advantage and enable AEV and its BUs to maximize opportunities, a more robust and comprehensive strategic planning process has been put in place to maximize business strengths and address weaknesses.

The alignment of ERM into strategic planning has been initiated to create synergy that leverages and reinforces both processes. On top of the business development team in the power business, a separate business development organization was also set up primarily to evaluate and maximize new non-power related business prospects.

Regulatory Risk

The complexity of the business and regulatory landscape is increasing dramatically, with the power and banking sectors now being subject to more stringent regulations. Companies must thus operate through

stricter regulatory requirements and stakeholder expectations in a way that supports performance objectives, sustains value and protects the brand.

AboitizPower has a dedicated Regulatory team that works closely with the generation and distribution units and maintains working relations with the Department of Energy and other regulatory agencies. It actively participates in consultative processes that lead to the development of rules and policies covering the industry.

The Regulatory group's strategy is anchored on a longer-term view of possible new or changes in regulations, including alternate scenarios. The approach integrates understanding how regulations will affect AboitizPower's businesses and preparing for expected changes in regulation ahead of time.

For AEV's banking units, compliance programs have been designed to ensure adherence not only to all laws and regulations but also to the banks' internal policies and industry-accepted standards and corporate governance best practices and principles.

Financial Risks

Given the magnitude of its business interests, the Group is faced with a host of financial risks. They include interest rate risks that could impact outstanding long-term debt; credit risks involving possible exposure to counter-party default on its cash and cash equivalents, AFS investments and trade and other receivables; liquidity risks in terms of matching the types of financing for specific investments; and foreign exchange risks arising from fluctuations that may significantly affect the Group's foreign currency denominated placements and borrowings.

Details of the above risks, including measures to mitigate them, are discussed in the Notes to the Financial Statements.

Commodity Risk

Certain AEV companies, specifically in food and power generation, have raw material and fuel requirements

that are subject to price, freight and foreign exchange volatility factors. Fluctuation in any or in combination of these factors could result to increases in operating costs and affect margins.

To address such risks, a Risk Finance team was created in 2011 to help improve existing capabilities in managing and reducing uncertainty relating to commodities. Your company has taken a more active role in understanding the markets, including entering into contracts and hedging their positions with commodity suppliers.

Maximizing Opportunities

As a whole, the risk management efforts of the Aboitiz Group have set the ground work to allow the BUs to maximize opportunities that will sustain growth and long term profitability. As we enhance our risk management capability, your company is laying the foundation to eventually accept bigger challenges in making AEV enterprise resilient.

Rolando Cabrera
First Vice President
Chief Risk Management Officer



Talent Management

Our Human Resources: Poised to attract, optimize and retain "A-people"

The dramatic growth of the Aboitiz Group in the last few years has highlighted our continuing need to enhance HR programs to engage, develop and support the teams working behind this expansion.

HR's programs revolve around three pillars designed to keep a highly diversified workforce to be constantly inspired by passion. The pillars are to attract, to retain, and to optimize talent; these are needed to sustain our business model and make possible an Aboitiz way of life that is exciting and attractive, as it enriches the lives of our employees, their families and communities.

There is fierce competition in the labor market for highly driven, competent and committed people,

We fondly call our employees "A-people", signifying a group of talents that bear a set of attributes that is uniquely Aboitiz.

and the Aboitiz Group is fortunate to have in its fold the most talented employees, now numbering more than 33,000 nationwide. Each one of them shares our values, dreams and aspirations not only to succeed personally but also to be able to give back and share their success to others.

We fondly call our employees "A-people", signifying a group of talents that bear a set of attributes that is uniquely Aboitiz.

Attracting Talent Today and For the Future

We attract talent both for today and for tomorrow, using a variety of initiatives to continuously build and promote our employer brand. Our strong partnership with the academe as well as with professional executive search firms enable us to select and attract targeted talents, allowing us to infuse fresh blood from external candidates while keeping a healthy churn of promotions from within.

Our Group career website (<http://careers.aboitiz.com>) was developed to allow each business unit to capitalize on the Internet and social media infrastructure to promote career opportunities across the group, expanding their reach as wide as possible.



In attracting talent for tomorrow, HR proactively forecasts future workforce requirements by partnering with CEOs to look at long-term business goals and develop strategies to identify and acquire future talents. Together they plan for the right number of talents as well as the right set of skills and competencies the business will need in order to achieve their future plans and objectives.



HR also prepares the youth to be part of the corporate world through flagship programs such as our annual event called the **Aboitiz Future Leaders Business Summit** attended by the best students from leading universities all over the country. During this two-day summit, we present the different facets of our history, our values, our leadership and our business. We share our company principles on service excellence, professionalism, risk management, financial & wealth management, innovation and the drive to lead, excel and serve. All these in an effort to make the student-delegates understand us better and appreciate our brand of passion for better ways while preparing them for their entry into the business world.

Other opportunities for the youth to be folded into the organization are through on-the-job (OJT) training and scholarship programs. Our OJT program follows a curriculum, where there is a mentor and a grading system. We pick only the best students for these programs. After two months, many of our team leaders are prepared to hire their trainees because they are good and very eager to learn much more. Trainees are also compensated because they are

doing real work. We expect a lot from them; in return, they learn a lot about what corporate life is all about.

Optimizing Talent to Reach their Highest Potential

Once we get the right people in, we develop programs to ensure that we optimize talent by understanding their right fit, and by encouraging inter-business unit transfers. There are also evaluating committees who determine how to best cultivate them.

What attracts people to us is not just compensation, but the knowledge that they will be developed and trained to become more well-rounded individuals. We look for long-term career people who realize that we invest on their development, providing them with opportunities not only for professional advancement but also for personal growth.



Our Aboitiz Universal Training Program (UTP) is instrumental in assimilating talent into the Aboitiz way of life by providing them with a set of core training programs designed to introduce them to a strong culture of leadership and management and empower them with the right set of skills to perform their jobs to the best of their abilities. Each individual employee's participation to the UTP programs is regularly measured across the group to ensure high levels of compliance.

Talent Management

To ensure succession and prepare talents in the pipeline, each business unit holds a regular review of our key leaders and other top talents by reviewing their career path, time to retirement, possible successors and developmental needs. Successors are also reviewed and assessed for readiness and potential.

HR only makes use of the most relevant, state-of-the-art technology to support talent optimization initiatives in terms of understanding our talents better, what motivates them and how we can best nurture them. HR systems that generate talent analytics, competency assessments and other critical information on succession and performance management are in place.

Engaging employees – the Aboitiz way

We keep our employees engaged by addressing four basic needs: to live decently on competitive compensation and benefits; to continue learning and constantly develop; to feel a sense of belonging to the organization, and a chance to give back to society.

We expect people to stay with us and retire after 25 or 30 years, and many do, especially those who hold senior positions. This provides stability to our organization and a high degree of professionalism across all business units. People stay not only because of fair compensation and continuous learning, which is not unique to Aboitiz, but because our talents know what to expect, and know we value hard work and integrity. But above all, they know they will belong to a team that works together and achieves things together – the Aboitiz way.

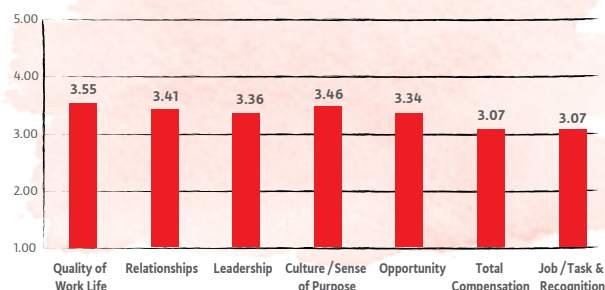
Everything revolves around making people feel that this is the company for them. This is where they belong. There is a strong sense of belonging because they are in the right seats; people value them for what they contribute.

Percent Turnover of Senior Officers

Y2011	0%
Y2010	0%
Y2009	0%

People do come to us and say, 'you can tell people when they work for Aboitiz'. It is a different DNA because our team members and team leaders exude that Aboitiz confidence and sense of belonging, a sense of fulfillment because it is not only their company that is able to help other people, but they themselves as well.

2010 Corporate Survey

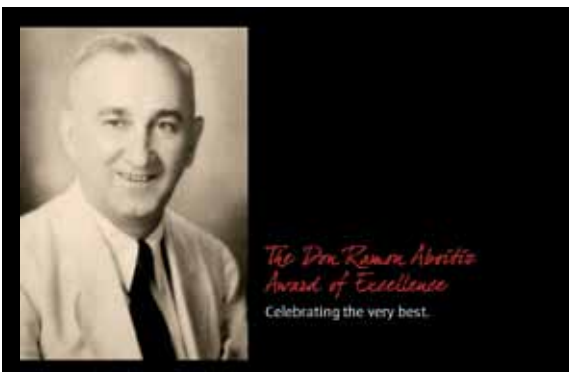


People stay not only because of fair compensation and continuous learning, which is not unique to Aboitiz, but because our talents know what to expect, and know we value hard work and integrity.

Most of our people look for something to leave behind, their own legacy greater than themselves. This is where our Corporate Social Responsibility (CSR) programs come in, allowing team members to realize that they are personally giving back something to society. There were over 300 employees involved in CSR in 2010, and this increased to close to 4,000 in 2011. We expect this number to continuously increase in the years to come.



All our recognition programs make people feel that in our organization, they are not only respected but also appreciated. One of our recognition programs is the Don Ramon Aboitiz Awards of Excellence, which has been ongoing for the past 15 years in honor of the Group's patriarch and the legacy he left behind. He was a visionary leader, a tireless worker, and the award embodies his traits so that awardees feel a real connection to him.



Xavier J. Aboitiz
Chief Human Resources
and Quality Officer

All our recognition programs make people feel that in our organization, they are not only respected but also appreciated.

The Aboitiz HR Team

The Aboitiz HR Team is responsible for all these programs and is all geared towards bringing out the best in our people, who remain the organization's most valued assets. The direction that we have charted is meant to optimize each person's potentials so that every team member and every team leader is able to flourish, contribute to society, and enrich the lives of people inside and outside our organization.



Feature

Enriching Lives



The individual sections of the 2011 Aboitiz Annual Reports are each titled to reflect the desire and commitment to be of service to others. The Aboitiz Equity Ventures Report carries the overall theme “Enriching Lives” while the AboitizPower Report has for its theme “Enriching Your Future.” The Aboitiz Foundation Report, meanwhile, has “Enriching Our Communities” and for the Sustainability Report, it’s “Enriching Our Planet.”

The decision to merge four reports into one cohesive book is in line with the Group’s sustainability efforts to help preserve the environment as best as it can by reducing the number of pages thereby conserving paper resources in a most practical but novel way. The manner by which the 2011 Aboitiz Annual Reports were put together likewise reflects the seriousness of the Group’s conservation efforts.

The story of the AEV Group in 2011 is best described by the theme of this year’s Annual Report, “Enriching Lives,” which is also the resounding commitment of the Group to its various stakeholders.

With its businesses, there is no doubt that AEV’s contribution to the country’s economic growth impacts on their stakeholders, enriching the lives of more Filipino families as they delight each customer with excellent products and services; as they engage all team members to excel as one performing team; as they continue to provide long-term value for shareholders; as they care for the environment; and as they help build a better future for the communities they serve.

Enriching Lives is AEV’s big commitment for today and tomorrow’s generation. Beyond its business contribution to the nation as a whole, the company provides social infrastructure and offers tremendous opportunities towards helping some of the most needy sectors of society.

- In its power business, a significant achievement of AboitizPower in 2011 was the complete rehabilitation and rebirth of the Ambuklao hydropower plant in Benguet. Aside from providing much-needed capacity for the Luzon grid, the return of Ambuklao also means a rebirth of new life for the communities in the area. Today, AboitizPower continuously assists in terms of livelihood and educational opportunities, among others.
- Its banking units provide social infrastructure through innovative financial products & services on a national scale reaching thousands of public school teachers impacts more Filipino lives. Through low-interest loan facilities that have been widely praised for easy availability and repayment, the facility’s long repayment terms, coupled with fast and easy processing, have enabled more and more public school teachers to augment their meager incomes and send loved ones to school or help defray the costs of unforeseen health and other emergencies.
- For the food businesses under Pilmico, the most effective contributions to society come in the form of livelihood opportunities and enabling small and medium entrepreneurs to grow their businesses by providing high quality and affordable



products and technical support. With a partnership for growth, more and more backyard hog raisers have experienced better profitability while small bakery operators from Luzon to Mindanao have come to depend on Pilmico's flour lines for their operations.

The Aboitiz Group has a long and rich tradition of corporate social responsibility (CSR), and it is an integral part of the Group's business model. Its philosophy is such that its success in business should benefit all stakeholders, believing it is imperative that business expansions be matched with investments in its communities, in education and other facilities.

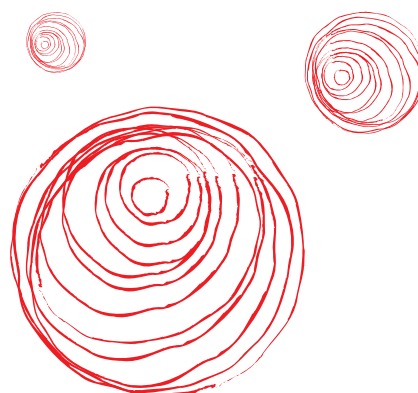
Outside of the business units, most of the Group's CSR efforts are carried out through the Aboitiz Foundation.

A major thrust of the Foundation's initiatives is the development of the youth through education, which is the key to everyone's better future. It has also programs on enterprise development and primary health and child care, and coordinates various employee-initiated CSR activities.

The commitment to continue assisting various communities all over the country is of paramount importance particularly for Aboitiz team members who are proud of the fact that they work for an organization that cares, and that they also get to share in the business of caring.

In the end, it is the Group's genuine concern for society – the environment, the communities, the youth it supports, and the millions of others who directly and indirectly benefit from the Aboitiz Group's CSR and business activities – that sets it apart from others in enriching lives.

“Enriching Lives is Aboitiz's big commitment for today and tomorrow's generation.”



Feature

CitySavings

Making a difference in the lives of public school teachers

We have all heard about the sad plight of public school teachers: they are responsible for providing young children, particularly the poor, the chance for a better future through education, but they themselves need so much help to make ends meet.

Indeed, a public school teacher's life is no bed of roses. Overworked in an overcrowded classroom the whole day, they have to bring home more work by the end of the day – test papers to check and lesson plans to make – while attending to the needs of their own family.

Most of the time, these teachers are their family's sole breadwinners, with meager salaries that make it almost impossible to survive, much less thrive. Yet, with a little help from friends like City Savings Bank, many public school teachers have happy stories to tell.

One of these inspiring tales belongs to Mrs. Rosemarie Bacinillo, a teacher for 25 years from Iloilo City whose husband is a fish vendor. Life was not easy for the Bacinillos, especially when all three children were studying. Mrs. Bacinillo had to continuously roll over loans from Pag-IBIG and GSIS as the couple's meager income could not sustain their needs, until she heard about CitySavings. The bank's low-interest loan facility allowed the family to support the children's education, saving them from usurious loan sharks who commonly prey on teachers and other government employees.

Most of the time, these teachers are their family's sole breadwinners, with meager salaries that make it almost impossible to survive, much less thrive.

As a result, the eldest son, 28-year-old Van McGhee, now has his own business after finishing an industrial machinist course, while second son Kenneth Earl, 25, is now a cruise ship sailor. Their youngest, Keim Jan, 20, is finishing college. "CitySavings is like a friend you can lean on," said Bacinillo.



Mrs. Rosemarie Bacinillo

For Dorothy Tarol, another teacher from Iloilo, CitySavings became a passport to finish her master's degree in education which in turn opened the doors for a brighter future for her. She was recently awarded as one of the most outstanding women of Iloilo City for her achievements against all odds.

A mother of four, with the youngest still an infant, Tarol has been teaching for 17 years, during which she developed a hearing impairment. She said that before, she would get really tense thinking how she could support the family financially, especially during critical times. CitySavings has become her trusted savior, someone to go to in times of urgent financial needs.

"I am proud to be an avid client of CitySavings," she said, adding that she would never hesitate referring the bank

to fellow teachers. She particularly likes the professional traits of the bank's employees, from the branch's competent leadership to the staff's efficient service.

She told a bank officer, "You and your people have given special accommodation to clients with special needs like me. You have a way of making me comfortable in getting your message across through writing and lip reading. You never raise your voice or get impatient in facilitating my needs. Thank you."



Mrs. Dorothy Tarol

Perhaps most inspiring is the story of Arlene Navasquez, a teacher at the Don Vicente Rama Memorial Elementary School in Cebu City who has been teaching for 16 years. She has managed to send six of her nine siblings to school thus far, all with the help of CitySavings.

"Since I was a grader, I helped my parents in the farm and in household chores, especially taking care of my brothers and sisters," she said. "I was hired as a permanent teacher in Cebu City in 1995 and I managed my salary for our daily needs. I never took any debt from lending investors."

"But in 1998, my mother got sick. She was hospitalized and died after a week. My father had no job," she narrated. "Things got worst. I was the sole bread winner in the family, and found it hard to support my two

brothers and seven sisters. I learned to supply food and juice to our school canteen to help meet our daily needs."

"Later I learned about City Savings Bank; I joined the bandwagon of borrowers, and everything changed.

"I helped my two brothers finish an Automotive Mechanic Course at Don Bosco Training Center and three of my younger sisters finished their courses at Cebu Normal University," she continued. "One sister, the youngest, graduated in October 2011 from the Cebu Institute of Technology University as an industrial engineer."

"CitySavings, thank you so much for bearing with me through thick and thin. I gained a lot when my sisters and brothers finished college. A million thanks," she said.



Mrs. Arlene Navasquez

CitySavings is primarily engaged in offering loans to public school teachers, its main market. It also offers deposit and loan products to government and private sector employees. The bank currently has 31 branches in key areas across the country.

2011 Corporate Governance Report

OUR CORE VALUES

Aboitiz Equity Ventures, Inc.'s corporate culture is steeped in long standing values of fairness, prudence, integrity, trustworthiness, respect for individual and diverse communities, and a work ethic that is based on team work and corporate social responsibility all woven into a web of an entrepreneurial spirit.

These values have shaped the quintessential Aboitiz corporate character: in the Aboitiz **passion for better ways**; the **drive to lead** in and innovate on our businesses; the **drive to serve** our stakeholders and to enrich our neighboring communities' lives; and the **drive to excel** in whatever we do, wherever we go.

CORPORATE GOVERNANCE PRINCIPLES AND THE ABOITIZ WAY

AEV recognizes that good corporate governance practices create value for the company and its businesses. The Company adheres to eleven core principles and practices of corporate governance, namely: (i) the **independence** of the Company's personality from that of its Board, officers and employees; (ii) the view that the Company has its **own distinct rights and duties**; (iii) that the Board has the **original power to decide** the Company's policies; (iv) that the Company can demand **loyalty** from its Board, officers and employees; (v) that the Company's business must be pursued through a **long term sustainability strategy**; (vi) that shareholders and stakeholders must be treated **Equitably and with Fairness**; (vii) a system of **Accountability**; (viii) **Transparency** in corporate operations and company reports; (ix) an **Ethical business**; (x) **Corporate Social Responsibility**; and (xi) **Sustainability and Environmental Compliance**.

The Company's corporate governance practices ensure a Board culture fostering collegiality, promoting independent mindedness of directors, an environment of candidness and free flow of ideas and feedback from directors to team members; fully functioning Board Committees; open and robust lines of communication on all levels within the corporate structure and a professional management team.

The Board is committed to performing its roles in ensuring accountability of past actions (e.g. report to shareholders, legal and regulatory compliance and audit reports review) and monitoring and supervision of executive performance, financial results and budgets and possible corrective action, and its roles in determining future corporate strategies and in the making of present and future policies. The Board held its annual Board Retreat on November 11, 2011 in Mactan Island, Cebu to discuss both strategic roadmap and policies.

KEY GOVERNANCE MECHANISMS FOR COMPANIES WITH CONTROLLING SHAREHOLDERS

The AEV Board is comprised of nine Directors. To promote critical review and control of the management process, the Company's Directors, are non-executive and independent of management, except for the President & CEO, Mr. Erramon I. Aboitiz and Senior Vice President, Mr. Enrique M. Aboitiz, Jr. who are part of the management team. The Board includes three highly competent and dynamic Independent Non-executive Directors to whom shareholder concerns can also be conveyed. Independent Directors are not subject to firing by management or by the Company's controlling shareholders since they are selected through the Board Corporate Governance Committee's process and in accordance with the requirements of the Philippine Securities and Exchange Commission (SEC), are elected by the shareholders at large.

Pursuant to the One Share-One Vote rule, the Company does not have any arrangements that unbundle or separate voting rights and cash flow rights. All shareholders are entitled to voting and dividend rights.

The Company has policies on transactions with related parties requiring the full disclosure thereof in the Company's financial statements and in other Company reports. The Company's related party transactions include, among others, written service level agreements with its affiliates and subsidiaries for human resources, internal audit, legal, treasury and corporate finance services, guarantees of credit accommodations of subsidiaries and affiliates; and intercompany advances for working capital requirements of subsidiaries and affiliates. The Company fully discloses all related party transactions regardless of amounts in compliance with existing accounting standards, or ensures that they have the character of arm's length transactions. (*See details in the Audited Financial Statements*)

The Company follows the Philippine Corporation Code rules on voting for specific corporate acts where approval of specific types of related party transactions in the Board and in shareholders meetings levels may be required. The Company's Independent Directors and the Board Audit Committee play an important role in reviewing significant related party transactions. These are reported to the Board as they are entered into.

THE FOUNDATIONS OF THE COMPANY'S CORPORATE GOVERNANCE

As a Philippine company listed on the Philippine Stock Exchange (PSE), the Company is subject to a number of laws and rules that affect it and its subsidiaries' governance. It is compliant with the laws applicable to the Company and its subsidiaries.



INSTITUTE OF
CORPORATE
DIRECTORS

Aboitiz Equity Ventures, Inc.
Corporate Governance Scorecard
for Publicly Listed Companies, Gold awardee

OUR PSE SCORECARD

	Comply
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, & enforcement	✓

COMPLIANCE WITH THE SEC CODE OF CORPORATE GOVERNANCE

The Manual of Corporate Governance (Manual) is the corporate governance charter of the Company. It is a clear statement by the Company, the Board of Directors, Management, Employees and Shareholders, that corporate governance is a necessary component of what constitutes sound strategic business management. AEV's corporate organization is committed to undertake every effort necessary to create this Company wide awareness as part of the Aboitiz corporate culture. The Manual was approved by the Board at its regular meeting on August 14, 2002 and was submitted and received by the SEC on September 3, 2002

The Manual can be found on the Company's website: www.aboitiz.com/AEV/1672:corporate-governance.html.

COMPANY AND VISION

The Company's vision as a publicly listed company is to create long term value for all our stakeholders. The Company's investment focus is for its businesses to provide basic goods and services to meet the demands of a growing economy and for it to develop and rely on its core competencies, financial strength, and reputation to achieve its goals.

AN ETHICAL BUSINESS

The Aboitiz Code of Ethics and Business Conduct adopted by the Company in 2002 sets out how the Executive management, team leaders and team members can achieve and maintain ethical standards in the Company's day to day operations and summarizes the Company's fundamental policies and directives.

All newly hired employees in the Company attend a new-hirees' seminar that includes an orientation on the Company's Manual and Code of Ethics and Business Conduct (Code). In addition, the Office of the Compliance Officer conducts a group-wide formal Corporate Governance Seminar for all employees, including management and executives. These seminars are conducted to inculcate in and refresh all employees' awareness and understanding of the Manual and the Code and the underlying principles of corporate governance and ethical behavior and conduct.

Generally, no employee or officer seek or has sought exemptions from the application of the corporate governance rules and guidelines of the Company.

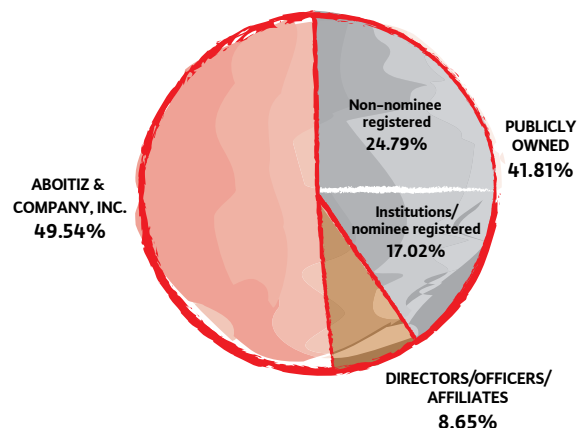
The Code of Business Ethics can be found at the Company's website: www.aboitiz.com/AEV/1685:code-of-ethics-and-business-conduct.html

OUR OWNERSHIP STRUCTURE

The share capital of the Company consists of one class of listed common shares and a class of non-listed preferred shares. All common shares are voting following the rule of One share - One vote. The preferred shares are non-voting, non-participating, non-convertible, cumulative, re-issuable shares and may be issued from time to time by the Board in one or more series. These preferred shares which are issued to financial institutions or financial market intermediaries are treated as debt instruments by the Company in its books in conformity with the Philippine Accounting Standards (which adopt the International Financial Reporting Standards. (See *Management's Discussion and Analysis or Plan of Action and the Company's Financial Statements*)

According to the share register kept by The Hong Kong and Shanghai Banking Corporation Limited, as of March 30, 2012, the Company had 10,054 shareholders. Aboitiz & Company, Inc. (ACO) owned, as of the same period, 2,735,600,915 shares or 49.54% of the 5,521,871,821 of the total outstanding and common stock entitled to vote. Of the publicly held shares, 24.79% are owned by institutions and/or are nominee-registered 16.58% Filipino & 8.20% Foreign), i.e., held off record by banks, brokers and/or nominees, such as the PCD Nominee Corp. This means that the actual shareholder is not displayed in the share register or included in shareholding statistics. The ultimate shareholder of such nominee-registered shares does not participate in shareholder votes and other actions, unless otherwise represented by proxy or nominee.

Below is the general view of shareholders composition.



2011 Corporate Governance Report

ACO is, by itself, held by 200 shareholders. While strictly speaking it is not a publicly-held company within the qualifications and meaning of the Securities Regulation Code, it is effectively, a widely-held company with a sizeable shareholder base.

For more information on the Company's shareholders see the Company website: www.aboitiz.com.

THE BOARD'S VISION AND MISSION

The Company's Board of Directors acts on behalf of AEV. AEV's Directors recognize that the Board has the duty to represent and protect the interests of the owners of the business, as well as other key external stakeholders, regardless of category, within the boundaries of its corporate charter, and all relevant statutes and legal regulations and rules. The primary purpose of the Company's Board revolves around governing the various businesses in which it has a direct interest. In addition, its responsibilities extend to other stakeholders in respect of compliance with regulatory standards; the provision of appropriate information and updates; and the effective representation and protection of the Aboitiz brand and reputation.

CHALLENGES & STRATEGIES

Our Management recognizes that the top challenges for Aboitiz businesses today is managing the continued growth of its businesses, bolstering the appropriate organizational capability through recruitment and training of talent, as well as building and maintaining its corporate brand for the benefit of all its stakeholders.

In order to support the growth and expansion of its businesses, the Company's corporate strategy is to act as the as the Corporate Center for all Aboitiz group companies. The Corporate Center mission is to provide management services and business solutions to all its Business Units (BU).

EXECUTION OF CORPORATE STRATEGIES

ALIGNMENT OF GOALS AND MONITORING OF PERFORMANCE THROUGH SUCCESS FACTORS

AEV is optimizing the use of Success Factors web-based technology for the alignment of strategies and goals from the Chief Executive Officer (CEO) all the way down to the team leaders and members of the AEV organization and even through to the BUs.

Through this process of alignment and cascading, AEV's vision, corporate and tactical strategies are transformed into actionable goals measured against a well entrenched balanced score card discipline and framework.

The Board Corporate Governance Committee organizes the assessment of the performance of the CEO by the members of the Board, while Corporate HR provides the numerous annual key officers, performance and competence assessment reviews, whether it be a 360 degrees survey, a Key Talent Review, a Success Factors Goals accomplishment review and other annual job performance measures.

In 2011, AEV Corporate Center embarked on the establishment of an ISO 9001:2008 Quality Management System Certification for key functional teams, namely Corporate HR, Audit, Treasury, and Legal and Corporate Services, to raise the quality of services and governance standards for all its Business Units.

INFORMATION SECURITY POLICY AND ENTERPRISE RISK MANAGEMENT

The Company is committed to protect this information by implementing an Information Security Management System (ISMS) which will enable the organization as a whole, to identify, assess, mitigate and manage the Company's information security risks in line with the AEV Enterprise Risk Management Philosophy and also to ensure business management continuity. The Information Security Steering Committee is responsible for the maintenance, effectiveness and applicability of the policy to the organization. Detailed policies, procedures, standards, and guidelines are continually developed to support this Information Security Policy. Compliance to this Information Security Policy will be checked through audits and violations shall be addressed and corresponding disciplinary actions and sanctions must be in line and consistent with the AEV Manual on Personnel Policies and Procedures. This Information Security Policy is reviewed on an annual basis.

Continuing the momentum from our Enterprise Risk Management (ERM) Program Launch in 2010, AEV thru its ERM Group organized the gathering of over 100 risk management leaders and professionals across all the Aboitiz BUs for the first ever Aboitiz Group ERM Forum last February 20, 2012 at Marriot Cebu.

ORGANIZATIONAL STRUCTURE

The Company's corporate operational strategy is for each of the core businesses, namely, Power, Food and Banking, to be managed by a group CEO. The Group CEO is responsible for the alignment of business strategies and strategy execution of the Company's BUs. In addition to the Board Committees, the Companies' committees, such as the Group HR Committee, the AEV Corporate Mancom, the Legal Executive Committee (LexCom) to name only a few, contribute to the overall drafting and execution of group policies and strategies.

BOARD RESPONSIBILITY

The Board is vital in setting the ethical tone of a company, not only by its own actions, but also in appointing and overseeing key executives and management. The Board of Directors of the Company sets the standards for the Company's corporate governance practices. The Board of Directors is committed to the adoption and observance of best practices in corporate governance. The Board of Directors is committed to the adoption and observance of best practices in corporate governance as well as compliance with all relevant laws, regulations and codes of business practice.

BOARD SELECTION & COMPOSITION

Every year, each Director is selected through a process intended to appoint a diverse mix of highly competent directors and officers with in-depth knowledge and experience in the core industries of AEV and/or corporate management and financial expertise. The Company follows a formal and transparent board nomination and election process to ensure the interests of all shareholders. Any shareholder may nominate a director and Independent Director. Nominees for directors are submitted to the Corporate Governance Committee (to which the Nominations and Compensation Committee has been merged into). The overall procedure is in compliance with the Amended Implementing Rules and Regulations of the Securities Regulation Code.

Each member of the Board holds office for one year until his successor is elected at the next annual shareholders' meeting in accordance with the Corporation Code, the Company's By-Laws and the SEC guidelines. The Company allows shareholders to elect board members individually through the nominations process. At annual shareholders meetings, in accordance with the Corporation Code, the Company follows the rule of One- Share-One vote.

The roles and responsibilities of a member of the Board of Directors are clearly defined in the Company's Amended By-Laws and in the Manual. The main purpose of the Board, as enunciated in the Manual, is to represent and protect the interests of the owners of the business, i.e., our shareholders, and all other key external stakeholders, regardless of category, in accordance with the Company's corporate charter and applicable laws. To ensure a clear distinction of the responsibilities in the management of the Company's business, the positions of the Company's Chairman and CEO are held separately by different individuals.

The Company complies with Section 38 of the Securities Regulation Code and Rule 38 of its Amended Implementing Rules, requiring public companies to have independent directors constituting 20% of the total number of directors. The ratio of independent directors on the Board is 33%.

The Company's Independent Directors are not encumbered with any management responsibility and are free from any business or other relationship with the Company that could materially interfere with their exercise of independent unfettered judgment as members of the Board. The independent directors chosen to the Company's Board are independently minded professionals. There is nothing in the Company's By-Laws and in any shareholder agreements or arrangements that constrain the Independent Director's ability to vote independently.

At the 2011 Annual Shareholders Meeting, shareholders elected the following Board members for the 2011-2012 term:

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

Members of the Board annually assess the Board's and their own individual performance through a Board Assessment Review initiated by Board Corporate Governance Committee. The Board Corporate Governance Committee recently conducted the 2011 Board Self-Assessment Review and the CEO assessment last February 1, 2012. The attendance of the directors to the Company's board meetings was exemplary for 2011 with an overall percentage of 95.83% attendance record for the eight regular and special strategy meetings for 2011 for each director and 95.83% presence of directors per meetings.

PSE AND SEC COMPLIANCE REPORT

The Office of the Corporate Secretary and Compliance Officer regularly monitor AEV's compliance with the PSE and the SEC regulatory requirements. The Company is fully compliant for Year 2011.

MONITORING AND CONTROL

The Board of Directors is fully compliant with the Company's Manual. The Board has monitoring and oversight of the Company's performance and compliance with the Manual.

BOARD COMMITTEES

The Company's Board Committees are: Board Audit Committee, Board Risk Management Committee, and the Board Corporate Governance Committee. Membership in the Committees is from the duly elected directors of the Company's Board of Directors as regular members assisted by key officers of the Company on ex-officio basis.

The Board decided at its May 17, 2010 meeting to amend the Manual and have the functions of the Board Strategy Committee subsumed under the scope of functions of the full Board membership. As a result, the Board holds a special strategy Board meeting in addition to the strategy sessions at the regular board meetings, and the informal strategy meetings of the Directors.

At the same meeting, the Board also approved the merger of the Board Nominations and Compensation Committee into the Board Corporate Governance Committee. Membership of Independent Directors to both Board Corporate Governance Committee and Board Risk Committee was also increased. Independent Directors now comprise 60% of the voting members of the Board Corporate Governance Committee, 60% for the Board Audit Committee and 25% for the Board Risk Management Committee.

On February 1, 2012, the Board Corporate Governance Committee endorsed the creation of an expanded Board Risk Management Committee into a Board Risk and Reputation Management Committee. The Company is currently working on the revised charter of this newly expanded Board Committee and the proposed amendments to the Manual to document these changes.

BOARD CORPORATE GOVERNANCE COMMITTEE

Below is the membership of the Board Corporate Governance Committee:

Board Corporate Governance Committee	
Jon Ramon Aboitiz	Chairman
Roberto E. Aboitiz	Member
Roberto R. Romulo	Independent Director
Jose C. Vitug	Independent Director
Stephen CuUnjieng	Independent Director
M. Jasmine S. Oporto	Ex-Officio Member, Compliance Officer
Xavier J. Aboitiz	Ex-Officio member, Chief Human Resources Officer
Sebastian R. Lacson*	Ex-Officio member, Chief Reputation Officer
Susan V. Valdez**	Ex-Officio member, Chief Reputation Officer

*Mr. Sebastian R. Lacson was a member until November 8, 2011. He was replaced by Ms. Susan V. Valdez.
** Ms. Susan V. Valdez was appointed as member on November 8, 2011.

No resolution of the Board Corporate Governance Committee can be approved without the vote of an Independent Director.

2011 Corporate Governance Report

Attendance record by members of the Board Corporate Governance Committee has been exemplary. Individual directors' record of attendance at meetings of the Committee has been 94.44% and overall percentage of directors present at said meetings has been 93.75%.

The annual performance assessment of the CEO and Board of Directors is conducted by the Board Corporate Governance Committee. The attendance of directors at Board meetings is reported to the Board Corporate Governance Committee through the Board Performance Report and the Certificate of Attendance. These reports were submitted to the SEC and PSE in early January 2012.

BOARD RISK MANAGEMENT COMMITTEE

The primary purpose of the Board Risk Management Committee is to assist the Board, and to some extent the Board Audit Committee, in fulfilling the corporate governance responsibilities relating to risk management. The Board Risk Management Committee also assists in defining the Company's risk appetite and oversees the risk profile and performance against the defined risk appetite. It is also responsible for overseeing the identification, measurement, monitoring and controlling of the Company's principal business risks.

The Board has adopted a formal risk management policy to guide and direct the Company's risk management and compliance processes and procedures. In 2011, the Company's Chief Risk Management Officer continued to implement the next phases of the Company's ERM platform in accordance and conducted a study to benchmark the Company's practices with internationally recognized standards. (*See Risk Management Report of the Chief Risk Management Officer*)

The Board Risk Management Committee is composed of four directors, one of whom, is independent, as well as two non-voting members, the Chief Financial Officer (CFO) and the Chief Risk Management Officer.

The Board Risk Management Committee (sans the Reputation Management committee members) is currently composed of the following:

Board Risk Management Committee	
Enrique M. Aboitiz, Jr. **	Chairman
Justo A. Ortiz	Member
Jon Ramon Aboitiz *	Member
Stephen CuUnjieng	Independent Director
Stephen G. Paradies	Ex-Officio Member, Chief Financial Officer
Rolando C. Cabrera	Ex-Officio Member, Chief Risk Management Officer
*Mr. Jon Ramon Aboitiz was Chairman of Board Risk Management Committee until May 16, 2011. He was replaced by Mr. Enrique M. Aboitiz, Jr.	
** Mr. Enrique M. Aboitiz, Jr. was appointed as Chairman of the Board Risk Management Committee on May 16, 2011	

Attendance record by members of the Board Risk Management Committee has been exemplary. Individual directors' record of attendance at meetings of the Committee has been 97.22% and overall percentage of directors present at said meetings has been 97.22%.

The Board Risk Management Committee's initiatives for 2011-2012 include the following key processes, i.e., quality assurance review of its internal audit teams, Business Continuity Management review and the Claims Management process.

BOARD AUDIT COMMITTEE

The Company has a well entrenched internal audit group, the Corporate Audit Team, which is overseen by the Board through the Board Audit Committee. The Board Audit Committee represents the Board in its oversight responsibility over all audit-related matters of the Company's group companies. It oversees the optimization of effective financial management, as well as compliance with regulatory reporting requirements for all Business Units.

The Board Audit Committee oversees the function of the Corporate Audit Team in maintaining a comprehensive enterprise-wide compliance program and a robust and an institutionalized quality service platform for the Company's internal audit functions. The Board Audit Committee, in conjunction with the Corporate Audit Team: reviews and approves non-audit services conducted by the external auditor and corresponding fees, assesses and recommends the external auditor on behalf of the Board to ensure a selection of credible, competent, external auditor with the ability to understand the complexity of the entire range of the transactions of the Company, provides the Board with adequate and relevant information on the external auditors for a fair and transparent selection or tender process, and schedules regular meetings and dialogues with the external audit team (with and without management teams present).

Existing corporate audit policies require that the financial reports are attested to by the CEO and CFO and that a sound internal audit, control and compliance system is in place and working effectively in the Company.

The Board Audit Committee is composed of at least three directors. Currently, three Independent Directors sit in the Committee, and two non-voting members in the persons of the CFO and the Chief Risk Management Officer. The Chairman of the Board Audit Committee is an Independent Director.

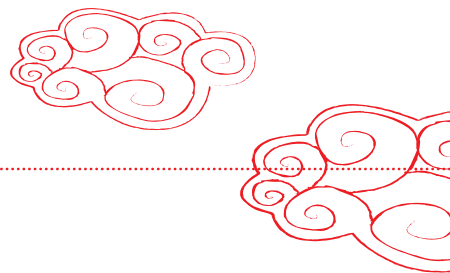
Each member, generally with accounting and finance backgrounds, has adequate understanding, familiarity and competence on most of AEV's financial management systems and environment.

The 2011-2012 Board Audit Committee membership is as follows:

Board Audit Committee	
Jose C. Vitug	Chairman, Independent Director
Roberto R. Romulo	Independent Director
Stephen CuUnjieng	Independent Director
Roberto E. Aboitiz	Director
Justo A. Ortiz	Director
Stephen G. Paradies	Ex-Officio Member, Chief Financial Officer
Rolando C. Cabrera	Ex-Officio Member, Chief Risk Management Officer

Attendance record by members of the Board Audit Committee has been exemplary. Individual directors' record of attendance at meetings of the Committee has been 90.48% and overall percentage of directors present at said meetings has been 92.86%.

Aside from the Board Committees established by the Manual, the Company has other policy recommendatory and evaluation committees, such as, but not limited to, the AEV Corporate Mancom, the Group Mancom, the Human Resources Committee, LexCom and the Government Relations Committee.



THE RIGHT OF SHAREHOLDERS

EFFECTIVE EXERCISE OF SHAREHOLDERS' RIGHTS

The Company recognizes and upholds the importance of a genuine exercise of shareholders' rights as granted by the Corporation Code of the Philippines, by other related laws and by its corporate covenants under the Company's By-Laws and the Company's Manual. Foremost among corporate governance principles established by your Company is its assurance that shareholders enjoy all the rights granted by the Corporation Code of the Philippines. The Board and management team ensure the promotion of these rights and have been mandated to institute remedial measures to swiftly address any violation or transgressions.

ONE SHARE – ONE VOTE

The exercise of a shareholder's voting right is encouraged by the Company to ensure meaningful participation in all shareholders' meetings. Voting methods and vote-counting systems employed by the Company are clearly explained to ensure the effective exercise of shareholders' right to vote. As earlier mentioned, the Company follows the system of cumulative voting for the election of directors to allow shareholders an opportunity to elect each member of the Board of Directors individually. Other matters are also decided through voting by shares of stock. The Company adheres to the One-Share-One-Vote policy for the same class of shares. Proxy voting is allowed at all meetings and is facilitated through proxy voting forms. In its regular board meeting last November 12, 2010, the Board of Directors of the Company approved the deletion of the notarization requirement of proxy forms to be used in all shareholders' meetings of the Company. This is to facilitate easy voting by shareholders, in line with the Company's efforts to promote shareholder engagement and to improve corporate governance practices. As such, the amendment of the Company's By-laws to remove the notarization requirement, while approved by the Board, will be presented to the shareholders for their information and better understanding.

The Company consistently provides all shareholders with the notice and agenda of the annual general meeting at least 30 days before a regular meeting and 20 days before a special meeting.

The Company recognizes other ownership rights beyond voting. In addition to the right to vote, the Company's shareholders have the right to: inspect the corporate books and records, be furnished annual reports and financial statements without costs and restrictions, access to information, receive dividends in accordance with the Company's dividend policy, and to exercise its appraisal right. When applicable, the Company commits to follow the mandatory tender offer requirements under the Securities Regulation Code.

RIGHT TO INSPECT CORPORATE BOOKS AND RECORDS

Shareholders enjoy the right to inspect corporate books and records, including minutes of Board and Stockholders' meetings and the stock and transfer registry records affecting their shares. The Office of the Corporate Secretary ensures that all minutes of annual and special meetings of shareholders clearly and satisfactorily reflect all matters taken up at these meetings.

RIGHT TO INFORMATION ON THE CORPORATION

Pursuant to the corporate governance principle of disclosure and transparency, information on the Company is made readily available. The Company provides shareholders with periodic reports that

include information about the Board of Directors and key officers, including relevant professional information on the Directors and Officers, their shareholdings and dealings with the Company and their aggregate compensation.

The Investor Relations Officer and the Office of the Corporate Secretary have an established communications strategy and protocols to promote effective communication and liaison with shareholders.

RIGHT TO PARTICIPATE IN SHAREHOLDERS' MEETINGS

The Company strives to maintain a transparent and fair conduct of its annual and special shareholders' meetings and believes that accurate and timely information should be made available to the shareholders to enable them to make a sound judgment on all matters brought to their attention for consideration or approval.

The Company's policy on directors' compensation is disclosed to shareholders, and the proposed directors' compensation is presented for shareholder approval at the annual stockholders meeting.

In 2011, all AEV's directors received a monthly allowance of Php100,000, except for the Chairman of the Board who received a monthly allowance of Php150,000.

SGV has been the Company's external auditing firm for the last 18 years. By policy, the Company changes its audit partner every five years.

ATTENDANCE AT ANNUAL SHAREHOLDERS' MEETING

The Chairman of the Board of Directors, the CEO, the chairmen of the various Board Committees, and the Company Corporate Secretary all attend the annual shareholders' meetings of the Company to answer any questions shareholders may have concerning the Company. Likewise, all members of the Board of Directors and other key officers are present at the shareholders' meeting and have been present at the past three annual shareholders' meetings. It is also the practice of the Company to hold a separate shareholders' briefing in Makati City two days after the annual shareholders' meeting to give shareholders who could not attend the Annual Shareholders' Meeting in Cebu City an opportunity to listen to the presentation by the Board and top Management on the current state of the Company's business and affairs and to ask any questions from the Directors and Officers.

RIGHT TO RECEIVE DIVIDENDS

The Company has a clear and transparent dividend policy. The Company maintains an annual cash dividend payment ratio of approximately one-third of its consolidated net income from the preceding fiscal year, subject to the requirements of applicable laws and regulations and the absence of circumstances that may restrict the payment of cash dividends. (*See Management's Discussion and Analysis or Plan of Action in Annual Report*)

EQUITABLE TREATMENT OF SHAREHOLDERS

VOTING RIGHTS OF MINORITY SHAREHOLDERS

The Company believes in the value of building a sustainable and long-term relationship with its shareholders, and ensures that the Company's minority shareholders are equitably treated. Through the cumulative voting system, minority shareholders have the ability to influence Board composition. However, the removal of a director will not be allowed if this will result in a denial of minority shareholders representation in the Board.

2011 Corporate Governance Report

Other rights enjoyed by minority shareholders include the right to propose the holding of a meeting and the right to propose items in the agenda of the meeting, provided that these items are for legitimate business purposes. The minority shareholders have access to any and all information relating to matters for which Management is accountable for and other information that is necessary. If certain information is not included then the minority shareholders can propose to include such matters in the agenda of shareholders' meeting, being within the definition of "legitimate purposes".

FAIR DEALINGS FOR ALL SHAREHOLDERS

As a publicly listed holding company, the Company is subject to numerous laws and regulations. The Board Corporate Governance Committee is currently codifying its Director's Code of Conduct to highlight its responsibility of fair dealings. Every employee is responsible for fair dealings with the Company's suppliers, customers, creditors, analysts, market intermediaries and participants. The Company also has a policy requiring full disclosure of details of related-party transactions in public communications.

The Company's Code outlines the general expectations of, and sets standards for employee behavior and ethical conduct. Board members, Management and all other employees are informed of the Code and strict adherence is enjoined.

The Company strictly enforces a Policy on Trading of Company securities. The Policy imposes a trading blackout on AEV securities beginning ten trading days before and until two full trading days after the release of the quarterly or annual earnings of the Company. The Compliance Officer sends out notices requiring the strict observance of the trading blackout via various media (email and short messaging services) to all the Directors, Officers and identified key employees of the Company during any relevant blackout period.

No employee, officer or director may use his position or corporate property or information for personal gain, and no employee, officer or director may take for himself Company opportunities for sales or purchases of products, services or interests. Protection of proprietary and confidential information generated and gathered in the conduct of business is considered the obligation of every member of the AEV organization. Everyone is also expected to respect the property rights of other companies.

Our employees and officers 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. Directors are under the obligation to disclose any actual or potential conflicts of interest to the Chairman of the Board and the Compliance Officer. All Directors are also required to inhibit themselves from any Board discussion or decision affecting their personal, business or professional interests. No issues relating to related party transactions or conflict of interest has been raised in the past or recent years.

DISCLOSURE AND TRANSPARENCY

The Company is committed to elevating its standards of disclosure and transparency and the quality and depth of its corporate governance practices to enable the investing community to understand the true financial condition of the Company. Through the Investor Relations Office, the Office of the Corporate Secretary, the Annual Reports, the Company

website, the Company's Information Statement and all disclosures to the PSE and SEC, the Company publishes timely material information all matters regarding the corporation, including, the financial situation, performance, ownership, and governance of the Company.

DISCLOSURE OF MATERIAL INFORMATION

The Company periodically submits to the PSE a public ownership report detailing the extent of ownership of controlling shareholders, including the shareholdings of their subsidiaries and affiliates, and that of the Directors and Management. It submits to the PSE a list of its top 100 shareholders every quarter. It also discloses its top 20 shareholders, including shareholders of record and beneficial owners owning more than five percent of the Company's outstanding capital stock, and shareholdings of its Directors and Officers in the Company's Information Statement, and sends this out to shareholders annually.

TRANSPARENCY OF AUDIT PROCESS

The Company's Corporate Audit Team and the Board Audit Committee conduct the Company's internal audit operations to make sure that all information are prepared and disclosed in accordance with high quality standards of accounting, financial and non-financial disclosure. The Corporate Audit Team conducts its own internal audit, providing an independent review of the Company's organizational and operational controls and risk management policies to ensure its effectiveness and appropriateness, and that they are complied with. The Corporate Audit Team reports to the Board Audit Committee.

Aside from an internal audit, an annual external audit of the Company is performed by SGV, an independent, competent and qualified auditor which has been serving as the Company's external auditors for the fiscal years 1994 to 2010. Mr. J. Carlitos G. Cruz was the audit partner for the Company for 2009. Previously Mr. Ladislao Z. Avila served as the audit partner of the Company from 2004 to 2008. Our external auditors also attend the Company's annual stockholders' meeting to respond to questions on the Company's audited financial statements for 2010.

There has been no event in the past 17 years where the Company and its external auditors or the handling partner had any serious or material disagreement with regard to any matter relating to accounting principles or practices, financial statement disclosure or auditing scope or procedure.

LINKAGES TO THE COMPANY

The Company website contains up-to-date corporate information of the Company, including details of its business operations. The Investor Relations section of the Company website provides financial highlights, recent press releases and information on the shareholding structure and organizational structure of the Company, among others.

RELATED PARTIES TRANSACTIONS DISCLOSURES

The nature and extent of transactions with affiliated and related parties are disclosed annually to shareholders through the Company's Information Statement, Annual Report and Audited Financial Statements. The Company and its subsidiaries enter into related party transactions consisting of payment of shareholder advances, professional fees and rental fees at arm's length.

THE ROLE OF THE STAKEHOLDERS IN CORPORATE GOVERNANCE

The Company has a corporate policy and an entrenched culture that recognizes and protects the rights and interests of key stakeholders, specifically its employees, suppliers and customers, creditors, as well the community, environment and other key stakeholder groups.

The Company has a long and deep corporate social responsibility culture and program. (See Aboitiz Foundation Inc. Annual Report) It also has Sustainability Program and is committed to the principles of sustainability as these relate to the Company's businesses.

THE EMPLOYEE AS A STAKEHOLDER

The Company adheres to a merit-based performance incentive pay compensation package that includes some form of employee stock ownership plans, merit increase schemes and bonus schemes for performance and incentives to employees.

EMPLOYEE RELATIONS

The Company believes in inspiring our employees, developing their talents and recognizing their value as business partners. The contribution of every employee is important to the fulfillment of the Company's goals, consistent with the Aboitiz core values, such as respect for individuals and diverse cultures. The Company is committed to a workplace in which all individuals are treated with dignity and respect. The Code also promotes a safe and healthy working environment, an environment that provides equal employment opportunities and prohibits discriminatory practices.

Employees' professional and personal growth is of paramount concern to the Company and the Company is keen to provide opportunities to deepen employee's understanding of the Company's value-creating proposition. The Company cultivates a culture of life-long learning through high value, relevant, quality training programs designed to support employee career development path and personal growth.

OCCUPATIONAL HEALTH & SAFETY

The Company is committed to the health, well-being and safety of its employees and has policies and benefits relating to these matters.

RELATIONS WITH SHAREHOLDERS, CUSTOMERS, SUPPLIERS, BUSINESS PARTNERS AND FINANCING PROVIDERS

The Company believes in the value of its shareholders and ensures that its shareholders and investors receive timely, relevant, balanced, high-quality and understandable information about the Company. The Investor Relations Office assures shareholders and investors of an easy and direct access to officially designated spokespersons for clarifying information and issues as well as dealing with investor concerns. AEV's commitment to its shareholders is reiterated annually through its comprehensive reports on its operations, particularly the Company's Report to Stockholders in the Annual Report and through its investors' briefings, investor conferences, non-deal road shows and one-on-one meetings. The Company continually plans website content management initiatives to regularly keep its shareholders updated with the latest Company developments.

RELATIONS WITH THE COMMUNITY AND THE ENVIRONMENT

The Company's broader obligations to society and the community are addressed by the Company's continued compliance with its Manual, with all relevant laws and regulations, and the principles of sustainable development practices by the Company and its BUs.

An ingrained Corporate Social Responsibility agenda is part of the Company's contribution to enriching the lives of its neighbors as well as a legacy to the country.



M. Jasmine S. Oporto

First Vice President
Chief Legal Officer
Compliance Officer
Corporate Secretary

*Board of
Directors*



From left to right

Jon Ramon Aboitiz
Chairman

Erramon I. Aboitiz
Director

Roberto R. Romulo
Independent Director

Roberto E. Aboitiz
Director

Enrique M. Aboitiz, Jr.
Director

Jose C. Vitug
Independent Director

Justo A. Ortiz
Director

Antonio R. Moraza
Director

Stephen Cullnjieng
Independent Director



Corporate Officers



Front row from left to right

Erramon I. Aboitiz
President and
Chief Executive Officer

Stephen G. Paradies
Senior Vice President
Chief Financial Officer
Corporate Information Officer

Enrique M. Aboitiz, Jr.
Senior Vice President

Xavier Jose Aboitiz
Senior Vice President
Chief Human Resources
and Quality Officer

Mikel A. Aboitiz
Senior Vice President
Chief Information Officer
Chief Strategy Officer

Juan Antonio E. Bernad
Senior Vice President

Gabriel T. Mañalac
Senior Vice President
Group Treasurer

Luis Miquel O. Aboitiz
First Vice President

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

Susan V. Valdez
First Vice President
Chief Reputation Officer

Horacio C. Elicano
First Vice President
Chief Technology Officer

Back row from left to right

Patrick B. Reyes
First Vice President
Corporate Finance

Rolando C. Cabrera
First Vice President
Chief Risk Management Officer

Roman V. Azanza III
First Vice President
Business Development

Ma. Luisa Molina-Salud
Vice President
Corporate Brand and Communication

Melinda R. Bathan
Vice President
Controller

Joseph Trillana T. Gonzales
Vice President
Legal and Corporate Services

Narcisa S. Lim
Vice President
Human Resources and Quality



Business Unit Heads

From left to right

Sabin M. Aboitiz
President and
Chief Executive Officer
Pilmico Foods Corporation

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

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

Justo A. Ortiz
Chairman
Chief Executive Officer
Union Bank of the Philippines

Mikel A. Aboitiz
President and
Chief Executive Officer
City Savings Bank



Management Directory

LIST OF DIRECTORS AND OFFICERS 2011-2012

Board of Directors

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

Corporate Officers

Erramon I. Aboitiz President & Chief Executive Officer	Rolando C. Cabrera First Vice President Chief Risk Management Officer	Ronaldo S. Ramos Assistant Vice President Business Risk Management	Susan S. Policarpio Assistant Vice President Government Relations
Stephen G. Paradies Senior Vice President Chief Financial Officer Corporate Information Officer	Patrick B. Reyes First Vice President Corporate Finance	M. Carmela N. Franco Assistant Vice President Investor Relations	Noemi Sebastian Assistant Vice President Human Resources and Quality
Enrique M. Aboitiz, Jr. Senior Vice President	Roman V. Azanza III First Vice President Business Development	Julie Ann T. Diongzon Assistant Vice President Treasury	Annacel Natividad Assistant Vice President Financial Risk Management
Juan Antonio E. Bernad Senior Vice President	Susan V. Valdez First Vice President Chief Reputation Officer	Aylmerita C. Peñaloza Assistant Vice President Treasury	Atty. Joseph Y. Tugonon Assistant Vice President Tax Management Services Legal and Corporate Services
Xavier Jose Aboitiz Senior Vice President Chief Human Resources and Quality Officer	Melinda R. Bathan Vice President Controller	Ma. Kristina V. Rivera Assistant Vice President Human Resources and Quality (seconded to AP Generation)	Maria Lourdes Y. Tanate Assistant Vice President Audit
Mikel A. Aboitiz Senior Vice President Chief Information Officer Chief Strategy Officer	Narcisa S. Lim Vice President Human Resources and Quality	Geraldine Polanco Onganon Assistant Vice President Human Resources and Quality (seconded to Food Group)	Benedict James B. Duran Assistant Vice President Human Resources and Quality (seconded to City Saving Bank)
Gabriel T. Mañalac Senior Vice President Group Treasurer	Joseph Trillana T. Gonzales Vice President Legal and Corporate Services	Christopher M. Camba Assistant Vice President Human Resources and Quality (seconded to AboitizLand)	Vivien Vicente-Limjoco Assistant Vice President Strategy and Corporate Finance
Luis Miguel O. Aboitiz First Vice President	Ma. Luisa Molina Salud Vice President Corporate Brand and Communication	Robin Patrick R. Sarmiento Assistant Vice President Strategy and Corporate Finance	Andy G. Torrado Assistant Vice President Plant Security
M. Jasmine S. Oporto First Vice President Chief Legal Officer Corporate Secretary Chief Compliance Officer	Caroline G. Ballesteros Assistant Vice President Corporate Brand and Communication	Marilou P. Plando Assistant Vice President Business Administrator Legal and Corporate Services	Catherine R. Atay Assistant Corporate Secretary
Horacio C. Elicano First Vice President Chief Technology Officer			

BOARD COMMITTEES 2011-2012

Board Corporate Governance Committee

Jon Ramon Aboitiz Chairman	Roberto R. Romulo Independent Director	M. Jasmine S. Oporto Ex-officio member, Chief Compliance Officer	Xavier Jose Aboitiz Ex-officio member, Chief Human Resources and Quality Officer
Roberto E. Aboitiz Director	Stephen CuUnjieng Independent Director	Susan V. Valdez Ex-officio member, Chief Reputation Officer	
Jose C. Vitug Independent Director			

Board Audit Committee

Jose C. Vitug Chairman Independent Director	Stephen CuUnjieng Independent Director	Justo A. Ortiz Director	Rolando C. Cabrera Ex-officio member, Chief Risk Management Officer
Roberto R. Romulo Independent Director	Roberto E. Aboitiz Director	Stephen G. Paradies Ex-officio member, Chief Financial Officer	

Board Risk Management Committee

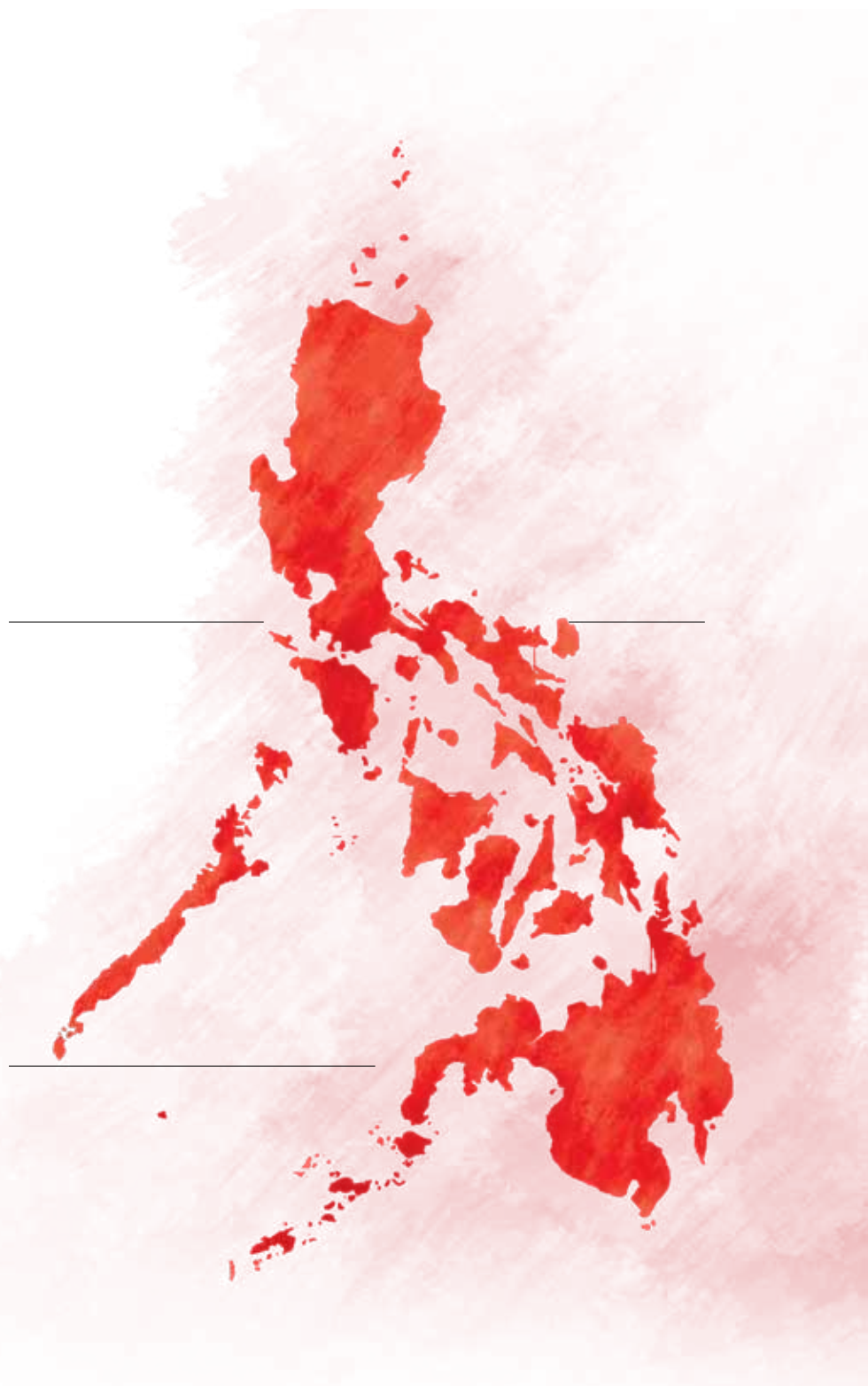
Enrique M. Aboitiz, Jr. Chairman	Jon Ramon Aboitiz Director	Stephen G. Paradies Ex-officio member, Chief Financial Officer	Rolando C. Cabrera Ex-officio member, Chief Risk Management Officer
Justo A. Ortiz Director	Stephen CuUnjieng Independent Director		

Location of Operations

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

Aboitiz Equity Ventures, Inc. •
 Aboitiz Power Corporation •
 Visayan Electric Company, Inc. •
 Cebu Private Power Corporation •
 East Asia Utilities Corporation •
 City Savings Bank •
 Aboitiz Energy Solutions, Inc. •
 Advent Energy, Inc. •
 Prism Energy, Inc. •
 Mactan EnerZone Corporation •
 Balamban EnerZone Corporation •
 Cebu Energy Development Corporation •
 Cebu Praedia Development Corporation •

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



Corporate Structure

(as of end-2011)

	OWNERSHIP (%)
POWER	
Aboitiz Power Corporation	76
Power Generation	
Aboitiz Renewables, Inc.	100
AP Renewables, Inc.	100
Hedcor, Inc.	100
Hedcor Sibulan, Inc.	100
Luzon Hydro Corporation	100
Manila-Oslo Renewable Enterprise, Inc.	83
SN Aboitiz Power-Magat, Inc.	60
SN Aboitiz Power-Benguet, Inc.	60
SN Aboitiz Power-Res, Inc.	60
Therma Power Inc.	100
Therma Luzon, Inc.	100
Therma Marine, Inc.	100
Therma South, Inc.	100
Abovant Holdings, Inc.	60
Cebu Energy Development Corporation	44
Redondo Peninsula Energy, Inc.	25
STEAG State Power, Inc.	34
Cebu Private Power Corporation	60
East Asia Utilities Corporation	50
Southern Philippines Power Corporation	20
Western Mindanao Power Corporation	20
Power Distribution	
Visayan Electric Company, Inc.	55
Davao Light & Power Company, Inc.	100
Cotabato Light & Power Company	100
Subic EnerZone Corporation	100
Mactan EnerZone Corporation	100
Balamban EnerZone Corporation	100
San Fernando Electric Light & Power Company, Inc.	44
Retail Electricity Services	
Aboitiz Energy Solutions, Inc.	100
Advent Energy, Inc.	100
Prism Energy, Inc.	60
BANKING	
Union Bank of the Philippines	43
City Savings Bank	100
FOOD	
Pilmico Foods Corporation	100
Pilmico Animal Nutrition Corporation	100
INTERGRATED MARITIME SERVICES	
Aboitiz Jebsen Bulk Transport Corporation	62
Aboitiz Jebsen Manpower Solutions, Inc.	62
Jebsen Maritime, Inc.	62
OTHERS	
AEV Aviation, Inc.	100
Cebu Praedia Development Corporation	100

The Board Audit Committee Report to the Board of Directors

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

Membership

As of December 31, 2011, the Board Audit Committee is composed of five (5) members, three (3) independent directors and two (2) executive directors. I, Jose C. Vitug, a retired Justice of the Supreme Court (Independent Director) – Chair the Committee and is ably assisted by Roberto R. Romulo (Independent Director), Stephen CuUnjieng (Independent Director), Justo A. Ortiz (Executive Director) and Roberto E. Aboitiz (Executive Director). Ex-officio members also include Stephen G. Paradies, AEV Group Chief Financial Officer and Rolando C. Cabrera, Chief Risk Management Officer.

Meetings

In behalf of the Committee, I confirm that in compliance with the Board Audit Committee Charter, four (4) regular meetings were held during the year: March 2, May 4, July 26, and November 3, 2011. Two (2) special meetings were also called on April 7 and December 8, 2011. In these meetings, the Chief Financial Officer, Chief Risk Management Officer, AEV VP Controller and Corporate Audit Head were also present.

Financial Reports

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

These activities were performed in the following context:

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

Independent Auditors

The overall scope and audit plan of SGV were reviewed and approved. The terms of engagement were also reviewed. This includes audit-related and non-audit services provided by SGV and the related fees for such services. We have also assessed the compatibility of non-audit services with the auditors' independence to ensure that such services will not impair their independence.

We also discussed with SGV the results of SGV's audits and its assessment of the overall quality of the financial reporting process. SGV also presented the effects of changes in relevant accounting standards and presentation of financial statements that impact on the reported results. We also noted and approved the delegation of the appointment of the Company's external auditors for 2011 to the Board of Directors.

Internal Auditors

We also reviewed and approved the annual audit program of the internal audit team as well as the performance of an External Quality Assessment for the Aboitiz Equity Ventures, Inc. Corporate Audit Team by the Institute of Internal Auditors (Philippines) to ascertain the internal audit team's conformance to the Institute of Internal Auditor's International Standards for the Professional Practice of Internal Auditing and to evaluate the IA Activity's efficiency and effectiveness in carrying out its mission as set forth in its charter and expressed in the expectations of management.

At the end of the exercise, we commend the AEV Corporate Audit Team for receiving an overall assessment of "Generally Conforms" which means that all activities performed by the AEV Corporate Audit Team were conducted in accordance with the Standards.

Further, we have reviewed the reports of the internal auditors, where their assessment was that as a Group, there is reasonable assurance that Management is aware of their responsibility and accountability over internal control systems and that the Group's corporate culture, organizational set-up and operating style promote a healthy control environment.

There is also reasonable assurance that the Company's internal controls are adequate and the basic control assertions of reliability and integrity have been satisfactorily complied with. Standardization and alignment of processes across the Group have also been satisfactorily addressed during the year, especially in Power Generation and Power Distribution.

The recommendations of the Corporate Audit Team and the preventive and corrective action plans committed by Management to drive consistent implementation of operating controls in identified key processes, reasonable assurance on the sustainability of achieved key operating criteria, increased compliance to regulatory requirements and timeliness of information are also discussed and monitored by the Committee to ensure that Management is taking appropriate actions within the agreed timelines.

As scheduled, the Committee likewise reviewed the revised Internal Audit Charter, focusing mainly on internal audit's coordination with the Risk Management function.

Risk Management

The Company's enterprise risk management procedures and processes are currently under review for further enhancement and a follow up risk assessment is planned for next year. We will review the adequacy of the risk management process and the effectiveness of the control environment in succeeding periodic reviews. In behalf of the Committee,



Jose C. Vitug
(Retired Justice, Supreme Court/Independent Director)
Chairman

Statement of Management's Responsibility

Securities and Exchange Commission

SEC Building, EDSA Greenhills
Mandaluyong, Metro Manila

The management of Aboitiz Equity Ventures, Inc. is responsible for the preparation and fair presentation of the consolidated financial statements for the years ended December 31, 2011 and 2010, including the additional components attached therein, in accordance with the prescribed financial reporting framework indicated therein. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

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

Sycip Gorres Velayo & Co., the independent auditors, appointed by the stockholders has examined the consolidated financial statements of the company in accordance with Philippine Standards on Auditing, and in its report to stockholders or members, has expressed its opinion on the fairness of presentation upon completion of such examination.

JON RAMON M. ABOITIZ
Chairman of the Board

ERRAMON I. ABOITIZ
President & Chief Executive Officer

STEPHEN G. PARADIES
Senior Vice President – Chief Financial Officer

Signed this 1st day of March, 2012.

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

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

Name	Passport/CTC	Date/Place Issued
Jon Ramon M. Aboitiz	XX4393111 00067760	August 18, 2009, Manila January 18, 2012, Cebu City
Erramon I. Aboitiz	XX1560733 128458	July 7, 2008, Manila February 7, 2012, Cebu City
Stephen G. Paradies	ZZ202455 128451	January 18, 2007, Manila February 7, 2012, Cebu City

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

Witness my hand and seal this MAR 27 2012 day of _____ 2012.

Doc. No. 27;
Page No. 4;
Book No. 4;
Series of 2012.



MAILENE M. DE LA TORRE
Notary Public for Cebu City
Notarial Commission No. 043-11
Until December 31, 2012
Aboitiz Corporate Center
Gov. M. Cuenco Ave., Cebu City
ROLL No. 55885
PTR No. 2157309 Cebu City 01.05.12
IPB Lifetime No. 880207 Makati City 01.06
MCLE Compliance No. III-000000

Independent Auditors' Report

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

We have audited the accompanying consolidated financial statements of Aboitiz Equity Ventures, Inc. and Subsidiaries, which comprise the consolidated balance sheets as at December 31, 2011 and 2010, and the consolidated statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2011, and a summary of significant accounting policies and other explanatory information. We did not audit the 2009 financial statements of the following subsidiaries: Aboitiz Energy Solutions, Inc., AEV Aviation, Inc., Cebu Praedia Development Corporation, Mactan Enerzone Corporation and Balamban Enerzone Corporation which statements reflect total revenues of 4.4% of the consolidated revenues in 2009. Also, we did not audit the 2009 financial statements of the following associates: Union Bank of the Philippines, City Savings Bank, Pampanga Energy Ventures, Inc., Hijos de F. Escano, Inc., East Asia Utilities Corporation and STEAG State Power, Inc., the Group's share in net earnings of which represents 27.9% of the consolidated net income for 2009. Those statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion on the 2009 consolidated financial statements, insofar as it relates to the amounts included for those entities, is based solely on the reports of the other auditors.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

We believe that the audit evidence we have obtained and the reports of the other auditors are sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, based on our audits and the reports of the other auditors for 2009, the consolidated financial statements present fairly, in all material respects, the financial position of Aboitiz Equity Ventures, Inc. and Subsidiaries as at December 31, 2011 and 2010, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2011 in accordance with Philippine Financial Reporting Standards.

SYCIP GORRES VELAYO & CO.

Ladislao Z. Avila, Jr.

Partner

CPA Certificate No. 69099

SEC Accreditation No. 0111-AR-2 (Group A),

February 4, 2010, valid until February 3, 2013

Tax Identification No. 109-247-891

BIR Accreditation No. 08-001998-43-2009,

June 1, 2009, valid until May 31, 2012

PTR No. 3174866, January 2, 2012, Makati City

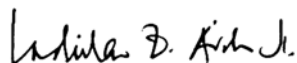
March 1, 2012

Auditors' Report on Supplementary Schedules

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

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Aboitiz Equity Ventures, Inc. and Subsidiaries included in this Form 17-A and have issued our report thereon dated March 1, 2012. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to Financial Statements and Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for purposes of complying with the Securities Regulation Code Rule 68, as amended (2011) and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state in all material respects the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.



Ladislao Z. Avila, Jr.
Partner
CPA Certificate No. 69099
SEC Accreditation No. 0111-AR-2 (Group A),
February 4, 2010, valid until February 3, 2013
Tax Identification No. 109-247-891
BIR Accreditation No. 08-001998-43-2009,
June 1, 2009, valid until May 31, 2012
PTR No. 3174866, January 2, 2012, Makati City

March 1, 2012

Consolidated Balance Sheets

(Amounts in Thousands)

	December 31	
	2011	2010
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	₱29,543,492	₱26,097,203
Trade and other receivables (Note 5)	22,024,385	15,702,445
Inventories (Note 6)	4,932,659	4,075,091
Derivative asset (Note 33)	—	7,670
Other current assets (Notes 7 and 8)	2,220,068	1,880,646
Total Current Assets	58,720,604	47,763,055
Noncurrent Assets		
Investments in and advances to associates (Note 10)	48,762,926	44,849,975
Property, plant and equipment (Notes 12 and 18)	82,608,589	77,444,279
Intangible asset – service concession rights (Notes 2, 3 and 13)	4,162,768	936,996
Investment properties (Notes 3 and 26)	341,381	402,486
Available-for-sale (AFS) investments (Note 3)	74,569	70,814
Net pension asset (Note 27)	190,270	179,425
Deferred income tax assets (Note 28)	268,664	251,090
Goodwill (Notes 9 and 11)	1,639,518	1,639,518
Other noncurrent assets (Notes 8 and 15)	4,222,586	1,429,635
Total Noncurrent Assets	142,271,271	127,204,218
TOTAL ASSETS	₱200,991,875	₱174,967,273
LIABILITIES AND EQUITY		
Current Liabilities		
Bank loans (Note 16)	₱5,301,008	₱5,667,340
Trade and other payables (Notes 17, 31 and 35)	12,667,610	10,560,377
Income tax payable	222,895	299,920
Current portions of:		
Long-term debts (Note 18)	1,604,750	1,552,022
Long-term obligation on Power Distribution System (PDS) (Notes 2 and 3)	40,000	40,000
Obligations under finance lease (Notes 12 and 20)	—	1,102,080
Redeemable preferred shares (Note 21)	—	1,000,000
Payable to preferred shareholder of a subsidiary	16,902	13,797
Derivative liabilities (Note 33)	7,580	323
Dividends payable	—	8,681
Total Current Liabilities	₱19,860,745	₱20,244,540

(Forward)

	December 31	
	2011	2010
Noncurrent Liabilities		
Noncurrent portions of:		
Obligations under finance lease (Notes 12 and 20)	P52,714,959	P47,203,036
Long-term debts (Note 18)	26,077,970	22,347,765
Deposit liabilities of CSB (Note 17)	4,472,252	3,683,745
Long-term obligations on PDS (Notes 2 and 3)	237,046	242,559
Payable to preferred shareholder of a subsidiary	46,068	62,970
Redeemable preferred shares (Note 21)	–	500,000
Customers' deposits (Note 19)	2,170,028	2,011,285
Net pension liability (Note 27)	37,092	32,350
Deferred income tax liabilities (Note 28)	397,988	321,595
Total Noncurrent Liabilities	86,153,403	76,405,305
Total Liabilities	106,014,148	96,649,845
Equity Attributable to Equity Holders of the Parent		
Capital stock (Note 21)	5,694,600	5,694,600
Additional paid-in capital (Note 14)	6,110,957	6,110,957
Net unrealized valuation gain on AFS investments	9,638	7,443
Cumulative translation adjustments	(43,706)	–
Share in cumulative translation adjustments of associates (Note 10)	(417,661)	44,606
Share in net unrealized valuation gains on AFS investments of an associate (Note 10)	1,116,924	314,840
Gain on dilution (Notes 2 and 10)	5,376,176	5,376,176
Acquisition of non-controlling interest (Note 14)	(527,203)	(527,203)
Retained earnings (Note 22)	61,053,322	48,586,535
Treasury stock at cost (Note 21)	(1,295,163)	(1,295,163)
	77,077,884	64,312,791
Non-controlling Interests	17,899,843	14,004,637
Total Equity	94,977,727	78,317,428
TOTAL LIABILITIES AND EQUITY	P200,991,875	P174,967,273

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Income

(Amounts in Thousands, Except Earnings Per Share Amounts)

	Years Ended December 31		
	2011	2010	2009 (As represented, see Note 14)
CONTINUING OPERATIONS			
REVENUES			
Sale of:			
Power and electricity (Note 23)	₱54,301,601	₱59,543,462	₱23,174,265
Goods	13,636,184	11,817,769	10,170,083
Bank revenues (Notes 4, 5 and 9)	1,965,953	1,471,458	–
Fair value of swine (Note 8)	1,116,652	1,061,815	878,230
Service fees (Note 35)	550,348	435,443	450,377
Others (Note 31)	426,635	220,755	252,457
	71,997,373	74,550,702	34,925,412
COSTS AND EXPENSES			
Cost of generated and purchased power (Note 35)	26,279,180	25,883,895	13,030,852
Cost of goods sold (Notes 6 and 24)	11,857,616	9,944,591	9,113,512
Operating expenses (Notes 24, 31, 35 and 36)	10,156,133	9,153,560	5,301,343
Bank interest expense (Notes 16 and 18)	629,497	436,992	–
Overhead expenses (Note 24)	150,086	262,910	337,762
	49,072,512	45,681,948	27,783,469
OPERATING PROFIT	22,924,861	28,868,754	7,141,943
Share in net earnings of associates (Note 10)	11,229,066	6,843,156	4,264,551
Interest income (Notes 4 and 31)	1,084,379	287,691	503,886
Interest expense (Notes 31 and 32)	(7,856,654)	(7,034,751)	(3,077,994)
Dividends on redeemable preferred shares (Note 21)	(119,112)	(126,646)	(161,596)
Other income – net (Notes 26 and 31)	1,051,861	2,065,725	1,812,540
INCOME BEFORE INCOME TAX	28,314,401	30,903,929	10,483,330
PROVISION FOR INCOME TAX (Note 28)	1,728,814	1,624,634	1,038,378
NET INCOME FROM CONTINUING OPERATIONS	26,585,587	29,279,295	9,444,952
DISCONTINUED OPERATIONS			
Net income (loss) from discontinued operations (Note 14)	–	(1,466,348)	509,572
NET INCOME	₱26,585,587	₱27,812,947	₱9,954,524

(Forward)

	Years Ended December 31		
	2011	2010	2009 (As represented, see Note 14)
ATTRIBUTABLE TO:			
Equity holders of the parent	P21,191,344	P21,865,302	P8,306,868
Non-controlling interests	5,394,243	5,947,645	1,647,656
	P26,585,587	P27,812,947	P9,954,524
EARNINGS PER SHARE (Note 29)			
Basic and diluted, for net income for the year attributable to ordinary equity holders of the parent	P3.838	P3.960	P1.494
EARNINGS PER SHARE FOR CONTINUING OPERATIONS (Note 29)			
Basic and diluted, for net income for the year from continuing operations attributable to ordinary equity holders of the parent	P3.838	P4.196	P1.429

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Comprehensive Income

(Amounts in Thousands)

Years Ended December 31			
	2011	2010	2009 (As represented, see Note 14)
NET INCOME ATTRIBUTABLE TO:			
Equity holders of the parent	P21,191,344	P21,865,302	P8,306,868
Non-controlling interests	5,394,243	5,947,645	1,647,656
	26,585,587	27,812,947	9,954,524
OTHER COMPREHENSIVE INCOME			
Share in movement in unrealized valuation gains on AFS investments of an associate (see Note 10)	800,381	386,149	235,345
Share in movement in cumulative translation adjustments of associates	(668,165)	(51,895)	133,495
Movement in unrealized valuation gains (losses) on AFS investments	16,179	6,598	(236)
Movement in cumulative translation adjustments	(57,598)	(1,721)	(3,382)
Total other comprehensive income, net of tax	90,797	339,131	365,222
TOTAL COMPREHENSIVE INCOME	P26,676,384	P28,152,078	P10,319,746
ATTRIBUTABLE TO:			
Equity holders of the parent	P21,489,650	P22,209,052	P8,653,213
Non-controlling interests	5,186,734	5,943,026	1,666,533
	P26,676,384	P28,152,078	P10,319,746

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Changes in Equity

For The Years Ended December 31, 2011, 2010 And 2009
(Amounts in Thousands, Except Dividends Per Share Amounts)

Attribute to equity holders of the parent

	Share in Net													

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Changes in Equity

For The Years Ended December 31, 2011, 2010 And 2009
(Amounts in Thousands, Except Dividends Per Share Amounts)

[illegible]

See accompanying Notes to Consolidated Financial Statements.

Attribute to equity holders of the parent

	Capital Stock: Common (Note 21)	Additional Paid-in Capital	Net Unrealized Valuation Gain on AFS Investments	Cumulative Translation Adjustments	Share in Cumulative Translation Adjustments of Associates (Note 10)	Share in Gains (Losses) on AFS Investments of an Associate (Note 10)	Acquisition of Non-controlling Interest	Retained Earnings (Note 22)	Treasury Stock (Note 21)	Total	Non-controlling Interests	Total
Balances at January 1, 2011	P5,694,600	P6,110,957	P7,443	P-	P44,606	P314,840	P5,376,176	P48,586,535	(P1,295,163)	P64,312,7917	P14,004,637	P78,317,428
Net income for the year	-	-	2,195	(43,706)	(462,267)	-	-	21,191,344	-	21,191,344	5,394,243	26,585,587
Other comprehensive income	-	-	-	-	-	802,084	-	-	-	298,306	(207,509)	90,797
Total comprehensive income for the year	-	-	2,195	(43,706)	(462,267)	802,084	-	21,191,344	-	21,489,650	5,186,734	26,676,384
Cash dividends - P1.58 per share (Note 22)	-	-	-	-	-	-	-	(8,724,557)	-	(8,724,557)	-	(8,724,557)
Cash dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(2,374,427)	(2,374,427)
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	1,082,899	1,082,899
Balances at December 31, 2011	P5,694,600	P6,110,957	P9,638	(P43,706)	(P417,661)	P1,116,924	P5,376,176	P61,053,322	(P1,295,163)	P77,077,884	P17,899,843	P94,977,727

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

(Amounts in Thousands)

	Years Ended December 31		
	2011	2010	2009 (As represented, see Note 14)
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax from continuing operations	₱28,314,401	₱30,903,929	₱10,483,330
Income (loss) before income tax from discontinued operations	–	(1,877,315)	676,909
Income before income tax	28,314,401	29,026,614	11,160,239
Adjustments for:			
Interest expense and dividends on redeemable preferred shares (Note 32)	7,975,766	7,390,275	3,313,691
Depreciation and amortization (Note 24)	3,706,834	4,653,476	2,675,239
Impairment loss on property and equipment	–	778,830	–
Loss (gain) on sale of: (Note 26)			
Investment in subsidiary and associate	–	431,580	(52,500)
Property, plant and equipment	(20,248)	19,710	(29,973)
AFS investments	–	(57,895)	(296)
Provision for (recovery of) decline in value of various assets, project costs and others	52,638	95,390	(14,693)
Reversal of provision for losses on project costs, investments in shares of stock and advances to investees	(40,247)	–	–
Increase in carrying amount of goodwill and property, plant and equipment in disposal group (Note 26)	–	–	(574,789)
Dividend income (Note 26)	(1,365)	(54)	(6,795)
Unrealized valuation losses (gains) on derivatives	(5,990)	(22,977)	15,630
Unrealized valuation gain on investment property – net	–	(66,282)	–
Interest income (Note 32)	(1,084,379)	(292,954)	(516,737)
Unrealized foreign exchange gains	(2,841)	(1,515,043)	(22,633)
Share in net earnings of associates (Note 10)	(11,229,066)	(6,883,363)	(4,321,679)
Operating income before working capital changes	27,665,503	33,557,307	11,624,704
Decrease (increase) in:			
Trade and other receivables	(4,114,822)	(4,743,174)	(3,382,220)
Inventories	(853,564)	(1,488,182)	299,034
Other current assets	(135,491)	(827,734)	(11,013)
Increase in:			
Trade and other payables	2,601,104	4,419,963	3,979,173
Customers' deposits	159,811	223,268	201,690
Net cash generated from operations	25,322,541	31,141,448	12,711,368
Service fees paid	(40,000)	(40,000)	(40,000)
Income and final taxes paid	(1,713,852)	(1,550,586)	(885,464)
Net cash flows from operating activities	23,568,689	29,550,862	11,785,904
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividends received (Note 10)	4,641,898	2,363,909	1,132,476
Interest received	1,013,147	291,171	571,133
Increase in intangible asset – service concession rights (Note 13)	(115,794)	(104,250)	(70,259)

(Forward)

Years Ended December 31			
	2011	2010	2009 (As represented, see Note 14)
Increase in other noncurrent assets (Note 15)	(P1,718,083)	(P153,570)	(P1,048,212)
Acquisitions of subsidiaries, net of cash acquired (Note 9)	313,469	(241,652)	(4,800)
Proceeds from sale of:			
Property, plant and equipment	43,359	369,974	421,152
Investments in subsidiary, net of cash disposed	—	2,770,924	57,300
AFS investments	—	64,905	7,524
Additions to:			
Investments in and advances to associates (Note 10)	(1,399,445)	(2,738,311)	(2,014,843)
Property, plant and equipment (Note 12)	(8,570,388)	(8,342,674)	(25,787,197)
Net cash flows used in investing activities	(5,791,837)	(5,719,574)	(26,735,726)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from availment of long-term debts	8,930,792	5,286,067	9,714,447
Acquisition of:			
Non-controlling interests	—	31,475	(218,642)
Treasury shares (Note 21)	—	—	(464,506)
Cash dividends paid to equity holders of the parent (Note 22)	(8,724,557)	(2,871,373)	(1,505,234)
Interest and dividends on redeemable preferred shares paid	(2,429,240)	(2,307,103)	(2,017,867)
Payments of:			
Obligations under finance lease (Note 20)	(1,102,065)	(1,125,746)	(57,659)
Long-term debts	(5,946,251)	(252,417)	(542,334)
Payable to preferred shareholder of a subsidiary	(31,070)	(31,070)	(31,070)
Redeemable preferred shares	(1,500,000)	—	(626,000)
Net proceeds from (settlements of) bank loans	(366,332)	(1,123,536)	981,859
Cash dividends paid and others to non-controlling interest	(3,165,264)	(860,749)	(577,327)
Net cash flows from (used in) financing activities	(14,333,987)	(3,254,452)	4,655,667
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	3,442,865	20,576,836	(10,294,155)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	3,424	(61,861)	(161,090)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	26,097,203	5,582,228	16,037,473
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	P29,543,492	P26,097,203	P5,582,228

See accompanying Notes to Consolidated Financial Statements.

Investor Information

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Common Stock

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

Stockholders' Meeting

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

Stockholder Services and Assistance

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

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

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