aboitiz
Equity Ventures

March 12, 2013

MS. JANET ENCARNACION
Head, Disclosure Department
Philippine Stock Exchange, Inc.
Tower One and Exchange Plaza
Ayala Triangle, Ayala Avenue,
Makati City

Dear Ms. Encarnacion:

We file herewith a copy of SEC Form 20-IS (Preliminary Information Statement) of Aboitiz Equity Ventures, Inc. (AEV). Also enclosed is the cover letter for AEV's SEC Form 20-IS addressed to the Securities and Exchange Commission.

Thank you.

Very truly yours,

ABOITIZ EQUITY VENTURES, INC.
By

M. Jasmine S. Oporto

M. JASMINE S. OPORTO
Corporate Secretary

March 12, 2013

CORPORATION FINANCE DEPARTMENT
SECURITIES AND EXCHANGE COMMISSION
SEC Building, EDSA Greenhills,
Mandaluyong City, Metro Manila

ATTENTION	:	**ATTY. JUSTINA CALLANGAN** Director
RE	:	**SEC Form 20 – IS (Preliminary Information Statement)**

Dear Atty. Callangan:

We file herewith two (2) copies of SEC Form 20-IS (Preliminary Information Statement) of Aboitiz Equity Ventures, Inc.

Kindly acknowledge receipt hereof.

Thank you.

Very truly yours,

ABOITIZ EQUITY VENTURES, INC.
By

M. Jasmine S. Oporto

M. JASMINE S. OPORTO
Corporate Secretary

COVER SHEET

C E O 2 5 3 6

S.E.C. Registration Number

ABOITIZ EQUITY VENTURES, INC.

(Company's Full Name)

ABOITIZ CORPORATE CENTER

GOV. MANUEL A. CUENCO AVENUE,

KASAMBAGAN, CEBU CITY

(Business Address: No. Street City / Town / Province)

M. JASMINE S. OPORTO	032-411-1801
Contact Person	Company Telephone Number

Preliminary Information Statement
2013

3rd Monday of May

1 2 3 1	2 0 - I S	0 5 2 1
Month *Day*	FORM TYPE	*Month* *Day*
Fiscal Year		Annual Meeting

Secondary License Type, if Applicable

S E C

Dept. Requiring this Doc

Amended Articles Number/Section

	x	
Total No. of Stockholders	Domestic	Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

Remarks = pls. Use black ink for scanning purposes

NOTICE AND AGENDA OF ANNUAL MEETING OF STOCKHOLDERS

ABOITIZ EQUITY VENTURES, INC.
Aboitiz Corporate Center
Gov. Manuel A. Cuenco Avenue
Kasambagan, Cebu City 6000, Philippines

NOTICE is hereby given that the Annual Meeting of the Stockholders of ABOITIZ EQUITY VENTURES, INC. will be held on May 20, 2013, 4:00 p.m., at Sta. Maria One and Two Radisson Blu Hotel, Serging Osmeña Boulevard corner Juan Luna Avenue, Cebu City, Philippines.

The Agenda of the meeting is as follows:

1. Call to Order
2. Proof of Notice of Meeting
3. Determination of Quorum
4. Reading and Approval of the Minutes of the Previous Stockholders' Meeting held on May 21, 2012
5. Presentation of the President's Report
6. Approval of the 2012 Annual Report and Financial Statements
7. Delegation of the Authority to Elect Company's External Auditors for 2013 to the Board of Directors
8. Ratification of the Acts, Resolutions and Proceedings of the Board of Directors, Corporate Officers and Management in 2012 up to May 20, 2013
9. Election of the Members of the Board of Directors
10. Amendment of the Articles of Incorporation and By-Laws to Change the Principal Office Address from Cebu City to 32nd Street Bonifacio Global City, Taguig City
11. Other Business
12. Adjournment

Only stockholders of record at the close of business on April 1, 2013 are entitled to notice and to vote at this meeting. Registration will start at 2:00 p.m. and will end at 4:00 p.m. Kindly present any proof of identification, such as driver's license, passport, company ID or SSS/GSIS ID. Aside from personal identification, representatives of corporate stockholders and other entities should also present a duly sworn Secretary's Certificate or a similar document showing his or her authority to represent the corporation or entity.

Should you be unable to attend the meeting, you may want to execute a proxy in favor of a representative. In accordance with the Amended By-Laws of the Company, proxies must be submitted for inspection, validation and recording at least seven days prior to the opening of the Stockholders' Meeting, or on or before May 13, 2013, to the Office of the Corporate Secretary at the Aboitiz Corporate Center, Gov. Manuel A. Cuenco Avenue, Kasambagan, Cebu City. We enclose a proxy form for your convenience.

For those unable to attend the Stockholders' Meeting in Cebu, a Stockholders' Briefing will be conducted on May 23, 2013 at 4:00 p.m., at the Grand Ballroom, Hotel Intercontinental Manila, No. 1 Ayala Avenue, 1226 Makati City.

For the Board of Directors.

M. Jasmine S. Oporto

M. JASMINE S. OPORTO
Corporate Secretary

SECURITIES AND EXCHANGE COMMISSION
SEC FORM 20-IS
INFORMATION STATEMENT PURSUANT TO SECTION 20
OF THE SECURITIES REGULATION CODE

1. Check the appropriate box:

   [X] Preliminary Information Statement
   [ ] Definitive Information Statement

2. Name of Registrant as specified in its charter **ABOITIZ EQUITY VENTURES, INC.**

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

4. SEC Identification Number **CEO2536**

5. BIR Tax Identification Code **003-828-269-V**

6. Address of principal office **Aboitiz Corporate Center**
   Gov. Manuel A. Cuenco Avenue
   Kasambagan, Cebu City
   6000 Philippines

7. Registrant's telephone number, including area code **(032) 411-1800**

8. Date, time and place of the meeting of security holders

   Date : **May 20, 2013**
   Time : **4:00 p.m.**
   Place : **Sta. Maria One and Two Radisson Blu Hotel**
   Serging Osmeña Boulevard corner Juan Luna Avenue
   Cebu City, Philippines

9. Approximate date when the Information Statement is first to be sent or given to security holders: **April 26, 2013**

10. In case of Proxy Solicitations: **NA**

11. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the Revised Securities Act (information on number of shares and amount of debt is applicable only to corporate registrants):

Authorized Capital Stock: **₱10,000,000,000**

Title of Each Class	Par Value	No. of Shares	Authorized Capital Stock
Common	₱1.00	9,600,000,000	₱9,600,000,000
Preferred	1.00	400,000,000	400,000,000
Total			**₱10,000,000,000**

No. of Common Shares Outstanding as of December 31, 2012 **5,521,871,821**

Amount of Debt Outstanding as of December 31, 2012 ₱________

12. Are any or all of registrant's securities listed on a Stock Exchange?

    Yes X No __

    The common stock of the Company is listed at The Philippine Stock Exchange, Inc. (PSE).

INFORMATION REQUIRED IN INFORMATION STATEMENT

A. GENERAL INFORMATION

Item 1. Date, time and place of Annual Stockholders' Meeting

Date of meeting	:	**May 20, 2013**
Time of meeting	:	**4:00 p.m.**
Place of meeting	:	**Sta. Maria One and Two Radisson Blu Hotel** **Serging Osmeña Boulevard corner Juan Luna Avenue** **Cebu City, Philippines**
Approximate mailing date of this statement	:	**April 26, 2013**
Complete mailing address of the principal office of the registrant	:	**Aboitiz Corporate Center** **Gov. Manuel A. Cuenco Avenue** **Kasambagan, Cebu City** **6000 Philippines**

Item 2. Dissenter's Right of Appraisal

There are no matters or proposed actions included in the Agenda of the Meeting that may give rise to a possible exercise by stockholders of their appraisal rights. Generally, however, the stockholders of Aboitiz Equity Ventures, Inc. (hereinafter referred to as AEV or the Company or the Registrant) have the right of appraisal in the following instances: (a) in case any amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholder or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence; (b) in case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets as provided in the Corporation Code of the Philippines (Corporation Code); and (c) in case of merger or consolidation.

Any stockholder who wishes to exercise his appraisal right must have voted against the proposed corporate action. He must also make a written demand on AEV, within 30 days after the date on which the vote was taken, for payment of the fair value of his shares. Failure to make the demand within such period shall be deemed a waiver of such appraisal right. If the proposed corporate action is implemented or effected, AEV shall pay to such stockholder, upon surrender of the certificate or certificates of stock representing his shares, the fair value thereof as of the day prior to the date on which the vote was taken, excluding any appreciation or depreciation in anticipation of such corporate action.

If, within a period of 60 days from the date the corporate action was approved by the stockholders, the withdrawing stockholder and AEV cannot agree on the fair value of the shares, it shall be determined and appraised by three disinterested persons, one of whom shall be named by the stockholder, another by AEV, and the third by the two thus chosen. The findings of the majority of the appraisers shall be final, and their award shall be paid by AEV within 30 days after such award is made. No payment shall be made to any dissenting stockholder unless AEV has unrestricted retained earnings in its books to cover such payment. Upon payment by AEV of the agreed or awarded price, the stockholder shall forthwith transfer his shares to AEV.

Item 3. Interest of Certain Persons in or Opposition to Matters to be Acted Upon

(a) No current director or officer of AEV, or nominee for election as director of AEV, or any associate of any of the foregoing persons, has any substantial interest, direct or indirect, by security holdings or otherwise, in any matter to be acted upon in the stockholders' meeting, other than in the election to AEV's Board of Directors (Board).

(b) No director has informed AEV in writing that he intends to oppose any action to be taken by AEV at the meeting.

B. CONTROL AND COMPENSATION INFORMATION

Item 4. Voting Securities and Principal Holders Thereof

(a) Class of Voting Shares as of February 28, 2013

Class of Voting Shares	No. of Shares Entitled to Vote
Common Shares	5,521,871,821

Every stockholder shall be entitled to one vote for each share of stock held as of the established record date.

(b) Record Date

All stockholders of record as of April 1, 2013 are entitled to notice and to vote at AEV's Annual Stockholders' Meeting.

(c) Election of Directors and Cumulative Voting Rights

With respect to the election of directors, a stockholder may vote such number of shares for as many persons as there are directors to be elected. He may also cumulate said shares and give one candidate as many votes as the number of directors to be elected, or distribute the shares on the same principle among as many candidates as he shall see fit, provided, that the total number of votes cast by the stockholder shall not exceed the total number of shares owned by him as shown in the books of AEV, multiplied by the number of directors to be elected.

Section 5, Article I of the Amended By-Laws of AEV provides that voting upon all questions at all meetings of the stockholders shall be by shares of stock and not per capita. Section 6 of the same article states that stockholders may vote at all meetings either in person or by proxy duly given in writing and presented to the Corporate Secretary for inspection, validation and record at least seven days prior to the opening of said meeting.

In accordance with Sections 2 and 3 of AEV's Guidelines for the Constitution of the Nomination Committee and the Nomination and Election of Independent Directors (Guidelines), nominations for Independent Directors must be submitted to the Corporate Secretary from January 1, 2013 to February 15, 2013.

Paragraph 4, Section 1, Article II of the Amended By-Laws of AEV provides that nominations for the election of the other directors for the ensuing year must be received by the Corporate Secretary no less than 15 working days prior to the annual meeting of stockholders, except as may be provided by the Board in appropriate guidelines that it may promulgate from time to time in compliance with law.

No discretionary authority to cumulate votes is solicited.

(d) No proxy solicitation is being made

Security Ownership of Certain Record and Beneficial Owners and Management

(1) Security Ownership of Certain Record and Beneficial Owners (more than 5%) as of February 28, 2013

Title of Class	Name/Address Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares and Nature of Ownership (Record or Beneficial)	Percent of Class
Common	**1. Aboitiz & Company, Inc.**[1] Aboitiz Corporate Center Gov. Manuel A. Cuenco Avenue Kasambagan, Cebu City (Stockholder)	Aboitiz & Company, Inc. [2]	Filipino	2,735,600,915 (Record and Beneficial)	49.54%
Common	**2. PCD Nominee Corp.**[3] **(Filipino)** G/F MSE Bldg. Ayala Avenue, Makati City (Stockholder)	PCD participants acting for themselves or for their customers[4]	Filipino	704,530,059 (Record and Beneficial)	12.76%
Common	**3. PCD Nominee Corp.**[3] **(Foreign)** G/F MSE Bldg. Ayala Avenue, Makati City (Stockholder)	PCD participants acting for themselves or for their customer[5]	Non-Filipino	503,541,248 (Record and Beneficial)	9.12%
Common	**4. Ramon Aboitiz Foundation, Inc.** 35 Lopez Jaena St., Cebu City[6] (Stockholder)	Ramon Aboitiz Foundation, Inc.	Filipino	420,915,863 (Record and Beneficial)	7.62%

[1] ACO, the parent company of AEV is a corporation wholly-owned by the Aboitiz family. No single stockholder, natural or juridical, owns 5% or more of the shareholdings of ACO.

[2] Mr. Erramon I. Aboitiz, ACO President and Chief Executive Officer, will vote for the shares of ACO in AEV in accordance with the directive of the ACO Board of Directors.

[3] PCD Nominee Corporation – Filipino and Foreign is not related to AEV. The beneficial owners of the shares held through a PCD participant are the beneficial owners thereof up to the extent of the number of shares registered under their respective accounts with the PCD participant.

[4] Of the 704,530,059 shares held by PCD Nominee Corporation (Filipino), at least 511, 586, 552 shares or 9.26% of the voting stock of AEV are for the account of Papa Securities Corporation (PapaSec). AEV is not related to PapaSec.

[5] AEV has no record relating to the power to decide how the shares held by PCD Nominee Corporation (Foreign) are to be voted. The Company was informed that none of the customers under a PCD participant beneficially owns more than 5% of the AEV's common shares.

[6] Mr. Roberto E. Aboitiz, President of the Ramon Aboitiz Foundation, Inc. (RAFI), will vote for the shares of RAFI in AEV in accordance with the directive of the RAFI Board of Trustees.

(2) Security Ownership of Management as of February 28, 2013 (Record and Beneficial)

Name of Beneficial Owner and Position	Title of Class	No. of Shares and Nature of Ownership (Direct or Indirect)		Citizenship	Percentage of Ownership
Jon Ramon Aboitiz Chairman of the Board	Common	4,648	Direct	Filipino	0.00%
		128,548,372	Indirect		2.33%
Erramon I. Aboitiz Director/President and Chief Executive Officer	Common	1,001,000	Direct	Filipino	0.02%
		41,492,564	Indirect		0.75%
Roberto E. Aboitiz Director	Common	10	Direct	Filipino	0.00%
Enrique M. Aboitiz, Jr. Director/Senior Vice President	Common	6,000	Direct	Filipino	0.00%
		2,898,000	Indirect		0.05%
Justo A. Ortiz Director	Common	1	Direct	Filipino	0.00%
Antonio R. Moraza Director	Common	1,000	Direct	Filipino	0.00%
		21,308,235	Indirect		0.39%
Jose C. Vitug Independent Director	Common	100	Direct	Filipino	0.00%
		72,020	Indirect		0.00%
Stephen T. CuUnjieng Independent Director	Common	100	Direct	Filipino	0.00%
Raphael P.M. Lotilla Independent Director	Common	100	Direct	Filipino	0.00%
Stephen G. Paradies Senior Vice President – Chief Financial Officer/ Corporate Information Officer	Common	22,380,003	Direct	Filipino	0.41%
Mikel A. Aboitiz Senior Vice President – Chief Information Officer	Common	10	Direct	Filipino	0.00%
		93,399,799	Indirect		1.69%
Juan Antonio E. Bernad Senior Vice President	Common	730,351	Direct	Filipino	0.01%
		252,970	Indirect		0.00%
Xavier Jose Aboitiz Senior Vice President – Chief Human Resources Officer	Common	1,998,236	Direct	Filipino	0.04%
		18,336,424	Indirect		0.33%
Gabriel T. Mañalac Senior Vice President – Group Treasurer	Common	48,338	Direct	Filipino	0.00%
M. Jasmine S. Oporto Senior Vice President – Chief Legal Officer/ Corporate Secretary/Compliance Officer	Common	39,121	Direct	Filipino	0.00%
Susan V. Valdez First Vice President – Chief Reputation Office/ Chief Risk Management Officer	Common	504,807	Direct	Filipino	0.01%
Luis Miguel O. Aboitiz First Vice President	Common	21,888,880	Direct	Filipino	0.40%

Name of Beneficial Owner and Position	Title of Class	No. of Shares and Nature of Ownership (Direct or Indirect)		Citizenship	Percentage of Ownership
Horacio C. Elicano First Vice President – Chief Technology Officer	Common	133,580	Direct	Filipino	0.00%
Patrick B. Reyes First Vice President – Chief Strategy Officer	Common	52,760	Direct	Filipino	0.00%
Román V. Azanza III First Vice President – Business Development	Common	128,448	Direct	Filipino	0.00%
Melinda R. Bathan First Vice President – Controller	Common	65,641	Direct	Filipino	0.00%
Narcisa S. Lim First Vice President – Human Resources and Quality	Common	13,780	Direct	Filipino	0.00%
Joseph Trillana T. Gonzales Vice President – Legal and Corporate Services	Common	42,000	Direct	Filipino	0.00%
Susan S. Policarpio Vice President – Government Relations	Common	2,058	Direct	Filipino	0.00%
Robin Patrick R. Sarmiento Assistant Vice President – Strategy and Corporate Finance	N/A	0	N/A	Filipino	0.00%
Vivien V. Limjoco Assistant Vice President – Strategy and Corporate Finance	Common	8,000	Indirect	Filipino	0.00%
Ronaldo S. Ramos Assistant Vice President – Business Risk Management	Common	5,000	Direct	Filipino	0.00%
Annacel A. Natividad Assistant Vice President – Financial Risk Management	Common	45,836	Direct	Filipino	0.00%
Julie Ann T. Diongzon Assistant Vice President – Treasury	N/A	0	N/A	Filipino	0.00%
Aylmerita C. Peñaloza Assistant Vice President – Treasury	N/A	0	N/A	Filipino	0.00%
Noemi G. Sebastian Assistant Vice President – Human Resources and Quality	Common	26,607	Direct	Filipino	0.00%
Marilou P. Plando Assistant Vice President – Business Administrator for Legal and Corporate Services	N/A	0	N/A	Filipino	0.00%
Maria Lourdes Y. Tanate Assistant Vice President – Audit	Common	16,000	Direct	Filipino	0.00%
Andy G. Torato Assistant Vice President – Plant Security	N/A	0	N/A	Filipino	0.00%

Name of Beneficial Owner and Position	Title of Class	No. of Shares and Nature of Ownership (Direct or Indirect)		Citizenship	Percentage of Ownership
Joseph Y. Tugonon Assistant Vice President – Tax Management Services for Legal and Corporate Services	N/A	0	N/A	Filipino	0.00%
Catherine R. Atay Assistant Vice President – Corporate Secretarial and Compliance Services for Legal and Corporate Services/ Assistant Corporate Secretary	N/A	0	N/A	Filipino	0.00%
Dave Michael V. Valeriano Assistant Vice President – Investor Relations	N/A	0	N/A	Filipino	0.00%
Jose Angelo T. Fernandez Assistant Vice President – Business Development	N/A	0	N/A	Filipino	0.00%
Francisco Victor G. Salas Assistant Vice President – Corporate Branding and Communication	N/A	0	N/A	Filipino	0.00%
Francis S. Cabanban Assistant Vice President – IT Architect	Common	8,911	Direct	Filipino	0.00%
		8,911	Indirect		0.00%
Jose Grego U. Sitoy Assistant Vice President – IT Operations and Information Security	Common	3,157	Direct	Filipino	0.00%
Maria Luisa L. Marasigan Assistant Vice President – Sustainability, Corporate Branding & Communication	Common	43,265	Direct	Filipino	0.00%
TOTAL		**355,515,043**			**6.44%**

(3) Voting Trust Holders of 5% or More of Common Equity

No person holds under a voting trust or similar agreement more than five per centum (5%) of AEV's common equity.

(4) Changes in Control

There are no arrangements that may result in a change in control of AEV during the period covered by this report.

Item 5 . Directors and Executive Officers

(a) (1) Directors for 2012-2013

Below is a list of AEV's directors for 2012 -2013 with their corresponding positions and offices held in the past five years. The directors assumed their directorship during AEV's Annual Stockholders' Meeting in 2012 for a term of one year.

JON RAMON ABOITIZ Chairman – Board of Directors Chairman – Board Corporate Governance Committee Member – Board Risk and Reputation Management Committee	Mr. Jon Ramon Aboitiz, 64 years old, Filipino, has been Chairman of the Board of Directors of AEV since January 2009. He was President/ Chief Executive Officer of AEV since 1994 until his retirement last December 2008. Mr. Aboitiz began his career with the Aboitiz Group in 1970. From a manager of the Aboitiz Shipping Corporation, Mr. Aboitiz was promoted to President of the company in 1976 and became President of Aboitiz & Company, Inc. (ACO) in 1991 until 2008. He is also Chairman of the Board of Directors of ACO; Vice-Chairman of Aboitiz Power Corporation; and Director of City Savings Bank, Inc., Aboitiz Jebsen Company, Inc., Cotabato Light & Power Company, Davao Light & Power Company, Inc., and International Container Terminal Services, Inc. Mr. Aboitiz is also the Vice-Chairman of the Board of Directors of Union Bank of the Philippines (UnionBank). He is Chairman of UnionBank's Executive Committee, Risk Management Committee and Corporate Governance Committee, including the latter's Compensation Remuneration and Nomination Sub-Committees. He is the President of the Aboitiz Foundation, Inc., Trustee and Vice President of the Ramon Aboitiz Foundation, Inc.; Trustee of the Santa Clara University, California and The Philippine Business for Social Progress Foundation; and member of the Board of Advisors of the Association of Foundations as well as The Coca Cola Export Corporation in the Philippines. Mr. Aboitiz holds a B.S.mCommerce degree with a major in Management from the Santa Clara University, California.
ERRAMON I. ABOITIZ Director President & Chief Executive Officer	Mr. Erramon I. Aboitiz, 56 years old, Filipino, has served as President & Chief Executive Officer of AEV since January 2009. He has been a Director of AEV since 1994 and was its Executive Vice President and Chief Operating Officer from 1994 to December 2008. He is also President and Chief Executive Officer of Aboitiz & Company, Inc. and Aboitiz Power Corporation; Chairman of the Board of Directors of City Savings Bank, Inc., Davao Light & Power Company, Inc., San Fernando Electric Light and Power Company, Inc., Cotabato Light & Power Company, Subic Enerzone Corporation, SN Aboitiz Power-Magat, Inc., SN Aboitiz Power-Benguet, Inc., Manila-Oslo Renewable Enterprise, Inc., Aboitiz Renewables, Inc., Therma Marine, Inc., Therma Power, Inc., Therma Luzon, Inc., Therma Mobile, Inc., Therma South, Inc., Balamban Enerzone Corporation, Mactan Enerzone Corporation and Abovant Holdings, Inc.; Vice-Chairman of Visayan Electric Company, Inc.; and Director of STEAG State Power Inc., Union Bank of the Philippines, Pilmico Foods Corporation, Pilmico Animal Nutrition Corporation, AP Renewables, Inc., Cebu Energy Development Corporation, Propriedad Del Norte, Inc., Therma Visayas, Inc., Redondo Peninsula Energy, Inc. and Weather Philippines Foundation, Inc. He is also Chairman of Aboitiz Foundation Inc. and a director of the Family Business Development Center (Ateneo de Manila University). He received a Bachelor of Science degree in Business Administration, major in Accounting and Finance from Gonzaga University, Spokane, USA.

ROBERTO E. ABOITIZ Director Member – Board Audit Committee Board Corporate Governance Committee	Mr. Roberto E. Aboitiz, 63 years old, Filipino, has been a Director of AEV since 1994. He served as Chairman of AEV from 2005 until December 2008. He is Chairman of the Board of Directors of Cebu Industrial Park Developers, Inc., Cebu Industrial Park Services, Inc. and Propriedad Del Norte, Inc.; Vice-Chairman of Aboitiz & Company, Inc.; Director of City Savings Bank, Inc., Tsuneishi Heavy Industries (Cebu), Inc., Aboitiz Land, Inc., Cotabato Light & Power Company and Davao Light & Power Company, Inc.; Trustee of the Aboitiz Foundation, Inc.; President of Ramon Aboitiz Foundation, Inc. and West Cebu People Solutions, Inc.; and Vice President and Trustee of Tsuneishi Foundation (Cebu) Inc. and West Cebu Foundation, Inc. He graduated from Ateneo de Manila University with a Bachelor of Arts degree in Behavioral Science.
ENRIQUE M. ABOITIZ, JR. Director Senior Vice President Chairman – Board Risk and Reputation Management Committee	Mr. Enrique M. Aboitiz, Jr., 59 years old, Filipino, has served as Director of AEV since 1994. He is currently the Senior Vice President of AEV. He is also the Chairman of the Board of Directors of Aboitiz Power Corporation, Aboitiz Jebsen Manpower Solutions, Inc., Jebsen Maritime, Inc., Weather Philippines Foundation, Inc. and Aboitiz Land, Inc.; Director and Senior Vice President of Aboitiz & Company, Inc.; and Director of AP Renewables, Inc., Manila-Oslo Renewable Enterprise, Inc., Aboitiz Jebsen Company, Inc. and Sealandia Crew Management Philippines, Inc. Mr. Aboitiz graduated with a degree in Bachelor of Science in Business Administration (Major in Economics) from Gonzaga University, Spokane, Washington, USA.
JUSTO A. ORTIZ Director Member – Board Audit Committee Board Risk and Reputation Management Committee	Mr. Justo A. Ortiz, 55 years old, Filipino, has served as Director of AEV since 1994. He is also Chairman and Chief Executive Officer of UnionBank, Director of MegaLink, Member of Philippine Trade Foundation, Inc. and World Presidents Organization. Prior to his stint in UnionBank, he was Managing Partner for Global Finance and Country Executive for Investment Banking at Citibank N.A. He graduated magna cum laude with a degree in Economics from Ateneo de Manila University.
ANTONIO R. MORAZA Director	Mr. Antonio R. Moraza, 56 years old, Filipino, has served as Director of AEV since May 2009. He is currently a Director of Aboitiz Power Corporation and Executive Vice President and Chief Operating Officer of its Power Generation Group. He is also the Chairman of the Board of Directors of Pilmico Foods Corporation, Pilmico Animal Nutrition Corporation, East Asia Utilities Corporation, Therma Visayas, Inc. and Cebu Private Power Corporation; Chairman and Chief Executive Officer of AP Renewables, Inc., Hedcor, Inc., Hedcor Tudaya, Inc. and Hedcor Sibulan, Inc.; and Vice-Chairman of Propriedad Del Norte, Inc, Cebu Energy Development Corporation and Aboitiz Land, Inc. He is likewise a Director and Senior Vice President of Aboitiz & Company, Inc.; President and Chief Executive Officer of Abovant Holdings, Inc. and Aboitiz Renewables, Inc.; and Director of SN Aboitiz Power-Benguet, Inc., SN Aboitiz Power-Magat, Inc., Luzon Hydro Corporation, Southern Philippines Power Corporation, STEAG State Power Inc., Therma Marine, Inc. and Western Mindanao Power Corporation. He is also Director and President of Therma Power, Inc., Therma Mobile, Inc., Therma South, Inc. and Manila-Oslo Renewable Enterprise, Inc.; and Director and Chief Executive Officer of Therma Luzon, Inc. He holds a degree in Business Management from Ateneo de Manila University.

JOSE C. VITUG Independent Director Chairman– Board Audit Committee Member – Board Corporate Governance Committee	Justice Jose C. Vitug (ret.), 78 years old, Filipino, has served as Independent Director of AEV since 2005. He is a Senior Professor at the Philippine Judicial Academy and Consultant of the Committee on Revision of the Rules of the Supreme Court of the Philippines; Chairman of the Angeles University Foundation Medical Center; Network Ombudsman of ABS-CBN Holdings Corporation, Trustee of the Mission Communications Foundation, Inc; Dean of the Angeles University Foundation School of Law and a Graduate Professor of the Graduate School of Law of San Beda College. He was formerly an Associate Justice of the Supreme Court, Chairman of the House of Representatives Electoral Tribunal and senior member of the Senate Electoral Tribunal.
STEPHEN T. CuUNJIENG Independent Director Member – Board Audit Committee Board Corporate Governance Committee Board Risk and Reputation Management Committee	Mr. Stephen T. CuUnjieng, 54 years old, Filipino, has served as Independent Director of AEV since 2010. He has a long and extensive experience in investment banking with a number of major international investment banks. He has led several high profile transactions in the Philippines and Asia and has won nine Deals of the Year awards since 2005. He is currently Chairman for Asia for Evercore Partners, a New York Stock Exchange listed investment bank; Adviser to the Board of SM Investments Corporation; and Director of Manila North Tollways Corporation. He previously held Vice-Chairman, Managing director or Director positions with Macquarie, Merrill Lynch and Salomon Brothers, among others. He graduated from Ateneo de Manila University and also has a Ll.B (with honors) from Ateneo School of Law. He has a MBA from the Wharton School of the University of Pennsylvania.
RAPHAEL P.M. LOTILLA Independent Director Member – Board Audit Committee Board Corporate Governance Committee	Mr. Raphael P.M. Lotilla, 54 years old, Filipino, has served as Independent Director of AEV since May 2012. He was the Executive Director of the Partnerships in Environmental Management for the Seas of East Asia (PEMSEA), an inter-governmental regional organization. Mr. Lotilla also served the Philippine government in various capacities as Secretary of the Department of Energy (DOE) from March 2005 to July 2007, President and Chief Executive Officer of the Power Sector Assets and Liabilities Management (PSALM) Corporation from January 2004 to March 2005 and Deputy Director-General of National Economic and Development Authority (NEDA) from 1996 to 2004. Mr. Lotilla earned his degrees in Bachelor of Science in Psychology and Bachelor of Arts in History from the University of the Philippines, Diliman and finished his Bachelor of Laws from the same school. He holds a Master of Laws degree from the University of Michigan Law School, Ann Arbor, Michigan, USA.

Nominations for Independent Directors and Procedure for Nomination

The procedure for the nomination and election of the independent directors is in accordance with Rule 38 of the Securities Regulation Code (SRC Rule 38), AEV's Amended By-Laws and AEV's Guidelines. The Guidelines were approved by the AEV Board on February 10, 2003 and disclosed to all stockholders.

Nominations for independent directors were accepted starting January 1, 2013, in accordance with Section 2 of the Guidelines, and the table for nominations was closed on February 15, 2013, in accordance with Section 3 of the Guidelines.

SRC Rule 38 and the Guidelines further require that the Board Corporate Governance Committee meet to pre-screen all nominees and submit a Final List of Candidates to the Corporate Secretary no later than February 22, 2013 so that such list will be included in the Company's Preliminary and Definitive Information Statements. Only nominees whose names appear on the Final List shall be eligible for election as Independent Directors. No other nominations shall be entertained after the Final List of Candidates has been prepared. The name of the person or group of persons who nominates an Independent Director shall be identified in such report including any relationship with the nominee. All these procedures were complied with.

In approving the nominations for Independent Directors, the Board Corporate Governance Committee considered the guidelines on the nominations of Independent Directors prescribed in SRC Rule 38, the Guidelines and AEV's Revised Manual on Corporate Governance.

No nominations for Independent Director shall be accepted at the floor during the stockholders' meeting at which such nominee is to be elected. However, Independent Directors shall be elected at the stockholders' meeting during which other members of the Board are to be elected.

Ret. Justice Jose C. Vitug, Mr. Stephen T. CuUnjieng and Mr. Raphael P.M. Lotilla are the nominees for Independent Directors of AEV. They are neither officers nor employees of the Company or any of its Affiliates, and do not have any relationship with the Company which would interfere with the exercise of independent judgment in carrying out the responsibilities of an independent director. Attached as Annexes "A-1", "A-2" and ''A-3'' are the Certifications of Qualification of Justice Vitug, Mr. CuUnjieng and Mr. Lotilla, respectively.

AEV stockholders Antonio Jorge Lozada, Erlinda C. Maglaoy and Leah Joy Cabanban have recommended Ret. Justice Jose C. Vitug, Mr. Stephen T. CuUnjieng and Mr. Raphael P.M. Lotilla, respectively, as the Company's Independent Directors. None of the nominating stockholders have any relation to Justice Vitug, to Mr. CuUnjieng nor to Mr. Lotilla.

Other Nominees for Election as Members of the Board of Directors

As conveyed to the Corporate Secretary, the following will also be nominated as members of the Board for the ensuing year 2013-2014:

Jon Ramon Aboitiz
Erramon I. Aboitiz
Roberto E. Aboitiz
Enrique M. Aboitiz, Jr.
Justo A. Ortiz
Antonio R. Moraza

Pursuant to Paragraph 4, Section 1, Article II of the Amended By-Laws of AEV, nominations for members of the Board other than Independent Directors must be submitted in writing to the Corporate Secretary at least 15 working days prior to the regular Annual Stockholders' Meeting on May 20, 2013, or not later than April 26, 2013.

All other information regarding the positions and offices held by the above-mentioned nominees are integrated in Item 5 (a) (1) above.

Officers for 2012 -2013

Below is a list of AEV officers for 2012-2013 with their corresponding positions and offices held for the past five years. Unless otherwise indicated hereunder, the officers assumed their positions during AEV's annual organizational meeting in 2012 for a term of one year.

JON RAMON ABOITIZ Chairman – Board of Directors Chairman – Board Corporate Governance Committee Member – Board Risk and Reputation Management Committee	Mr. Jon Ramon Aboitiz, 64 years old, Filipino, has been Chairman of the Board of Directors of AEV since January 2009. He was President/ Chief Executive Officer of AEV since 1994 until his retirement last December 2008. Mr. Aboitiz began his career with the Aboitiz Group in 1970. From a manager of the Aboitiz Shipping Corporation, Mr. Aboitiz was promoted to President of the company in 1976 and became President of Aboitiz & Company, Inc. (ACO) in 1991 until 2008. He is also Chairman of the Board of Directors of ACO; Vice-Chairman of Aboitiz Power Corporation; and Director of City Savings Bank, Inc., Aboitiz Jebsen Company, Inc., Cotabato Light & Power Company, Davao Light & Power Company, Inc., and International Container Terminal Services, Inc. Mr. Aboitiz is also the Vice-Chairman of the Board of Directors of Union Bank of the Philippines (UnionBank). He is Chairman of UnionBank's Executive Committee, Risk Management Committee and Corporate Governance Committee, including the latter's Compensation Remuneration and Nomination Sub-Committees. He is the President of the Aboitiz Foundation, Inc., Trustee and Vice President of the Ramon Aboitiz Foundation, Inc.; Trustee of the Santa Clara University, California and The Philippine Business for Social Progress Foundation; and member of the Board of Advisors of the Association of Foundations as well as The Coca Cola Export Corporation in the Philippines. Mr. Aboitiz holds a B.S. Commerce degree with a major in Management from the Santa Clara University, California.
ERRAMON I. ABOITIZ Director President & Chief Executive Officer	Mr. Erramon I. Aboitiz, 56 years old, Filipino, has served as President and Chief Executive Officer of AEV since January 2009. He has been a Director of AEV since 1994 and was its Executive Vice President and Chief Operating Officer from 1994 to December 2008. He is also President and Chief Executive Officer of Aboitiz & Company, Inc. and Aboitiz Power Corporation; Chairman of the Board of Directors of City Savings Bank, Inc., Davao Light & Power Company, Inc., San Fernando Electric Light and Power Company, Inc., Cotabato Light & Power Company, Subic Enerzone Corporation, SN Aboitiz Power-Magat, Inc., SN Aboitiz Power-Benguet, Inc., Manila-Oslo Renewable Enterprise, Inc., Aboitiz Renewables, Inc., Therma Marine, Inc., Therma Power, Inc., Therma Luzon, Inc., Therma Mobile, Inc., Therma South, Inc., Balamban Enerzone Corporation, Mactan Enerzone Corporation and Abovant Holdings, Inc.; Vice-Chairman of Visayan Electric Company, Inc.; and Director of STEAG State Power Inc., Union Bank of the Philippines, Pilmico Foods Corporation, Pilmico Animal Nutrition Corporation, AP Renewables, Inc., Cebu Energy Development Corporation, Propriedad Del Norte, Inc., Therma Visayas, Inc., Redondo Peninsula Energy, Inc. and Weather Philippines Foundation, Inc. He is also Chairman of Aboitiz Foundation Inc. and a director of the Family Business Development Center (Ateneo de Manila University). He received a Bachelor of Science degree in Business Administration, major in Accounting and Finance from Gonzaga University, Spokane, USA.

STEPHEN G. PARADIES Ex-Officio Member – Board Audit Committee and Board Risk and Reputation Management Committee Senior Vice President/ Chief Financial Officer/ Corporate Information Officer	Mr. Stephen G. Paradies, 59 years old, Filipino, has been AEV's Senior Vice President, Chief Financial Officer and Corporate Information Officer since 2004. He was the Company's Compliance Officer until November 2005. From 2002 to 2004, he was Senior Vice President and Chief Audit Executive of AEV. He is also Senior Vice President-Finance/Treasurer and a member of the Board of Advisers of Aboitiz & Company, Inc.; Director and Senior Vice President and Treasurer of Aboitiz Construction Group, Inc.; Director of Union Bank of the Philippines, City Savings Bank, Inc., Union Properties, Inc., International Container Terminal Services, Inc., Pilmico Foods Corporation, Pilmico Animal Nutrition Corporation, Metaphil International, Inc., Therma Mobile, Inc., Therma Power-Visayas, Inc., Therma South, Inc., Therma Visayas, Inc. and West Cebu People's Solutions, Inc.; Director and Vice President of AEV Aviation, Inc.; Trustee and Treasurer of Aboitiz Foundation, Inc.; Director and Treasurer of Aseagas Corporation; and Treasurer of Cebu Industrial Park Developers, Inc. He obtained his Bachelor of Science in Business Management degree from Santa Clara University, California, USA.
MIKEL A. ABOITIZ Senior Vice President/ Chief Information Officer	Mr. Mikel A. Aboitiz, 58 years old, Filipino, has served as AEV's Senior Vice President and Chief Information Officer since 2004. He was the Company's Chief Strategy Officer from 2004 to 2012. He is Director of Aboitiz Power Corporation; Director and Senior Vice President for Strategy of Aboitiz & Company, Inc.; Director of Visayan Electric Company, Inc., Cotabato Light & Power Company, Davao Light & Power Company, Inc., Aboitiz Land, Inc., Pilmico Foods Corporation, Pilmico Animal Nutrition Corporation, Cebu Praedia Development Corporation, AP Renewables, Inc., AEV Aviation, Inc., Therma Power, Inc., Therma Luzon, Inc., Propriedad del Norte and Therma Luzon, Inc.; and Trustee and Treasurer of Ramon Aboitiz Foundation, Inc. He holds a degree in Bachelor of Science (Major in Business Administration) from Gonzaga University, Spokane, USA.
ENRIQUE M. ABOITIZ, JR. Director Chairman – Board Risk and Reputation Management Committee Senior Vice President	Mr. Enrique M. Aboitiz, Jr., 59 years old, Filipino, has been AEV's Senior Vice President since 2011. He served as Director of AEV since 1994. He is also the Chairman of the Board of Directors of Aboitiz Power Corporation, Aboitiz Jebsen Manpower Solutions, Inc., Jebsen Maritime, Inc., Weather Philippines Foundation, Inc. and Aboitiz Land, Inc.; Director and Senior Vice President of Aboitiz & Company, Inc.; and Director of AP Renewables, Inc., Manila-Oslo Renewable Enterprise, Inc., Aboitiz Jebsen Company, Inc. and Sealandia Crew Management Philippines, Inc. Mr. Aboitiz graduated with a degree in Bachelor of Science in Business Administration (Major in Economics) from Gonzaga University, Spokane, Washington, USA.
JUAN ANTONIO E. BERNAD Senior Vice President	Mr. Juan Antonio E. Bernad, 56 years old, Filipino, has been AEV's Senior Vice President since 1995. He was AEV's Senior Vice President - Electricity Regulatory Affairs from 2004 to 2007 and Senior Vice President - Chief Financial Officer from 1995 to 2004. He is Executive Vice President for Strategy and Regulation of Aboitiz Power Corporation; Executive Vice President - Regulatory Affairs of Davao Light & Power Company, Inc.; Director and Senior Vice President of Visayan Electric Company, Inc.; and Director of Cotabato Light & Power Company, AEV Aviation, Inc., AP Renewables, Inc. and Union Bank of the Philippines. He has an Economics degree from Ateneo de Manila University and a Master's degree in Business Administration from The Wharton School, University of Pennsylvania, USA.

XAVIER JOSE. ABOITIZ Ex-Officio Member - Board Corporate Governance Committee Senior Vice President - Chief Human Resources Officer	Mr. Xavier Jose Aboitiz, 53 years old, Filipino, has been AEV's Senior Vice President – Chief Human Resources Officer since 2004. He is also Senior Vice President for Human Resources and a member of the Board of Advisers of Aboitiz & Company, Inc.; Director of Pilmico Foods Corporation, Visayan Electric Company, Inc., Cebu Praedia Development Corporation and Davao Light & Power Company, Inc.; and Trustee of Aboitiz Foundation, Inc. Mr. Aboitiz has worked in various capacities in different Aboitiz Group companies since 1983. He took up Business Administration–Finance at Gonzaga University, Spokane, USA.
GABRIEL T. MAÑALAC Senior Vice President - Group Treasurer	Mr. Gabriel T. Mañalac, 56 years old, Filipino, has been AEV's Senior Vice President-Group Treasurer since January 2009. He joined AEV as Vice President for Treasury Services in 1998 and was promoted to First Vice President for Treasury Services in 2004. He is also Senior Vice President and Treasurer of Aboitiz Power Corporation; Vice President and Treasurer of Davao Light & Power Company, Inc.; and Treasurer of Cotabato Light & Power Company. Mr. Mañalac graduated cum laude with a Bachelor of Science degree in Finance and a Bachelor of Arts in Economics degree from De La Salle University. He obtained his Masters of Business Administration in Banking and Finance degree from the Asian Institute of Management and was awarded the Institute's Scholarship for Merit.
M. JASMINE S. OPORTO Ex-Officio Member - Board Corporate Governance Committee Senior Vice President - Chief Legal Officer/Corporate Secretary/ Compliance Officer	Ms. M. Jasmine S. Oporto, 51 years old, Filipino, has been AEV's Corporate Secretary since 2004 and Compliance Officer since November 2005. She is concurrently AEV Senior Vice President-Chief Legal Officer. She is also Vice President for Legal Affairs of Davao Light & Power Company, Inc.; Chief Compliance Officer and Corporate Secretary of Aboitiz Power Corporation; and Corporate Secretary Visayan Electric Company, Inc., Hijos de F. Escaño, Inc. and Luzon Hydro Corporation. Prior to joining AEV, she worked in various capacities at the Hong Kong office of Kelley Drye & Warren, LLP, a New York-based law firm, and the Singapore-based consulting firm Albi Consulting Pte. Ltd. She obtained her Bachelor of Laws degree from the University of the Philippines and is a member of both the Philippine and New York bars.
SUSAN V. VALDEZ Ex-officio Member – Board Audit Committee and Board Risk and Reputation Management Committee First Vice President-Chief Reputation Officer/Chief Risk Management Officer	Ms. Susan V. Valdez, 52 years old, Filipino, has been AEV's First Vice President-Chief Reputation Officer since September 2011 and Chief Risk Management Officer since July 2012. She is also a Trustee of Aboitiz Foundation, Inc.; and Director and President of Weather Philippines Foundation, Inc. Before joining AEV, Ms. Valdez was the Executive Vice President and Chief Executive Officer of the 2GO Freight Division of 2GO Group, Inc. (formerly ATS Consolidated (ATSC), Inc.) (2GO Group) for eight years. She was also President and Chief Executive Officer of ATS Express, Inc. and ATS Distribution, Inc. for two years. Prior to heading the freight and supply chain business of 2GO Group, she was its Chief Finance Officer and Chief Information Officer for eight years. Ms. Valdez is a graduate of Bachelor of Science in Commerce, major in Accounting, from St. Theresa's College and earned her Masters degree in Business Management from the University of the Philippines. She completed a program on Management Development at Harvard Business School, Boston, USA.

LUIS MIGUEL O. ABOITIZ First Vice President	Mr. Luis Miguel O. Aboitiz, 48 years old, Filipino, has been AEV's First Vice President since 2004. He joined AEV in 1995 as Vice President. He is also Senior Vice President—Power Marketing and Trading of Aboitiz Power Corporation; President and Chief Executive Officer of Aboitiz Energy Solutions, Inc. and Adventenergy, Inc.; and Director of Hedcor, Inc., STEAG State Power, Inc., Aboitiz Renewables, Inc., Therma Power, Inc., Pilmico Animal Nutrition Corporation, Pilmico Foods Corporation, Manila-Oslo Renewable Enterprise, Inc., Therma Mobile, Inc., Therma Power Visayas, Inc., Therma South, Inc., Therma Luzon, Inc., AP Renewables, Inc., Hedcor Tudaya, Inc., Pagbilao Energy, Corporation, Cebu Praedia Development Corporation and Hedcor Sibulan, Inc.; and First Vice President of Aboitiz & Company, Inc. He graduated from Santa Clara University, California, USA with a Bachelor of Science degree in Computer Science and Engineering, and took his Masters in Business Administration at the University of California at Berkeley, USA.
HORACIO C. ELICANO First Vice President - Chief Technology Officer	Mr. Horacio C. Elicano, 53 years old, Filipino, has been AEV's First Vice President and Chief Technology Officer since 2009. Before he joined AEV, he was Managing Director of Catapult Communications. He was also Chief Technology Officer of Paysetter International Inc. from 2001 to 2007 and of Chikka Asia, Inc., from 2001 to 2005. Prior to that, he logged 20 years in the banking industry with Citibank and UnionBank. He is a Bachelor of Science in Electrical Engineering graduate from the University of the Philippines.
PATRICK B. REYES First Vice President -Chief Strategy Officer	Mr. Patrick B. Reyes, 41 years old, Filipino, has been AEV's First Vice President-Chief Strategy Officer since 2012. Prior to his this role, he was in charge of Strategy & Corporate Finance for AEV since 2009. Before joining AEV, he was President of QBitron, a company that provides outsourcing services and management consulting to clients in the US and in the Philippines. He was a Senior Partner at Brookline Partners, a management consulting firm based in Newton, Massachusetts from 2004 to 2006, and Chief Operating Officer of Citizens Health LLC, a healthcare company based in Boston, Massachusetts from 2002 to 2004. He was also a consultant with the international strategy consulting firm, Bain & Company, Inc., from 1994 to 2002. Mr. Reyes graduated summa cum laude from the Boston College Wallace E. Carroll School of Management with a Bachelor of Science degree in Management, and finished his MBA at Harvard University's Graduate School of Business Administration.
ROMÁN V. AZANZA III First Vice President - Business Development	Mr. Román V. Azanza III, 44 years old, Filipino, has been AEV's First Vice President for Business Development since October 2011. Before he joined AEV, Mr. Azanza was Regional Treasurer for Asia of CEMEX Asia Pte. Ltd. and served as Director for Strategic Planning at CEMEX Malaysia. He was previously with ING Barings as Senior Manager for Debt Execution and at Citibank, N.A. as Assistant Manager with the North Asian Regional Audit team. He has extensive experience in banking, strategic planning and corporate treasury. He holds an A.B. in Economics degree from Colby College, and earned his MBA at the Darden School of Business, University of Virginia. He also completed the CEMEX International Management Program in 2003.
MELINDA RIVERA-BATHAN First Vice President - Controller	Ms. Melinda Rivera-Bathan, 53 years old, Filipino, has been AEV's First Vice President-Controller since May 2012. She was previously AEV's Vice President-Controller from 2004 until 2012. She is Director and Treasurer of Cebu Praedia Development Corporation; and Treasurer of AEV Aviation, Inc. She graduated summa cum laude from St. Theresa's College with a Bachelor of Science degree in Commerce, major in Accounting, and is a Certified Public Accountant. She completed her Masters in Management, with honors, at the University of the Philippines.

NARCISA S. LIM First Vice President – Human Resources and Quality	Ms. Narcisa S. Lim, 49 years old, Filipino, has been AEV's First Vice President-Human Resources and Quality since May 2012. She was AEV's Vice President for Human Resources and Quality from 2008 to 2012. She holds a degree in International Studies from Maryknoll College.
JOSEPH TRILLANA T. GONZALES Vice President – Legal and Corporate Services	Mr. Joseph Trillana T. Gonzales, 46 years old, Filipino, has been AEV's Vice President-Legal and Corporate Services since 2008. He is also Corporate Secretary of AP Renewables, Inc. and Assistant Corporate Secretary of Aboitiz Power Corporation. He was previously Special Counsel of SyCip Salazar Hernandez & Gatmaitan Law Offices until he joined the Aboitiz Group in 2007 as Assistant Vice President of Corporate and Legal Services of Aboitiz & Company, Inc. He is a graduate of Bachelor of Arts in Economics and Bachelor of Laws from the University of the Philippines. He also has a Master of Laws degree from the University of Michigan.
SUSAN S. POLICARPIO Vice President – Government Relations	Ms. Susan S. Policarpio, 56 years old, Filipino, has been AEV's Vice President for Government Relations since May 2012. She is also Vice President for Government Relations of Aboitiz Power Corporation since May 2012. She joined AEV in 2011 as Assistant Vice President for Government Relations. She was also Aboitiz Power Corporation's Assistant Vice President for Government Relations from 2009 to 2012. Prior to her stint in AEV, she was Assistant Vice President for Government Relations of 2GO Group, Inc. (formerly ATS Consolidated (ATSC), Inc.). She was also Executive Director of the Domestic Shipping Association from 2001 to 2003 and of the Honorary Investments and Trade Representatives of the Department of Trade and Industry from 1998 to 2001. She is a member of the Philippine Chamber of Commerce and Industry, and is a Bachelor of Arts in Communication graduate of St. Paul College.
ROBIN PATRICK R. SARMIENTO Assistant Vice President – Strategy and Corporate Finance	Mr. Robin Patrick R. Sarmiento, 32 years old, Filipino, has been AEV's Assistant Vice President for Strategy and Corporate Finance since May 2012. He was AEV's Assistant Vice President for Strategy from 2010 to 2012. Before joining AEV, Mr. Sarmiento was Investment Analyst of ATR Kim Eng Securities. He was also Strategic Finance and Analysis Manager of American Golf Corporation in California. He earned his Bachelor of Arts degree in Interdisciplinary Studies major in Management and Communications from the Ateneo de Manila University.
VIVIEN V. LIMJOCO Assistant Vice President – Strategy and Corporate Finance	Ms. Vivien V. Limjoco, 42 years old, Filipino, has been AEV's Assistant Vice President-Strategy and Corporate Finance since February 2012. Before joining AEV, she worked with 2GO Group, Inc. (formerly ATS Consolidated (ATSC), Inc.) as Assistant Vice President–Corporate Finance, Corporate Planning and Investor Relations Officer. She has a wide experience in corporate finance and strategy with focus on financial and investment analysis, forecasting, budgeting and control. Ms. Limjoco was also a Freelance Financial Consultant and was previously with PCI Capital Corporation as Senior Associate–Corporate Finance Group. She is a graduate of a BA (Hons) Degree in International Business with specialization in Corporate Finance, International Economics, and Spanish and Italian languages from the European Business School London in the United Kingdom.
RONALDO S. RAMOS Assistant Vice President – Business Risk Management	Mr. Ronaldo S. Ramos, 34 years old, Filipino, has been AEV's Assistant Vice President for Business Risk Management since 2009. He has extensive experience in risk management, internal and IT audits and business process reviews. Before joining AEV, he was Senior Manager for Risk Advisory Services of KPMG Philippines; Operations Auditor of Petron Corporation; and Audit and Business Advisory Services Associate of Sycip Gorres Velayo & Co. He is a Bachelor of Science in Accountancy graduate from De La Salle University and is a Certified Public Accountant, Certified Internal Auditor, Certified Information Systems Auditor and is a holder of the International Certificate in Risk Management from the Institute of Risk Management, United Kingdom.

JULIE ANN T. DIONGZON Assistant Vice President – Treasury	Ms. Julie Ann T. Diongzon, 43 years old, Filipino, has been AEV's Assistant Vice President for Treasury since 2009. A B.S. Commerce graduate from the University of San Carlos, she has been with the Aboitiz Group for more than 20 years, holding various accounting and finance positions.
ANNACEL A. NATIVIDAD Assistant Vice President – Financial Risk Management	Ms. Annacel A. Natividad, 43 years old, Filipino, has been AEV's Assistant Vice President for Financial Risk Management since September 2011. Before joining AEV, Ms. Natividad was with 2GO Group, Inc. (formerly ATS Consolidated (ATSC), Inc.) where she was Vice President-Chief Finance Officer and Risk Management Head since June 2007. Concurrently, she was also the Chief Finance Officer of Scanasia Overseas, Inc., Kerry-ATS Logistics, Inc., Hapag-Lloyd Philippines, Inc., Aboitiz Project TS Corporation and Sea Merchants, Inc. Ms. Natividad has a Bachelor of Science in Commerce degree from the University of Sto. Tomas and earned her Masters in Business Administration degree from the De La Salle University.
AYLMERITA C. PEÑALOZA Assistant Vice President –Treasury	Ms. Aylmerita C. Peñaloza, 40 years old, Filipino, has been AEV's Assistant Vice President—Treasury since 2010. Prior to joining AEV, Ms. Peñaloza was Senior Vice President for Coverage Corporate and Financial Institution of Credit Agricole CIB Manila Offshore Branch and Relationship Manager for Corporate Banking of Banco de Oro Universal Bank and Security Bank Corporation. She holds degree in Bachelor of Science in Commerce Major in Accounting from University of Santo Tomas and Masters in Business Administration from Ateneo Graduate School of Business. She also completed the Strategic Finance Program and Project Management Program of the Asian Institute of Management. She is also a licensed Trader for Money Market and Foreign Exchange under the Bankers Association of the Philippines.
NOEMI G. SEBASTIAN Assistant Vice President — Human Resources and Quality	Ms. Noemi G. Sebastian, 50 years old, Filipino, has been AEV's Assistant Vice President for Human Resources and Quality since August 2011. Before joining AEV, she was Vice President for Human Resources, Corporate Communications and Quest Consulting Group of 2GO Group, Inc. (formerly ATS Consolidated (ATSC), Inc.). She was previously connected with BayanTrade Dotcom, Inc. as Project Consultant and with SAP Philippines as Alliance Manager. She was also Executive Director of the Institute of Advanced Computer Technology. Ms. Sebastian graduated cum laude with a degree of Business Administration from the University of the Philippines.
MARILOU P. PLANDO Assistant Vice President — Business Administrator for Legal and Corporate Services	Ms. Marilou P. Plando, 37 years old, Filipino, has been AEV's Assistant Vice-President—Business Administrator for Legal and Corporate Services since 2011. Before joining AEV, she was Operations Director of Sykes Asia, Inc. She has extensive experience in operations and quality assurance management from working in various capacities with Sykes Asia, Inc. and Lear Automotive Services (Netherlands) B.V. — Phil. Branch. Ms. Plando is a Bachelor of Science in Industrial Engineering graduate from the University of San Jose Recoletos.
MARIA LOURDES Y. TANATE Assistant Vice President – Audit	Ms. Maria Lourdes Y. Tanate, 47 years old, Filipino, has been AEV's Assistant Vice President for Audit since November 2011. Before joining AEV, she was the Chief Audit Executive of 2GO Group, Inc. (formerly ATS Consolidated (ATSC), Inc.) (2GO Group). She also served as Assistant Vice President for Finance and Senior Manager of 2GO Group. She has extensive experience in internal audit, financial and investment analysis and corporate finance, with focus on budgeting, financial planning and control. She graduated cum laude with a Bachelor of Arts in Economics degree from the University of the Philippines-Diliman and subsequently obtained her Masters in Business Administration degree from the same school. She earned her Masters degree in Engineering and Technology Management at the University of Queensland, Australia.

ANDY G. TORRATO Assistant Vice President - Plant Security	Mr. Andy G. Torrato, 39 years old, Filipino, has been AEV's Assistant Vice President for Plant Security since January 2012. Before joining AEV, he worked with 2GO Group, Inc. (formerly ATS Consolidated (ATSC), Inc.) and was assigned to its subsidiary, ATS Express, Inc., as Security and Safety Manager. He has extensive experience in security management from working in various capacities with the Naval Sea Systems Command, Naval Education and Training Command and Philippine Fleet of the Philippine Navy, Armed Forces of the Philippines. He is a Bachelor of Science in Naval Systems Engineering graduate from the Philippine Military Academy.
JOSEPH Y. TUGONON Assistant Vice President – Tax Management Services for Legal and Corporate Services	Mr. Joseph Y. Tugonon, 39 years old, Filipino, was appointed as Assistant Vice President–Tax Management Services for AEV's Legal and Corporate Services in 2011. He has extensive experience and training in the field of corporate taxation. He joined AEV in 2003 as Associate General Counsel and was promoted to Senior General Counsel in 2006. He was previously with the Legal Division of the Bureau of Internal Revenue. He is a Bachelor of Laws graduate from the University of San Carlos and earned his Bachelor of Arts degree, Major in Political Science, from the same university.
CATHERINE R. ATAY Assistant Vice President – Corporate Secretarial and Compliance Services for Legal and Corporate Services/ Assistant Corporate Secretary	Ms. Catherine R. Atay, 34 years old, Filipino, has been AEV's Assistant Vice President–Corporate Secretarial and Compliance Services for AEV's Legal and Corporate Services since May 2012. She is concurrently Assistant Corporate Secretary of AEV. She is also Corporate Secretary of Aboitiz & Company, Inc., Aboitiz Construction Group, Inc., Aboitiz Renewables, Inc., Abovant Holdings, Inc., Cotabato Light and Power Company, Pilmico Animal Nutrition Corporation, Davao Light and Power Company, Inc., Hedcor Tamugan, Inc., Hedcor, Inc., Hydro Electric Development Corporation, Metaphil International, Inc., Pilmico Foods Corporation, Therma Power, Inc., Tsuneishi Foundation (Cebu), Inc., Tsuneishi Heavy Industries, Inc., Therma South, Inc., Cebu Private Power Corporation, and West Cebu Foundation, Inc. She is also the Assistant Corporate Secretary of Aboitiz Land, Inc., Aboitiz Foundation Inc., AEV Aviation, Inc., Balamban Enerzone Corporation, Cebu Industrial Park Developers, Inc., Cebu Industrial Park Services, Inc., Cebu Praedia Development Corporation, Cotabato Ice Plant, Inc., East Asia Utilities Corporation, Hedcor Bukidnon, Inc., Hedcor Sabangan, Inc., Hedcor Tudaya, Inc., Luzon Hydro Corporation, Mactan Enerzone Corporation, Therma Marine, Inc., Therma Mobile, Inc. and Therma Luzon, Inc. She earned her Bachelor of Science in Accountancy degree (cum laude) and Bachelor of Laws degree from the University of San Carlos. She is a member of the Integrated Bar of the Philippines and is a Certified Public Accountant.
DAVE MICHAEL V. VALERIANO Assistant Vice President – Investor Relations	Mr. Dave Michael V. Valeriano, 33 years old, Filipino, has been AEV's Assistant Vice President–Investor Relations since August 2012. Before joining AEV, he worked at Manila Water Company, Inc. where he served in various capacities, the last being the Head of Treasury and Investor Relations Department. Mr. Valeriano is a Bachelor of Science in Civil Engineering graduate from the University of the Philippines-Diliman and completed his Masters in Business Administration degree from the De La Salle University Graduate School of Business.
JOSE ANGELO T. FERNANDEZ Assistant Vice President – Business Development	Mr. Jose Angelo T. Fernandez, 48 years old, Filipino, has been AEV's Assistant Vice President–Business Development since November 2012. He joined the Aboitiz Group in 2011 as Vice President for Marketing of Aboitiz Construction Group, Inc. (ACGI). Before joining ACGI, he was with CEMEX (Trading) Asia where he worked for nine years as Trading & Exports Manager for the Asia Pacific Region and with Marubeni (Philippines) Corp. where he worked for four years as Manager for the Plant and Machinery, Ship & Aerospace Department. Mr. Fernandez is a graduate of Bachelor of Arts in International Relations, minor in Economics, from the University of Southern California in Los Angeles, California, USA.

FRANCIS VICTOR G. SALAS Assistant Vice President – Corporate Branding and Communication	Mr. Francisco Victor G. Salas, 43 years old, Filipino, has been AEV's Assistant Vice President–Corporate Branding and Communication since November 2012. Before joining AEV, he was with Mead Johnson Nutrition (Philippines), Inc. as Corporate Affairs Manager. He has extensive experience in corporate communication and corporate finance after working in various capacities with the Aboitiz Group. Mr. Salas is Bachelor of Arts in Political Science graduate from the University of the Philippines-Diliman. He completed his Master of Business Administration degree at Edinburgh Business School, Heriot-Watt University in Edinburgh, United Kingdom.
FRANCIS S. CABANBAN Assistant Vice President – IT Architect	Mr. Francis S. Cabanban, 45 years old, Filipino, has been AEV's Assistant Vice President–IT Architect since January 2013. He has been with the Aboitiz Group for 21 years and has held various technical and management positions in IT. A Bachelor of Science in Computer Engineering graduate from the University of San Carlos, he completed his Masters of Management degree at the University of the Philippines.
JOSE GREGO U. SITOY Assistant Vice President – IT Operations and Information Security	Mr. Jose Grego U. Sitoy, 45 years old, Filipino, has been AEV's Assistant Vice President–IT Operations and Information Security since January 2013. Prior to his promotion, he was the AEV's Information Security Manager from 2007-2013. Concurrently, he also served as AEV's Quality Management Representative. Mr. Sitoy is a Bachelor of Science in Computer Engineering graduate from the University of Cebu.
MARIA LUISA L. MARASIGAN Assistant Vice President - Sustainability, Corporate Branding and Communication	Ms. Maria Luisa L. Marasigan, 48 years old, Filipino, has been AEV's Assistant Vice President – Sustainability, Corporate Branding and Communication since February 2013. Prior to joining AEV, Ms. Marasigan was connected with the Asian Development Bank as Logistics Management Officer. She also worked in various capacities with 2GO Group, Inc. (formerly ATS Consolidated (ATSC), Inc.) and its different subsidiaries and affiliates from 1988-2011. Ms. Marasigan is a graduate of Bachelor of Science in Industrial Engineering from the University of Santo Tomas. She also earned her Masters in Management from Asian Institute of Management.

Period in which the Directors and Executive Officers Should Serve

The directors and executive officers should serve for a period of one year.

Term of Office of a Director

Pursuant to the Company's Amended By-Laws, the directors are elected at each Annual Stockholders' Meeting by stockholders entitled to vote. Each director holds office until the next annual election for a term of one year and until his successor is duly elected unless he resigns, dies or is removed prior to such election.

Any vacancy in the Board other than by removal or expiration of term may be filled by a majority vote of the remaining members thereof at a meeting called for that purpose, if they still constitute a quorum. The director so chosen shall serve for the unexpired term of his predecessor in office.

(2) Significant Employees

AEV considers the contribution of every employee important to the fulfillment of its goals.

(3) Family Relationships

Messrs. Jon Ramon, Roberto and Mikel Aboitiz are brothers and are thus related to each other within the fourth civil degree of consanguinity.

Messrs. Erramon, Enrique, Jr. and Xavier Jose Aboitiz are brothers and are thus related to each other within the fourth civil degree of consanguinity. They are also related within the fourth civil degree of consanguinity to Mr. Stephen G. Paradies, who is their first cousin.

(4) Involvement in Certain Legal Proceedings as of February 28, 2013

To the knowledge and/or information of AEV, none of its nominees for election as directors, its current members of the Board or its executive officers is presently involved in any legal proceeding or bankruptcy petition or has been convicted by final judgment, or being subject to any order, judgment or decree, or has violated the securities or commodities law in any court or government agency in the Philippines or elsewhere for the past five years until February 28, 2013, which would put to question his/her ability and integrity to serve AEV and its stockholders.

(5) Certain Relationships and Related Transactions

AEV and its subsidiaries and associates (hereinafter referred to as the Group), in their regular conduct of business, have entered into related party transactions consisting of temporary advances, professional services and rental fees. These are made on an arm's length basis and at current market prices at the time of the transactions.

ACO, the parent company of AEV, and certain Subsidiaries and associates have service contracts with AEV for corporate center services rendered, such as human resources, internal audit, legal, information technology, treasury and corporate finance, among others. These services are obtained from AEV to enable the Group to realize cost synergies. AEV maintains a pool of highly qualified professionals with business expertise specific to the businesses of the Group. Transactions are priced on a cost recovery basis. In addition, transaction costs are always benchmarked on third party rates to ensure competitive pricing. Service Level Agreements are in place to ensure quality of service.

The Group extends and/or avails of temporary interest-bearing advances to and from ACO and certain associates and Affiliates for working capital requirements. These are made to enhance the lending parent companies' and affiliates' yield on their cash balances. Interest rates are determined by comparing with prevailing market rates at the time of the transaction.

ACO and certain associates are leasing office spaces from Cebu Praedia Development Corporation, a Subsidiary of AEV. Rental rates are comparable with prevailing market prices. These transactions are covered with lease contracts for a period of three years.

No other transaction, without proper disclosure, was undertaken by the Company in which any director or executive officer, any nominee for election as director, any beneficial owner (direct or indirect) or any member of his immediate family was involved or had a direct or indirect material interest.

AEV employees are required to promptly disclose any business and family-related transactions with the Company to ensure that potential conflicts of interest are determined and brought to the attention of management.

(6) Parent Company

AEV's parent company is ACO. As of February 28, 2013, ACO owns 49.54% of AEV.

(b) Resignation or Refusal to Stand for Re-election by Members of the Board of Directors

No director has resigned nor declined to stand for re-election to the Board since the date of AEV's last Annual Stockholders' Meeting because of disagreement with AEV on matters relating to its operations, policies and practices.

Item 6. Compensation of Directors and Executive Officers

(a) Summary of Compensation of Executive Officers

Information as to the aggregate compensation paid or accrued to AEV's Chief Executive Officer and other highly compensated executive officers, as well as other directors and officers during the last two completed fiscal years and the ensuing fiscal year are as follows:

Directors and Executive Officers	Period	Salary	Bonus	Other Compensation
Top Highly-Compensated Executives:				
All above named officers as a group	**Actual 2012**		**₱3,465,000**	**₱6,744,607**
	Actual 2011	₱30,232,491	₱1,470,500	₱3,839,663
	Projected 2013		₱3,707,550	₱8,693,073
All other unnamed directors and officers as a group	**Actual 2012**		**₱5,305,586**	**₱28,605,770**
	Actual 2011	₱36,522,064	₱3,446,686	₱21,755,813
	Projected 2013		₱4,996,720	₱34,924,484

(b) Compensation of Directors

(1) Standard Arrangements

In 2012, all of AEV's directors received a monthly allowance of ₱100,000 except for the Chairman of the Board who received a monthly allowance of ₱150,000. In addition, each director and the Chairmen of the Board and the Board Committees received a per diem for every Board or Committee meeting attended as follows:

Type of Meeting	Directors	Chairman of the Board
Board Meeting	₱100,000	₱150,000

Type of Meeting	Directors	Chairman of the Board
Committee Meeting	₱80,000	₱100,000

(2) Other Arrangements

Other than payment of the directors' allowance and per diem as stated, there are no standard arrangements pursuant to which directors of the Company are compensated, or are to be compensated, directly or indirectly, for any services provided as a director.

(c) Employment Contracts and Termination of Employment and Change-in-Control Arrangements

There is no compensatory plan or arrangement between AEV and any executive officer that results or will result from the resignation or any other termination of employment or from a change in the management control of AEV.

(d) Warrants and Options Outstanding

To date, AEV has not granted any stock option to its directors or officers.

Item 7. Independent Public Accountant

The accounting firm of Sycip Gorres Velayo & Co. (SGV) has been AEV's Independent Public Accountant for the last 19 years. Mr. Ladislao Z. Avila, Jr. is AEV's audit partner for 2011. He replaced Mr. J. Carlitos G. Cruz who served as audit partner from 2009 to 2010. AEV complies with the requirements of Section 3(b)(iv) of SRC Rule 68 on the rotation of external auditors or signing partners. SGV representatives will be present during the Annual Stockholders' Meeting and will be given the opportunity to make a statement if they so desire. They are also expected to respond to appropriate questions, if needed.

There was no event in the past 19 years where AEV and SGV or the handling partner had any disagreement with regard to any matter relating to accounting principles or practices, financial statement disclosure or auditing scope or procedure.

In its regular meeting on January 30, 2013, the AEV Board Corporate Governance Committee approved the inclusion in the agenda of the 2013 Annual Stockholders' Meeting, a proposal to delegate to the Board of Directors the authority to appoint the Company's external auditors for 2013. The proposal is intended to give the Audit Committee sufficient time to evaluate the different auditing firms that have submitted engagement proposals to act as AEV's external auditor for 2013. As a matter of policy, the Board Audit Committee makes recommendations to the Board of Directors concerning the choice of external auditor.

Item 8. Compensation Plans

No action is to be taken during the Annual Stockholders' Meeting with respect to any plan pursuant to which cash or non- cash compensation may be paid or distributed.

C. ISSUANCE AND EXCHANGE OF SECURITIES

Item 9. Authorization or Issuance of Securities Other than for Exchange

No action is to be taken during the Annual Stockholders' Meeting with respect to authorization or issuance of any securities other than for exchange for outstanding securities.

Item 10. Modification or Exchange of Securities

No action is to be taken during the Annual Stockholders' Meeting with respect to modification of any class of securities of AEV, or the issuance or authorization for issuance of one class of securities in exchange for outstanding securities of another class.

Item 11. Financial and Other Information

No action is to be taken during the Annual Stockholders' Meeting with respect to any matter specified in Items 9 or 10.

Item 12. Mergers, Consolidations, Acquisitions and Similar Matters

No action is to be taken during the Annual Stockholders' Meeting with respect to any transaction involving [i] merger or consolidation into or with any other person or of any other person into or with AEV, [ii] acquisition by AEV or any of its security holders of securities of another person, [iii] acquisition of any other going business or of the assets thereof, [iv] sale or other transfer of all or any substantial part of the assets of AEV, or [v] liquidation or dissolution of AEV.

Item 13. Acquisition or Disposition of Property

No action is to be taken during the Annual Stockholders' Meeting with respect to acquisition or disposition of any property.

Item 14. Restatement of Accounts

No action is to be taken during the Annual Stockholders' Meeting with respect to restatement of any asset, capital or surplus account of AEV.

D. OTHER MATTERS

Item 15. Action with Respect to Reports

1. Approval of the Minutes of the 2012 Annual Meeting of Stockholders dated May 21, 2012 (A summary of the Minutes attached herewith as Annex "B"); and

2. Approval of the 2012 Annual Report and Financial Statements;

3. General ratification of the acts of the Board and the Management from the date of the last Annual Stockholders' Meeting up to the date of this meeting. These acts are covered by resolutions of the Board duly adopted during the normal course of trade or business .

Item 16. Matters Not Required to be Submitted

No action is to be taken with respect to any matter that does not require the submission to a vote of security holders.

Ratification of the Acts, Resolutions and Proceedings of the Board, Corporate Officers and Management in 2012 up to May 20, 2013. This refers only to acts done in the ordinary course of business and operations of AEV, which have been duly disclosed to the SEC and PSE as may be required in accordance with law. Ratification is being sought in the interest of transparency and as a matter of customary practice or procedure undertaken at every annual meeting of AEV stockholders.

A summary of board resolutions approved during the period March 2012 to January 2013 is provided as follows:

Regular Board Meeting, March 28, 2012

1. Authority of the Company to Sell and/or Transfer its Five Hundred Twenty Five Thousand (525,000) Common Shares in Alaska Milk Corporation Issued in the Name of the Company in Favor of FrieslandCampina Investments Holding Company Philippines
2. Authority of the Company to File an Application for the Approval of the Amendments and/or Affirmation to the Existing Provisions of the Company's Approved and Qualified Retirement Benefit Plan
3. Authority of the Company to Subscribe in Aseagas Corporation Ten Thousand (10,000) Common Shares
4. Authority of the Company to Execute the Share Retention Agreement for the SN Aboitiz Power-Magat, Inc. Top- Up Financing
5. Authority of the Company to Execute the Share Retention Agreement for the SN Aboitiz Power-Benguet, Inc. Top-Up Financing

Regular Board Meeting, May 21, 2012

1. Authority of the Company to Purchase Two (2) Proprietary Shares (Registered in the Name of City Savings Bank, Inc.) in Cebu Country Club
2. Authority of the Company to Enter into a Contract of Lease with Manta Equities, Inc.
3. Authority of Messrs. Stephen G. Paradies and Luis Miguel O. Aboitiz to Represent the Company in its Account Maintained with UBS Securities Philippines, Inc.

Regular Board Meeting, August 3, 2012

1. Approval of the Amended Manual on Corporate Governance
2. Authority of the Company to Open Additional Safety Deposit Boxes with UnionBank – Perea Branch, Makati City
3. Authority of the Company to Open a Credit Line with Asian Hospital and Medical Center
4. Approval of the Implementation of the "Approval and Decision Matrices of Authority"
5. Appointment of External Auditor

Regular Board Meeting, September 27, 2012

1. Authority of the Company to Transact using the Online Access of The Hongkong and Shanghai Banking Corporation Limited (HSBCnet)
2. Approval of the Company's Board Audit Committee Charter
3. Authority of the Company to Enter into a Contract or Agreement in Relation to the Construction of a New Passenger Terminal Building and the Rehabilitation of Old Facilities in the Mactan Cebu International Airport
4. Authority of the Company to Purchase from Aboitiz & Company, Inc. a Total of Two Million Three Hundred Fifty Thousand (2,350,000) Common Shares in Aboitiz Land, Inc.

Regular Board Meeting, November 28, 2012

1. Authority of the Company to Approve the Transfer of its Principal Office Address from Cebu City to NAC Tower located at the 32nd Street, Bonifacio Global City, Taguig City
2. Authority of the Company to Appoint Mr. Rafael Sanvictores, Vice President – Construction of Aboitiz Land, Inc., to Represent the Company in Relation to the Omnibus Agreement for the Interior Fit-out and Furniture Works of the Company's New Office Space at the New Building, Aboitiz Corporate Center, Cebu City
3. Authority of the Company to Guarantee Availments of AEV Aviation, Inc. from the following Banks:
    3.1 Bank of the Philippine Islands
    3.2 Metropolitan Bank and Trust Company
    3.3 China Banking Corporation
    3.4 Banco De Oro
4. Ratification of Temporary Advances Extended to AEV Aviation, Inc.

Special Board Meeting, January 8, 2013

1. Authority of the Company to Sell its Interest in City Savings Bank, Inc.

Regular Board Meeting, January 31, 2013

1. Authority of the Company to Open Peso/Dollar Accounts with the followings Banks and the Appointment of its Authorized Signatories

Banks
Bank of the Philippine Islands
China Banking Corporation
Metropolitan Bank and Trust Company
Security Bank Corporation

Authorized Signatories
Mr. Antonio R. Moraza
Mr. Stephen G. Paradies
Mr. Gabriel T. Mañalac
Mr. Juan Antonio E. Bernad
Mr. Xavier Jose Aboitiz
Mr. Luis Miguel O. Aboitiz
Mr. Iker M. Aboitiz
Mr. Sabin M. Aboitiz
Ms. Melissa A. Elizalde

2. Authority of the Company to Assign to a Prospective Buyer-Assignee its Shareholders' Advances in SWCC and the Appointment of Mr. Medel T. Nera as the Company's Representative to the Assignment of Advances

3. Authority of the Company to Guarantee the Application of Aseagas Corporation with the Department of Energy.

4. Authority of the Company to Open and Maintain Account with Philippine Equity Partners, Inc.

Item 17. Amendment of Charter, By-laws or Other Documents.

Amendment of the Articles of Incorporation and By-Laws. The proposal is to change the principal office address of AEV from Aboitiz Corporate Center, Gov. Manuel Cuenco Avenue, Cebu City to 32nd Street Bonifacio Global City, Taguig City.

Item 18. Other Proposed Action

(a) Delegation of the Authority to Elect the Company's External Auditors for 2013 to the Board. The proposal is intended to give the Board Audit Committee sufficient time to evaluate the different auditing firms that have submitted engagement proposals to act as AEV's external auditor for 2013, before submitting the final list of candidates for external auditor to the Board.

(b) Election of the Members of the Board.

(c) Other Matters

Item 19. Voting Procedures

(a) Vote Required For Election of Directors and For Delegation of the Authority to Elect External Auditors for 2013

Section 4, Article I of the Amended By-Laws of AEV states that a quorum for any meeting of stockholders shall consist of the majority of the outstanding capital stock of AEV, and that a majority of such quorum shall decide on any question in the meeting, except those matters in which the Corporation Code requires a greater proportion of affirmative votes.

Regarding the election of members to the Board, nominees who receive the highest number of votes shall be declared elected pursuant to Section 24 of the Corporation Code.

For the delegation of the authority to elect external auditors for 2013 to the Board, a vote by a majority of the shares present or represented during the meeting shall be necessary to approve the proposed action.

(b) The Method by which the Votes will be Counted

In the election of directors, the top nine nominees with the most number of votes shall be declared elected. If the number of nominees does not exceed the number of directors to be elected, all the shares present or represented at the meeting will be cast in favor of the nominees. If the number of nominees exceeds the number of directors to be elected, voting will be done by ballots.

In the election of directors, the stockholder may choose to do any of the following:

(i) Vote such number of shares for as many person(s) as there are directors to be elected;
(ii) Cumulate such shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his shares;
(iii) Distribute his shares on the same principle as option (ii) among as many candidates as he shall see fit, provided, that the total number of votes cast by him shall not exceed the number of shares owned by him multiplied by the whole number of directors to be elected.

The method of counting the votes shall be in accordance with the general provisions of the Corporation Code. The counting of votes shall be done by representatives of the Office of the Corporate Secretary, who shall serve as members of the Election Committee and shall be witnessed by __________ accounting firm.

Other than the nominees' election as directors, no director, executive officer, nominee or associate of the nominees has any substantial interest, direct or indirect by security holdings or otherwise, in any way of the matters to be taken up during the meeting. AEV has not received any information that an officer, director or stockholder intends to oppose any action to be taken at the Annual Stockholders' Meeting.

AEV's Annual Report in SEC Form 17-A will be given free of charge to AEV stockholders upon written request. Please write to:

Investor Relations Office
Aboitiz Equity Ventures, Inc.
Aboitiz Corporate Center
Gov. Manuel A. Cuenco Avenue, Kasambagan, Cebu City, Philippines
email: aev_investor@aboitiz.com

Attention: **Dave Michael V. Valeriano**

This Information Statement and the Annual Report in SEC Form 17-A will also be posted at AEV's website: www.aboitiz.com.

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Cebu MAR 1 2 2013

ABOITIZ EQUITY VENTURES, INC.
By:

M. JASMINE S. OPORTO
Corporate Secretary

DEFINITION OF TERMS

Aboitiz Group	ACO and the companies or entities in which ACO has a beneficial interest and over which ACO is directly or indirectly, exercises management control, including, without limitation, Aboitiz Equity Ventures, Inc., Aboitiz Power Corporation, Union Bank of the Philippines and their respective Subsidiaries and Affiliates
Aboitiz Jebsen Group	The Company's joint venture with the Jebsen Group of Norway and is composed of Aboitiz Jebsen Bulk Transport Corporation, Aboitiz Jebsen Manpower Solutions, Inc., Jebsen Maritime, Inc., and their affiliated companies
AboitizLand or ALI	Aboitiz Land, Inc.
AboitizPower or AP	Aboitiz Power Corporation
Abovant or AHI	Abovant Holdings, Inc.
ACO	Aboitiz & Company, Inc.
Accuria	Accuria, Inc.
ACGI	Aboitiz Construction Group, Inc.
AdventEnergy	Adventenergy, Inc.
AESI	Aboitiz Energy Solutions, Inc.
AEV, the Company, the Issuer or the Registrant	Aboitiz Equity Ventures, Inc.
AEV Group or The Group	AEV and its Subsidiaries
Affiliate	With respect to any person, any other Person directly or indirectly Controlled or is under common Control by such Person
AEV AV	AEV Aviation, Inc.
Ambuklao-Binga Hydroelectric Power Complex	Refers to SNAP-Benguet's 75-MW Ambuklao Hydroelectric Power Plant located in Bokod, Benguet and 100-MW Binga Hydroelectric Power Plant located in Itogon, Benguet
AP Group	Aboitiz Power Corporation and its Subsidiaries

APRI	AP Renewables, Inc.
ARI	Aboitiz Renewables, Inc. (formerly Philippine Hydropower Corporation)
AseaGas	Aseagas Corporation
BEZ	Balamban Enerzone Corporation
BIR	Bureau of Internal Revenue
BOI	The Philippine Board of Investments
BOT	Build Operate Transfer
Bunker C	A term used to designate the thickest of the residual fuels that is produced by blending any oil remaining at the end of the oil-refining process with lighter oil
Business Unit	A Subsidiary or an Affiliate of AEV
CC & B	Customer Care and Billing
Cebu Energy	Cebu Energy Development Corporation
Chevron	Chevron Geothermal Philippines Holdings, Inc.
CitySavings or CSB	City Savings Bank, Inc.
CIPDI	Cebu Industrial Park Developers, Inc.
Cleanergy or CI	Cleanergy, Inc. (formerly Northern Min-Hydro Corporation)
Cotabato Light or CLP	Cotabato Light & Power Company
COC	Certificate of Compliance
Control	Possession, directly or indirectly, by a person of the power to direct or cause the direction of the management and policies of another person whether through the ownership of voting securities or otherwise; provided, however, that the direct or indirect ownership of over 50% of the voting capital stock, registered capital or other equity interest of a Person is deemed to constitute control of that Person; "Controlling" and "Controlled" have corresponding meanings

CPDC	Cebu Praedia Development Corporation
CPCN	Certificate of Public Convenience and Necessity
CPPC	Cebu Private Power Corporation
Davao Light or DLP	Davao Light & Power Company, Inc.
DENR	Department of Environment and Natural Resources
DOE	Department of Energy
DOLE	Department of Labor and Employment
Distribution Companies or Distribution Utilities	Refers to BEZ, CLP, DLP, MEZ, SEZ, SFELAPCO and VECO collectively; "Distribution Company" may refer to any one of the foregoing companies.
EAUC	East Asia Utilities Corporation
El Paso Philippines	El Paso Philippines Energy Company, Inc.
EPIRA	RA 9136, otherwise known as the "Electric Power Industry Reform Act of 2001," as amended from time to time, and including the rules and regulations issued thereunder
Enerzone Companies	A term collectively referring to BEZ, MEZ and SEZ – the Company's Distribution Utilities operating within special economic zones
ERC	Energy Regulatory Commission
Filagri	Filagri, Inc.
Food Group	A term collectively referring to PFC, PANC and Filagri; the Company's Business Units engaged in food business
Gazasia	Gazasia Ltd.
Generation Companies	Refers to APRI, CPPC, EAUC, Hedcor, Hedcor Sibulan, Hedcor Tamugan, Hedcor Tudaya, Hedcor Sabangan, Hedcor Bukidnon, Hedcor Itogon, LHC, SNAP-Magat, SNAP-Benguet, SPPC, STEAG Power, WMPC, RP Energy, CEDC, DLP, and CLP collectively
Global Formosa	Global Formosa Power Holdings, Inc.
Global Power	Global Business Power Corporation of the Metrobank Group
Government	The Government of the Republic of the Philippines
Greenfield	Power generation projects that are developed from inception on previously undeveloped sites
GWh	Gigawatt-hour, or 1,000,000 kilowatt-hours
HEDC	Hydro Electric Development Corporation
Hedcor or HI	Hedcor, Inc.
Hedcor Consortium	The consortium composed of ARI, Hedcor, Hedcor Sibulan and Hedcor Tamugan with an existing PSA with DLP to supply new capacity to DLP
Hedcor Itogon	Hedcor Itogon, Inc.
Hedcor Sibulan or HSI	Hedcor Sibulan, Inc.
Hedcor Tamugan or HTI	Hedcor Tamugan, Inc.
Hedcor Tudaya	Hedcor Tudaya, Inc.
Hijos	Hijos De F. Escaño, Inc.
IPPA	Independent Power Producer Administrator
JMI	Jebsens Maritime, Inc.
kV	Kilovolt, or 1,000 volts
kW	Kilowatt, or 1,000 watts
kWh	Kilowatt-hour, the standard unit of energy used in the electric power industry. One kilowatt-hour is the amount of energy that would be produced by a generator producing 1,000 watts in one hour
LHC	Luzon Hydro Corporation
LTI	Lost Time Incident
Magat Plant	The 360-MW Magat Hydroelectric Power Plant of SNAP-Magat located at the border of Isabela and Ifugao provinces

MAP	Maximum Average Price
MCIAA	Mactan Cebu International Airport Authority
MEPZ I	Mactan Export Processing Zone I
MEPZ II	Mactan Export Processing Zone II
MEZ	Mactan Enerzone Corporation
MORE	Manila-Oslo Renewable Enterprise, Inc.
MW	Megawatt, or one million watts
MWh	Megawatt-hour
MVA	Megavolt Ampere
NEA	National Electrification Administration
NIA	National Irrigation Authority
NPC	National Power Corporation
NWRB	National Water Resources Board
Open Access	Open Access Retail Competition
PBR	Performance-based rate-setting regulation
Person	Means an individual, corporation, partnership, association, joint stock company, trust, any unincorporated organization, or a government or political subdivision thereof
PEMC	Philippine Electricity Market Corporation
PHBI	Pacific Hydo Bakun, Inc., a wholly owned subsidiary of Pacific Hydro Pty. Ltd. and the joint venture partner of ARI in LHC
Philippine Pesos or ₱	The lawful currency of the Philippines
PHPL or Pacific Hydro	Pacific Hydro Pty. Ltd., an Australian company that specializes in developing and operating renewable energy projects; the parent company of PHBI.
Pilmico or PFC	Pilmico Foods Corporation
PPA	Power Purchase Agreement
Prism	Prism Energy, Inc.
PSA	Power Supply Agreement
PSALM	Power Sector Assets and Liabilities Management Corporation
PSE	The Philippine Stock Exchange, Inc.
PSPA	Power Supply and Purchase Agreement
RA	Republic Act
Renewable Energy Act or RE Law	RA 9513, otherwise known as the Renewable Act of 2008
RORB	Return-on-rate base rate setting system
RP Energy	Redondo Peninsula Energy, Inc.
Run-of-river hydroelectric plant	Hydroelectric power plant that generates electricty from the natural flow and elevation drop of a river
SBFZ	Subic Bay Freeport Zone
SBMA	Subic Bay Metropolitan Authority
SEC	The Securities and Exchange Commission of the Philippines
SEZ or SEZC	Subic Enerzone Corporation
Sibulan Project	Two run-of-river hydropower generating facilities tapping the Sibulan and Baroring rivers in Sibulan, Santa Cruz, Davao del Sur
SFELAPCO	San Fernando Electric Light and Power Co., Inc.
SNAP – Benguet	SN Aboitiz Power-Benguet, Inc. (formerly, SN Aboitiz Power Hydro, Inc.)
SNAP – Magat	SN Aboitiz – Magat, Inc.
SPPC	Southern Philippines Power Corporation
SN Power	Statkraft Norfund Power Invest AS of Norway
STEAG Power	STEAG State Power, Inc.
Subsidiary	In respect of any Person, any entity (i) over fifty percent (50.0%) of whose capital is owned directly by that Person; or (ii) for which that Person may nominate or appoint a majority of the members of the board of directors or such other body performing similar functions

TCIC	Taiwan Cogeneration International Corporation
Team Philippines	Team Philippines Industrial Power II Corporation (formerly, Mirant (Phils.) Industrial Power II Corp.)
Therma Marine or TMI	Therma Marine, Inc.
Therma Mobile	Therma Mobile, Inc.
Therma South	Therma South, Inc. (formerly Therma Pagbilao, Inc.)
THC	Tsuneishi Holdings (Cebu), Inc.
THI	Tsuneishi Heavy Industries (Cebu), Inc.
Tiwi-MakBan	Tiwi-MakBan Geothermal Complex, composed of eight geothermal plants and one binary plant, located in the provinces of Batangas, Laguna and Albay
TLI	Therma Luzon, Inc.
TPC	Toledo Power Company
TPI	Therma Power, Inc.
TPVI	Therma Power – Visayas, Inc.
TransCo	National Transmission Corporation and, as applicable, the National Grid Corporation of the Philippines or NGCP which is the Transco concessionaire
US$ or USD	The lawful currency of the United States of America
UnionBank or UBP	Union Bank of the Philippines
VECO	Visayan Electric Company, Inc.
VAT	Value Added Tax
WCIP	West Cebu Industrial Park, Inc.
WESM	Philippine Wholesale Electricity Spot Market
WMPC	Western Mindanao Power Corporation

PART 1 – BUSINESS AND GENERAL INFORMATION

Item 1. Business

(1) Business Development

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

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

(2) Business of Issuer

(i) Products

Until December 28, 2011, AEV's core businesses, conducted through its various Subsidiaries and Affiliates, can be grouped into four main categories as follows: (a) power distribution and generation, (b) financial services, (c) food manufacturing, and (d) portfolio investments (parent company/others).

Based on the Securities and Exchange Commission (SEC) paremeters of what constitutes a significant Subsidiary under Item XX of Annex "B" (SRC Rule 12), the following are presently AEV's significant Subsidiaries: Aboitiz Power Corporation and Subsidiaries, Pilmico Foods Corporation and Subsidiaries and Aboitiz Land, Inc. (Please see Annex "C" here for the list of companies that fall under the different business segments.

POWER GENERATION AND DISTRIBUTION

Aboitiz Power Corporation (AboitizPower)

Incorporated in 1998, AboitizPower is a publicly-listed holding company that, through its subsidiaries and affiliates, is a leader in the Philippine power industry and has interests in a number of privately-owned generation companies and distribution utilities. AEV owns 76.83% of the outstanding capital stock of AboitizPower as of February 28, 2013.

The Aboitiz Group's involvement in the power industry began when members of the Aboitiz family acquired 20% ownership interest in Visayan Electric Company, Inc. (VECO) in the early 1900s. The Aboitiz Group's direct and active involvement in the power distribution industry can be traced to the 1930s when Aboitiz & Company, Inc. (ACO) acquired Ormoc Electric Light Company and its accompanying ice plant, Jolo Power Company and Cotabato Light & Power Company (Cotabato Light). In July 1946, the Aboitiz Group strengthened its position in power distribution in Southern Philippines when it acquired Davao Light & Power Company, Inc. (Davao Light), which is now the third largest privately-owned electric utility in the Philippines in terms of customers and annual gigawatt-hour (GWh) sales.

In December 1978, ACO divested its ownership interests in Ormoc Electric Light Company and Jolo Power Company to allow these companies to be converted into electric cooperatives, which was the policy being promoted by the government of then-President Ferdinand Marcos. ACO sold these two companies and scaled down its participation in the power distribution business in order to focus on the more lucrative franchises held by Cotabato Light, Davao Light and VECO.

In response to the Philippines' pressing need for adequate power supply, the Aboitiz Group became involved in power generation, becoming a pioneer and industry leader in hydroelectric energy. In 1978, the Aboitiz Group incorporated Hydro Electric Development Corporation (HEDC). HEDC carried out feasibility studies (including hydrological and geological studies) and hydroelectric power installation and maintenance and also developed hydroelectric projects in and around Davao City on June 26, 1990, the Aboitiz Group also incorporated Northern Mini-Hydro Corporation (now Cleanergy, Inc.) which focused on the development of mini-hydroelectric projects in Benguet province in northern Luzon. By 1990, HEDC and Cleanergy had commissioned and were operating 14 plants with a combined installed capacity of 36 megawatts (MW). In 1996, the Aboitiz Group led the consortium that entered into a build-operate-transfer (BOT) agreement with the National Power Corporation (NPC) to develop and operate the 70-MW Bakun AC hydroelectric plant in Ilocos Sur.

AboitizPower was incorporated on February 13, 1998 as a holding company for the Aboitiz Group's investments in power generation and distribution. However, in order to prepare for growth in the power generation industry, AboitizPower was repositioned in the third quarter of 2003 as a holding company that owned power generation assets only. The divestment by AboitizPower of its power distribution assets was achieved through a property dividend declaration in the form of AboitizPower's ownership interests in the different power distribution companies. The property dividend declaration effectively transferred direct control over the Aboitiz Group's power distribution business to AEV. Further, in 2005 AboitizPower consolidated its investments in mini-hydroelectric plants in a single company by transferring all of HEDC's and Cleanergy's mini-hydroelectric assets into Hedcor, Inc.

In December 2006, the Company and its partner, SN Power Invest AS (SN Power) of Norway, through SN Aboitiz Power-Magat, Inc. (SNAP-Magat) submitted the highest bid for the 360-MW Magat hydroelectric plant auctioned by PSALM. The price offered was US$530 mn. PSALM turned over possession and control of the Magat Plant to SNAP-Magat on April 26, 2007.

In a share swap agreement with AEV on January 20, 2007, AboitizPower issued a total of 2,889,320,292 of its common shares in exchange for AEV's ownership interests in the following distribution companies, as follows:

- An effective 55% ownership interest in VECO, which is the second largest privately-owned distribution utility in the Philippines in terms of customers and annual GWh sales and is the largest distribution utility in the Visayas region;
- 100% equity interest in each of Davao Light and Cotabato Light. Davao Light is the third largest privately- owned distribution utility in the Philippines in terms of customers and annual GWh sales;
- An effective 64% ownership interest in Subic Enerzone Corporation (SEZ), which manages the Power Distribution System (PDS) of the Subic Bay Metropolitan Authority (SBMA); and
- An effective 44% ownership interest in San Fernando Electric Light & Power Co. (SFELAPCO), which holds the franchise to distribute electricity in the city of San Fernando, Pampanga, in Central Luzon and its surrounding areas.

In February 2007, the Company, through its wholly-owned Subsidiary, Therma Power, Inc. (TPI), entered into a memorandum of agreement with Taiwan Cogeneration International Corporation (TCIC) to collaborate in the building and operation of an independent coal-fired power plant in the Subic Bay Freeport Zone (SBFZ). In May 2007, Redondo Peninsula Energy, Inc. (RP Energy) was incorporated as the project company that will undertake the Subic Coal Project. In June 2011, TPI entered into a Shareholders Agreement with TCIC and Meralco PowerGen Corporation (MPGC) to formalize MPGC's participation in the Subic Coal Project. On July 22, 2011, MPGC acquired a majority interest in RP Energy through a Share Purchase Agreement with TCIC and TPI. MPGC took the controlling interest in RP Energy, while TCIC and TPI maintained the remaining stake equally. Commercial operations of the Subic Coal Project is projected to commence in 2014.

On April 20, 2007, the Company acquired 50% of the outstanding capital stock of East Asia Utilities Corporation (EAUC) from El Paso Philippines Energy Company, Inc. (El Paso Philippines). EAUC operates a Bunker C-fired plant with a capacity of 50 MW within the Mactan Export Processing Zone I (MEPZ I) in Mactan Island, Cebu. On the same date, the Company also acquired from EAUC 60% of the outstanding common shares of Cebu Private Power Corporation (CPPC). CPPC operates a 70-MW Bunker C-fired plant in Cebu City.

On June 8, 2007, as part of the reorganization of the power-related assets of the Aboitiz Group, the Company agreed to acquire from its affiliate, Aboitiz Land, Inc. (AboitizLand), a 100% interest in Mactan Enerzone Corporation (MEZ), which owns and operates the PDS in MEPZ II in Mactan Island in Cebu, and a 60% interest in Balamban Enerzone Corporation (BEZ), which owns and operates the PDS in West Cebu Industrial Park-Special Economic Zone (WCIP-SEZ) in Balamban, in the western part of Cebu. The Company also consolidated its ownership interests in SEZ by acquiring the combined 25% interest in SEZ held by AEV, SFELAPCO, Okeelanta Corporation (Okeelanta) and Pampanga Sugar Development Corporation (PASUDECO). These acquisitions were made through a share swap agreement which involved the issuance of the Company's 170,940,307 common shares issued at the initial public offering (IPO) price of P5.80 per share in exchange for the foregoing equity interests in MEZ, BEZ and SEZ.

Ownership in AboitizPower was opened to the public through an IPO of its common shares in July 2007. Its common shares were officially listed in The Philippine Stock Exchange, Inc. (PSE) on July 16, 2007.

In August 2007, the Company, together with Vivant Energy Corporation (Vivant) of the Garcia Group, signed a memorandum of agreement with Global Business Power Corporation (Global Power) of the Metrobank Group for the construction and operation of a 3 x 82-MW coal-fired power plant in Toledo City, Cebu. The Company, together with the Garcia Group, formed Abovant Holdings, Inc. (Abovant). The Company owns 60% of Abovant. The project, which was undertaken by Cebu Energy Development Corporation (Cebu Energy), a joint venture among Global Power, Formosa Heavy Industries and Abovant, broke ground in January 2008 and started full commercial operations on February 26, 2011. The Company has an effective participation of 26.40% in the project.

On November 15, 2007, AboitizPower closed the purchase of a 34% equity ownership in STEAG State Power Inc. (STEAG Power), owner and operator of a 232-MW coal-fired power plant located in PHIVIDEC Industrial Estate in Misamis Oriental, Northern Mindanao. The Company won the competitive bid to buy the 34% equity from Evonik Steag GmbH (formerly known as Steag GmbH) in August 2007. The total purchase price for the 34% equity in STEAG is US$102 mn, inclusive of interests.

On November 28, 2007, SN Aboitiz Power-Benguet, Inc. (SNAP-Benguet), a consortium between AboitizPower and SN Power, submitted the highest bid for the Ambuklao-Binga hydroelectric power complex consisting of the 75-MW Ambuklao hydroelectric power plant located in Bokod, Benguet and the 100-MW Binga hydroelectric power plant located in Itogon, Benguet. The price offered was US$325 mn.

In 2007, AboitizPower entered into an agreement to buy the 20% equity of Team Philippines in SEZ for P92 mn. Together with the 35% equity in SEZ of AboitizPower's subsidiary Davao Light, this acquisition brought AboitizPower's total equity in SEZ to 100%.

In 2008, AboitizPower bought the 40% equity ownership of Tsuneishi Holdings (Cebu), Inc. (THC) in BEZ for approximately ₱178 mn. The acquisition brought AboitizPower's total equity in BEZ to 100%.

On May 26, 2009, AP Renewables, Inc. (APRI), a wholly-owned Subsidiary of AboitizPower, took over the ownership and operations of the 289-MW Tiwi geothermal power facility in Albay and the 458-MW Makiling-Banahaw geothermal power facility in Laguna (collectively referred to as the "Tiwi-MakBan geothermal facilities") after winning the competitive bid conducted by PSALM on July 30, 2008. The Tiwi-MakBan geothermal facilities have a sustainable capacity of approximately 462 MW.

Therma Luzon, Inc. (TLI), a wholly-owned Subsidiary of AboitizPower, won the competitive bid for the appointment of the Independent Power Producer (IPP) Administrator of the 700-MW contracted capacity of the Pagbilao Coal Fired Power Plant on August 28, 2009. It assumed dispatch control of the Pagbilao power plant on October 1, 2009, becoming the first IPP Administrator in the country. As IPP Administrator, TLI is responsible for procuring the fuel requirements of, and for selling the electricity generated by, the Pagbilao power plant. The Pagbilao power plant is located in Pagbilao, Quezon.

AboitizPower, through its wholly-owned Subsidiary, Therma Marine, Inc. (TMI), assumed ownership over Mobile 1 and Mobile 2 on February 6, 2010 and March 1, 2010, respectively, after acquiring the two power barges from PSALM for US$30 mn through a negotiated bid concluded on July 31, 2009. Each of the barge-mounted diesel-powered generation plants has a generating capacity of 100 MW. Mobile 2 and Mobile 1 are moored at Nasipit, Agusan del Norte and Barangay San Roque, Maco, Compostela Valley, respectively. Prior to AboitizPower's acquisition of the barges, Mobile 1 was referred to as Power Barge (PB) 118 while Mobile 2 was referred to as PB 117.

On May 27, 2011, Therma Mobile, Inc. (Therma Mobile), a wholly-owned subsidiary of AboitizPower, acquired four barge-mounted floating power plants, including their respective operating facilities, from Duracom Mobile Power Corporation and East Asia Diesel Power Corporation.

The Company is implementing a corporate reorganization that will put all its renewable energy assets under Aboitiz Renewables, Inc. (ARI) (formerly Philippine Hydropower Corporation), and all its non-renewable generation assets under TPI.

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

Aboitiz Renewables, Inc. (ARI)

AboitizPower, one of the leading providers of renewable energy in the country, holds all its investments in renewable energy through its wholly-owned Subsidiary, ARI. ARI owns equity interests in the following generation companies:

- 100% equity interest in APRI, which owns the Tiwi-MakBan geothermal facilities;
- 50% effective interest in SNAP-Magat, which operates the 360-MW Magat hydroelectric plant in Isabela in northern Luzon;
- 50% effective interest in SNAP-Benguet, which operates the 210-MW Ambuklao-Binga hydroelectric power plant complex in Northern Luzon;
- 100% equity interest in LHC, which operates the 70-MW Bakun AC hydroelectric plant in Ilocos Sur in northern Luzon.
- 100% equity interest in Hedcor, Inc., which operates 16 mini-hydroelectric plants (plants with less than 10 MW in installed capacity) in Benguet province in Northern Luzon and in Davao City in Southeastern Mindanao with a total installed capacity of 42.2 MW;
- 100% equity interest in Hedcor Sibulan, Inc. (Hedcor Sibulan), which operates the 42.5-MW Sibulan hydroelectric plants in Santa Cruz, Davao del Sur;
- 100% equity interest in Hedcor Tamugan, Inc. (Hedcor Tamugan), which proposes to build a 11.5-MW Tamugan hydropower project along the Tamugan River in Davao City;
- 100% equity interest in Hedcor Tudaya, Inc. (Hedcor Tudaya), which is the project company organized to build the 7-MW Tudaya 2, a run-of-river hydropower project in Santa Cruz, Davao del Sur;
- 100% equity interest in Hedcor Sabangan, Inc. (Hedcor Sabangan), which proposes to build the 14-MW Sabangan run-of-river hydropower project in Sabangan, Mountain Province.

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

AP Renewables, Inc. (APRI)

APRI is one of the country's leading power generation companies. It is a wholly-owned subsidiary of ARI that acquired the Tiwi-MakBan geothermal facilities located at Tiwi, Albay, Bay and Calauan, Laguna and Sto. Tomas, Batangas from PSALM in May 2009. The two complexes have a total capacity of 467 MW.

As geothermal power plants, Tiwi and Makban produce clean energy that is reasonable in cost, efficient in operation and environment-friendly. With the continuous advancement in technology, APRI is setting its vision to operate and maintain the Tiwi and Makban geothermal complexes in accordance with the highest professional standards of world-class independent power producers operating in a merchant market.

The Asset Purchase Agreement (APA) between APRI and PSALM requires APRI to rehabilitate units 5 and 6 of the Makban geothermal power plant at its own cost and expense, which must be accomplished and completed within four years from closing of the APA last May 2009. APRI is currently in the final stages of the rehabilitation and refurbishment processes for all the facilities. APRI has completed total rehabilitation of 8 units in Makban and 4 units in Tiwi. The rehabilitation and refurbishment costs are expected to reach approximately USD140-150 mn over the period of three years. The rehabilitation and refurbishment plan has substantially improved the geothermal plant's operating reliability and steam efficiency.

APRI is registered with the Board of Investments (BOI) as new operator of the Tiwi-MakBan geothermal complex on pioneer status with six years income tax holiday starting June 19, 2009.

On December 26, 2011, APRI, together with its Affiliate, TLI, signed a letter agreement with PSALM, NPC and Manila Electric Company (MERALCO) for the extension of the term of the respective load allocations of APRI and TLI. The letter agreement, which was signed pursuant to the one-year extension of the MERALCO-NPC Transition Supply Contract (TSC) dated November 22, 2006, extended APRI's load allocation for a period of 12 months effective December 26, 2011. The same TSC was again extended by MERALCO from December 26, 2012 up to April 1, 2013.

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

SNAP-Magat is ARI's joint venture with SN Power, a leading Norwegian hydropower company with projects and operations in Asia, Africa and Latin America. On December 14, 2006, SNAP-Magat won the bid for the 360-MW Magat hydroelectric power plant (Magat Plant) conducted by PSALM for a bid price of US$530 mn.

The Magat Plant, which is located at the border of Isabela and Ifugao in northern Luzon, was completed in 1983. As a hydroelectric facility that can be started up in a short period of time, the Magat Plant is ideally suited to act as a peaking plant with opportunities to capture the significant upside potential that can arise during periods of high demand. This hydroelectric asset has minimal marginal costs, granting it competitive advantage in terms of economic dispatch order versus other fossil fuel-fired power plants that have significant marginal costs.

The Magat Plant has the ability to store water equivalent to 17 days of generating capacity, allowing for the generation and sale of electricity at the peak hours of the day, which command premium prices. Magat Plant's source of upside - water as a source of fuel and the ability to store it - is also its source of limited downside. SNAP-Magat is an accredited provider of much needed Ancillary Services (AS) to the Luzon grid. It sells most of its available capacity to the System Operator (SO) of the Luzon grid. SNAP-Magat's remaining capacity is sold as electric energy to the spot market through the Wholesale Electricity Spot Market (WESM) and to load customers through bilateral contracts.

SNAP-Magat obtained BOI approval of its application as new operator of the Magat Plant with a pioneer status, which approval entitles it to an income tax holiday until July 12, 2013.

In September 2007, SNAP-Magat obtained a US$380 mn loan from a consortium of international and domestic financial institutions which include the International Finance Corporation, Nordic Investment Bank, BDO–EPCI, Inc., Bank of the Philippine Islands, China Banking Corporation, Development Bank of the Philippines, The Hong

Kong and Shanghai Banking Corporation Limited, Philippine National Bank and Security Bank Corporation. The US$380 mn loan consists of a dollar tranche of up to US$152 mn and a peso tranche of up to P10.1 bn. The financing agreement was hailed as the region's first-ever project finance debt granted to a merchant power plant. It won Project Finance International's Power Deal of the Year and Asset's Best Project Finance Award as well as Best Privatization Award. The loan was used to partially finance the deferred balance of the purchase price of the Magat Plant under the Asset Purchase Agreement with PSALM. Part of the loan proceeds was also used to pay SNAP-Magat's US$159 mn loan from AEV and the advances it made from its shareholders that were used to acquire the Magat Plant.

In 2012, SNAP-Magat secured top-up financing of P5 bn for its recapitalization requirements and general corporate purposes.

As a hallmark of innovation in revenue generation, SNAP-Magat garnered an AS contract on October 12, 2009 with the National Grid Corporation of the Philippines (NGCP), a first for a privately-owned plant. These services are necessary to maintain power quality, reliability and stability of the grid.

After 25 years of operations without any major rehabilitation works done on the generating units and considering the age and results of technical assessments, SNAP-Magat has embarked on a refurbishment program for all major plant equipment for the period 2009 to 2014. The main objective is to put back the lost efficiency and address operational difficulties due to obsolescence. The project will preserve the remaining life and the continuance of its availability for the next 25 years.

SNAP-Magat completed the replacement of Unit 1 power transformer in January 2012, Unit 1 busbars in November 2012, and Magat Line 1 capacitor voltage transformers in November 2012. Magat Plant's gross generation in the 2012 was 817,044 MWh, while its forced outage factor is 1.04% and plant availability factor is 96.44%.

Acceptance of the Magat Plant's AS nomination decreased in 2012 due to the expiration of SNAP-Magat's Ancillary Services Procurement Agreement (ASPA) and changes in NGCP's AS approval protocol. However, the increase of the plant's available capacity due to the completion of the refurbishment of Unit 4 in May 2011 and higher irrigation diversion requirement increased the capacity that was offered to the spot market. The capability of SNAP-Magat as AS provider was re-certified in September 2012. In 2012, Magat delivered 2,056,704 GWh of AS amounting to ₱9.524 bn.

On October 9, 2012, SNAP-Magat signed a Power Supply Agreement (PSA) with three repeat customers - Ifugao Electric Cooperative, Inc., Isabela II Electric Cooperative, Inc. and Quirino Electric Cooperative, Inc. These PSAs are continuations of the three-year contracts signed in 2009, and will be effective on December 26, 2012 until December 25, 2017. The terms therein include time-of-use rates and an approximate total supply of 30 MW of capacity from Magat Plant to the three electric cooperatives over the period of five years. The PSAs are still subject to approval by the Energy Regulatory Commission (ERC).

NIA and SNAP-Magat entered into a Memorandum of Agreement in May 2012 to undertake the optimization of the Maris Reservoir, a small regulating reservoir downstream of the main dam. The Magat Maris Reservoir Optimization Project undertakes a number of repairs and upgrades to the Maris Dam for the purpose of increasing storage and further improving the operational efficiency of the Magat Plant.

They also signed a contract to purchase the generated output of NIA's 6-MW Baligatan hydroelectric power plant (Baligatan Plant). SNAP-Magat won the bid in March 2012. The Baligatan Plant produces approximately 30 GWh of electricity annually which can supplement Magat Plant's output.

In 2012, SNAP-Magat filed with the Department of Energy (DOE) applications for renewable energy service contracts for several projects: three in Apayao ranging from 18 MW to 33 MW, the Magat Pumped Storage for 115 MW, the Maris Main Canal & North Diversion Canal for 7.75 MW, and Binga B for 10 MW.

The Provinces of Isabela and Ifugao received additional real property tax payments from SNAP-Magat as a result of the compromise agreement signed by the parties and approved in 2012 by the Regional Trial Court, Branch

36, in Santiago City. SNAP-Magat turned over additional real property taxes in the amount of ₱30.3 mn to the Provincial Government of Isabela and ₱42.1 mn to the Provincial Government of Ifugao last year. The tax payments are the highest amounts of real property tax payments received by the two provinces to date. SNAP-Magat was recognized as the largest taxpayer by the provincial governments of Ifugao and Isabela in 2012.

Magat received for the first time since its operation (then as a government facility) the ISO 14001:2004 Certificate for its environmental management system (EMS) which is in accordance with the standards of the International Organization for Standardization (ISO). Compliance to ISO 14001:2004 means ensuring that the operations of the plant support environmental protection and prevention of pollution while striking a balance between environmental sustainability and economic profitability. It has also maintained its international certifications relative to quality management and occupational health and safety systems.

SNAP-Magat was among the distinguished awardees under Department of Labor and Employment's (DOLE) Gawad Kaligtasan at Kalusugan (GKK) Institutional Category recognized for its remarkable occupational health and safety practices. The GKK is a prestigious national award given by the DOLE every two years. In December 2012, SNAP- Magat also received a Safety Milestone Recognition (SMILE) from DOLE for clocking in 1,524,039 man-hours without lost time incident as of December 31, 2011. In the 2012 Public Relations Society of the Philippines' Anvil Awards, SNAP-Magat won a Merit Award for its efficient water use campaign called "DALOY Magat". SNAP Group, of which SNAP-Magat is part, and its principal SN Power of Norway, won an Excellence Award for i-Travel SAFE, their transportation safety campaign for their employees.

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

On November 28, 2007, SNAP-Benguet, also a consortium between ARI and SN Power, submitted the highest bid to PSALM for the Ambuklao-Binga hydroelectric power complex, which consists of the 75-MW Ambuklao hydroelectric power plant (Ambuklao Plant) located in Bokod, Benguet and the 100-MW Binga hydroelectric power plant (Binga Plant) located in Itogon, Benguet. The price offered was US$325 mn.

The Ambuklao-Binga hydroelectric power complex was turned over to SNAP-Benguet on July 10, 2008. In August 2008, SNAP-Benguet signed a US$375 mn-loan agreement with a consortium of local and foreign banks where US$160 mn was taken up as US$ financing and US$215 mn as peso financing. Proceeds from the loan were used topartially finance the purchase price, rehabilitate the power plant complex and refinance SNAP-Benguet's existing advances from shareholders with respect to the acquisition of the assets.

SNAP-Benguet obtained BOI approval of its application as new operator of the Ambuklao and Binga plants with a pioneer status, which entitles it to an income tax holiday commencing from date of registration. Binga's tax holiday is effective until August 12, 2014, while that of Ambuklao's lasts until July 2016.

Last 2012 marked the first year that the Ambuklao Plant has re-operated, following its rehabilitation from 2008 to 2011. The plant had been shut down and under preservation since 1999 due to damage from the 1990 earthquake. In 2012, Ambuklao generated 358.584 MWh, registered a forced outage factor of 0.01% and availability factor of 96.36%.

SNAP-Benguet has secured a Provisional Authority (PA) for the PSA with Dagupan Electric Cooperative (DECORP) for a 10-year contract at 10 MW. The PSA was signed on December 22, 2011. The ERC issued an Order dated February 27, 2012 (released on May 30, 2012) which granted the PA. SNAP is currently waiting for the final order to be issued by the ERC.

In September 2012, the ERC also awarded the Certificate of Compliance (COC) to SNAP-Benguet's Binga Plant for the new 31.45-MW Unit 1. The new Unit 1 turbine replaces the old 25-MW unit, part of the refurbishment and upgrade of the 100-MW Binga Plant. The ERC issued the COC, valid for five years starting July 30, 2012, for the repowering of the unit under an already existing certificate for SNAP-Benguet. This is the second of four Binga Plant units to be completely refurbished and declared compliant since SNAP-Benguet embarked on a refurbishment program in 2010. The program, consisting of construction of a new intake and headrace, modernization of the control system, and upgrading of the turbine units, would result in a practically brand new

Binga Plant. Unit 1's refurbishment was completed in July 2012 while Unit 4's was completed in December 2011. Work on the two remaining units is expected to begin early 2013 and completed by said year's end.

With this project, Binga Plant generated 219.959 MWh, registered forced outage factor of 0.39% and availability factor of 99.85% excluding disturbance from rehabilitation work (and 66.46% including disturbance from rehabilitation work).

SNAP-Benguet paid real property taxes amounting to over P22 mn to the municipality of Itogon where Binga is located, and over P61 mn to the municipality of Bokod, host municipality of Ambuklao. SNAP- Benguet was recognized as the largest taxpayer by the provincial government of Benguet during the latter's foundation anniversary in November 2012.

The 125-MW Binga Plant also retained the OHSAS 18001 certification with a zero non-conformance second surveillance audit in June 2012. Ambuklao Plant also secured its first management system certification with the success of the OHSAS 18001:2007 audit conducted by TUV Rheinland in August 2012.

SNAP-Benguet's Binga Plant also received the DOLE Secretary's Award of Distinction in the 8th Gawad Kaligtasan at Kalusugan (GKK) on December 5, 2012. It was among the distinguished awardees under the Institutional Category recognized for its remarkable occupational health and safety practices. In December 2012, Ambuklao and Binga also received a Safety Milestone Recognition (SMILE) from DOLE for clocking in 539,000 and 562,398 man-hours without lost time incident, respectively, for the year 2011.

Both the Ambuklao and Binga Plants were registered as Clean Development Mechanism (CDM) Projects by the United Nations Framework Convention on Climate Change (UNFCCC). Collectively, the Plants will produce an average of 180,000 carbon emission reduction credits (CERs) per year. The CDM registration Is the first of its kind in the Philippines at the time of issuance.

SNAP Group bagged 4 Anvil Awards last February 2012 from the Public Relations Society of the Philippines. SNAP Group, of which SNAP-Benguet is part, and its principal SN Power of Norway, won an Excellence Award for i-Travel SAFE, their transportation safety campaign for their employees. SNAP-Benguet also won an Excellence Award for its Ambuklao Plant inaugural coffee table book "Renewable Energy for a Renewed Nation" under the PR Tool Special Publication category. SNAP-Benguet also earned a Merit Award for its Ambuklao inauguration campaign "The Power to Renew". Ambuklao also won a Silver Prize in the Best Power Plant Upgrade category from the Asian Power Awards.

Luzon Hydro Corporation (LHC)

Up until May 10, 2011, LHC was ARI's joint venture with Pacific Hydro Pty. Ltd. (Pacific Hydro) of Australia, a privately- owned Australian company that specializes in developing and operating power projects that use renewable energy sources, principally water and wind power.

On March 31, 2011, ARI, LHC and Pacific Hydro signed a Memorandum of Agreement (MOA) to give ARI full ownership over LHC. Effective May 10, 2011, ARI assumed full ownership and control of LHC upon fulfillment of certain conditions in the MOA. The total transaction value was approximately US$30 mn.

LHC operates and manages the 70-MW Bakun AC run-of-river hydropower plant located in Amilongan, Ilocos Sur (Bakun Plant). The US$150 mn hydropower plant was constructed and is being operated under the government's build–operate–transfer (BOT) scheme. Energy produced by the plant, approximately 254 GWh annually, is delivered and taken up by NPC pursuant to a power purchase agreement (Bakun PPA) and dispatched to the Luzon grid through 230-KV Bauang-Bakun transmission line of the NGCP. Under the terms of the Bakun PPA, all of the electricity generated by Bakun Plant will be purchased by NPC for a period of 25 years from February 2001. The Bakun PPA also requires LHC to transfer the Bakun Plant to NPC in February 2026, free from liens and without the payment of any compensation by NPC. Amlan Power Holdings Corporation was awarded the IPP Administrator contract for the Bakun Plant following a competitive bidding process conducted by PSALM.

In November 2011, and after securing consent from NPC, the Bakun Plant was shut down to repair approximately 900 meters of unlined tunnel. The rehabilitation was completed in September 2012.

Hedcor, Inc. (Hedcor)

Hedcor was originally incorporated on October 10, 1986 by ACO as the Baguio-Benguet Power Development Corporation. ARI acquired ACO's 100% ownership interest in Hedcor in 1998. In 2005, ARI consolidated all of its mini-hydroelectric generation assets, including those developed by HEDC and Cleanergy, in Hedcor. Hedcor currently owns, operates and/or manages 18 run—of—river hydropower plants in northern Luzon and Davao City with a combined installed capacity of 85 MW. The electricity generated from Hedcor's hydro plants are taken up by NPC, APRI, Davao Light, Benguet Electric Cooperative (BENECO) pursuant to power purchase agreements with the said off takers and the rest are sold through the WESM.

During the full years 2011 and 2012, Hedcor's hydropower plants generated a total of 170 GWh and 168 GWh of electricity, respectively.

Northern Luzon's climate is classified as having two pronounced season - dry from November to April and wet for the rest of the year. Due to this classification, generation levels of Hedcor's plants, particularly those located in northern Luzon, are typically lower during the first five months of each year.

Hedcor used to have 50% equity interest in LHC until it transferred its equity stake to its parent company, ARI, through a property dividend declaration in September 2007.

Hedcor Sibulan, Inc. (Hedcor Sibulan)

Hedcor Sibulan, a wholly-owned subsidiary of ARI, is the project company of the Sibulan hydropower project (Sibulan Project). The Sibulan Project, which broke ground on June 25, 2007, entailed the construction of two run-of-river hydropower plants, Sibulan A and Sibulan B, harnessing the Sibulan and Baroring rivers in Santa Cruz, Davao del Sur. The 26-MW Sibulan B started commercial operations in March 2010. The 16.5-MW Sibulan A was completed in September 2010.

Hedcor Sibulan is part of a consortium that won the competitive bidding for the 12-year PSA to supply new capacity to Davao Light. The bid price for the contracted energy was P4.0856/kWh, subject to adjustment based on changes to the Philippine consumer price index. All the energy generated by Hedcor Sibulan power plants will be supplied to Davao Light pursuant to the PSA signed on March 7, 2007. The Sibulan Project is registered as a CDM project with the UNFCCC under the Kyoto Protocol. The project is expected to generate carbon credits that will eventually be traded in the carbon market.

Hedcor Sibulan is also the project company to build the 6.7-MW Tudaya 1 hydropower plant which is currently being constructed upstream of Sibulan A's pondage. Expected to be commissioned in June 2014, it will sell its power to Davao Light.

Hedcor Tamugan, Inc. (Hedcor Tamugan)

Hedcor Tamugan, a wholly-owned subsidiary of ARI, is the project company organized to build the proposed Tamugan run-of-river hydropower project. In 2010, Hedcor entered into a compromise agreement with the Davao City Water District (DCWD) to settle the dispute on the Tamugan water rights. Originally planned as a 27.5-MW run-of-river facility, Hedcor Tamugan proposed the construction of an 11.5-MW run-of-river hydropower plant. After Hedcor Tamugan secures all the required permits, the two-year construction period will commence.

Hedcor Tudaya, Inc. (Hedcor Tudaya)

Hedcor Tudaya, a wholly-owned subsidiary of ARI, is the project company organized to build the 7-MW Tudaya 2 run-of-river hydropower plant in Astorga, Santa Cruz, Davao del Sur. After securing the Renewable Energy Service Contract with the DOE in May 2012, and all other permits, the project broke ground in June 2012. Hedcor

Tudaya intends to avail of the feed-in tariff mechanism under the Renewable Energy Law. The plant is expected to be completed in June 2014.

Hedcor Sabangan, Inc. (Hedcor Sabangan)

Hedcor Sabangan, a wholly-owned subsidiary of ARI, is the project company organized to build the proposed 14-MW run-of-river hydropower project in Sabangan, Mountain Province. As part of the process of getting Free and Prior Informed Consent (FPIC) for the project required under the Indigenous Peoples' Rights Act of 1997 (IPRA), Hedcor Sabangan signed a Memoranda of Agreement with the indigenous peoples of Barangays Namatec and Napua, the municipality of Sabangan and the Mountain Province in February, March and July 2011, respectively.

Hedcor Sabangan has been issued all the permits required for the project except for the Special Land Use Permit which is expected to be issued in the first quarter of 2013; after which the two-year construction period will commence.

Therma Power, Inc. (TPI)

TPI, a wholly-owned holding company of AboitizPower, owns equity interests in the following generation companies:

- 100% equity interest in TLI, the IPP Administrator of the 700-MW contracted capacity of the Pagbilao Plant;
- 100% equity interest in TMI, owner and operator of Mobile 2 and Mobile 1, barge-mounted power plants, each with a generating capacity of 100 MW;
- 26% effective interest in Cebu Energy, which operates a 3 x 82-MW coal-fired power plant in Toledo City, Cebu;
- 25% equity interest in RP Energy, the project company that proposes to build and operate a 600-MW coal-fired power plant in Redondo Peninsula in the SBFZ;
- 100% equity interest in Therma South, Inc., the project company that proposes to build a 300-MW circulating fluidized bed coal-fired plant in Toril, Davao;
- 100% equity interest inTherma Visayas, Inc. (formerly Vesper Industrial and Development Corporation (Vesper)), the project company that proposes to build a coal plant in Bato, Toledo, Cebu;
- 100% equity interest in Therma Mobile, Inc., owner of four barge-mounted power plants in Navotas Fishport, Manila;

AboitizPower plans to implement a corporate reorganization that will put all its non-renewable generation assets under TPI. If completed, TPI will hold AboitizPower's ownership interest in STEAG Power, EAUC, CPPC, Southern Philippines Power Corporation (SPPC) and Western Mindanao Power Corporation (WMPC).

Therma Luzon, Inc. (TLI)

TLI, a wholly-owned subsidiary of TPI, submitted the highest offer in the competitive bidding conducted by PSALM for the appointment of an IPP Administrator of the 700-MW contracted capacity of Pagbilao coal-fired thermal power plant located in Pagbilao, Quezon (Pagbilao Plant).

TLI's offer was at a bid price of US$691 mn calculated in accordance with the bid rules. This value represents the present value of a series of monthly payments to PSALM from October 2009 to August 2025 using PSALM discount rates.

On October 1, 2009, TLI became the first IPP Administrator in the country when it assumed dispatch control of the said contracted capacity of the Pagbilao Plant. As IPP Administrator, TLI is responsible for procuring the fuel requirements of and selling the electricity generated by the Pagbilao Plant. The Pagbilao Plant is being operated by TEAM Energy under a BOT scheme.

On December 22, 2011, TLI, together with its affiliate, APRI, signed a Letter Agreement with PSALM, NPC and MERALCO for the extension of the term of the respective load allocations of APRI and TLI. The Letter Agreement, which was signed pursuant to the one year extension of the MERALCO-NPC Transition Supply Contract (TSC) dated November 22, 2006, extended TLI's load allocation for up to 12 months starting December 26, 2011, subject to the finalization of a 7-year PSA to be executed by and between MERALCO and TLI. On February 29, 2012, TLI signed a PSA with MERALCO which shall be effective upon approval by the ERC. On December 17, 2012, the ERC issued its decision approving the said PSA. On December 21, 2012, TLI, together with its affiliate, APRI, signed another Letter Agreement with PSALM, NPC and MERALCO for a 2-month extension of the respective load allocations of APRI and TLI, i.e. for the delivery period December 26, 2012 to February 25, 2013, pursuant to the 2-month extension of the MERALCO-NPC TSC. On December 27, 2012, TLI signed a 4-month Interim PSA with Meralco, covering the delivery period February 26, 2013 to June 25, 2013, subject to the approval by the ERC. On December 26, 2012, TLI commenced its delivery of power to Meralco under the 7-year PSA and Letter Agreement.

The year 2012 saw more of TLI's capacity being contracted to various cooperatives thereby diversifying the customer base and risk of TLI. Bilateral contracts with periods of seven to ten years, on the average, were entered into by TLI. With the growth of the economy, most of TLI's off-peak capacity has been contracted to customers requiring power at night, mostly industrial and commercial customers.

Therma Marine, Inc. (TMI)

TMI is a wholly-owned subsidiary of TPI. It owns and operates Power Barges Mobile 1 (previously known as PB 118) and Mobile 2 (previously known as PB 117) which have a total generating capacity of 200 MW. Mobile 1 is currently moored at Barangay San Roque, Maco, Compostela Valley, while Mobile 2 is moored at Barangay Sta. Ana, Nasipit, Agusan del Norte.

TMI assumed ownership of Mobile 1 and Mobile 2 from PSALM on February 6, 2010 and March 1, 2010, respectively, after the successful conclusion of the US$30 mn negotiated bid for the barges on July 31, 2009. After acquisition, TMI signed a one-year ASPA with the NGCP with respect to each barge for the supply of AS consisting of contingency reserve, dispatchable reserve, reactive power support and blackstart capacity for the Mindanao grid. The ASPA involving the power barges is for the supply of 50-MW ancillary power to NGCP. The contracts have been extended for another year and they finally expired last February 5 and March 1, 2012 for Mobile 1 and Mobile 2, respectively. The available 100-MW after the ASPA's expiration was sold to various Cooperatives thru Energy Supply Agreements (ESAs). The 192.2-MW dependable capacities of TMI were sold to various cooperatives, industrial and commercial customers in Mindanao under ESA, all of which are effective and with provisional approvals by the ERC.

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

Incorporated on November 28, 2007, Abovant is a joint venture formed to hold investments in a power plant in Barangay Daanlungsod, Toledo City, Cebu. Abovant is 60% owned by TPI, a wholly-owned subsidiary of AboitizPower, and 40% owned by Vivant Integrated Generation Corporation (VIGC) of the Garcia Group.

Abovant and Global Formosa Power Holdings, Inc. (Global Formosa), a joint venture between Global Business Power Corporation of the Metrobank Group and Formosa Heavy Industries, Inc., formed Cebu Energy. Cebu Energy is the owner of the 3 x 82-MW circulating-fluidized-bed coal-fired power plant situated within the Toledo Power Complex in Barangay Daanlungsod, Toledo City, Cebu. With Abovant's 44% stake in Cebu Energy (Global Formosa owns the remaining 56%), AboitizPower's effective interest in the power plant, which experienced its one full year of full commercial operations in 2012, is approximately 26.40%.

The first 82-MW unit was commissioned in February 2010, while the second and third units were commissioned in the second and fourth quarter of 2010, respectively. The power generated from the power plant provided for the much needed security to the power supply of the province of Cebu. Cebu Energy had signed an EPPA with VECO for the supply of 105 MW of electricity for 25 years. To date, it also has an Energy Power Purchase Agreement (EPPA) with PEZA-MEZ I, Mactan Electric Company, Inc. (MECO), BEZ, Cebu I Electric Cooperative, Inc., Cebu II Electric Cooperative, Inc., Cebu III Electric Cooperative, Inc. and Bohol Electric I Cooperative, Inc. All its EPPAs provide contracted minimum energy offtake with fuel as pass through.

Cebu Energy's additional power supply will be needed with the presence in the Toledo-Balamban area of large industries such as Carmen Copper Corporation, the shipbuilding facility of Tsuneishi Heavy Industries (Cebu) Inc. (THI), the modular fabrication facility of Metaphil International, and the newest locator in WCIP, Austal Philippines Pty. Limited. The influx of business process outsourcing companies and new hotels in the province also requires additional power supply.

Redondo Peninsula Energy, Inc. (RP Energy)

Incorporated on May 30, 2007, RP Energy was originally a joint venture between AboitizPower and TCIC. On July 22, 2011, Meralco PowerGen Corporation acquired a majority interest in RP Energy by virtue of a Share Purchase Agreement with TPI, a wholly-owned Subsidiary of AboitizPower. AboitizPower and TCIC retained an equal ownership interest of 25%, less one share each. In view of increasing power demand in the Luzon Grid and with the entry of Meralco PowerGen, RP Energy plans to expand its original proposal to build and operate a 300-MW coal-fired power plant in Redondo Peninsula within the SBFZ into a 2 x 300-MW (net) power plant upon approval of an amendment to its existing ECC.

RP Energy has completed the voluntary relocation of all affected residents in the site in accordance with existing Philippine rules and regulations and accepted international standards, and it is now in the final stages of completing the site preparation works, such as clearing, grubbing, balanced cut and fill to a grade of six meters above sea level. In November 2011, RP Energy designated the suppliers of the circulating-fluidized-bed boilers, steam turbines, generators, and supporting auxiliaries that ultimately will be engaged as subcontractors by the selected Engineering, Procurement and Construction (EPC) contractor. The award serves to fix the price and delivery time of the equipment amidst an environment of rising prices and longer delivery period of raw materials. In May 2011, RP Energy issued invitations to bid to three reputable international EPC contractors for the execution of the project. The estimated completion of the first unit will be 36 months after award of the EPC contract or mid-2015. Completion of the second unit will follow, i.e., within six months thereafter. The total cost of the project is estimated at approximately US$1.2 bn.

Therma South, Inc. (Therma South)

Incorporated in November 18, 2008, Therma South is a wholly-owned subsidiary of TPI and is the project company for the construction of the 300-MW circulating fluidized-bed coal-fired power plant in Barangay Binugao, Toril District, Davao City and Barangay Inawayan, Sta. Cruz, Davao del Sur.

Through Therma South's close engagement and consultation with key stakeholders, including the conduct of dialogues, road shows and information drives, the company has carefully explained the urgent need to build the plant in order to alleviate the worsening power supply situation in Davao and in the whole Mindanao. It gave firm assurances that the construction and operations of the plant will meet stringent national and international emission standards. These efforts led to the strong support for the project by the host barangays, business and professional organizations and civic groups. Ultimately, the project received the overwhelming endorsement of the local government units in the city of Davao and the municipality of Sta. Cruz in Davao del Sur.

On September 9, 2011, the DENR-EMB issued the Environmental Compliance Certificate (ECC) for the power project. In August 2011, Therma South acquired most of land where the plant will be located. On February 15, 2012, the DAR released the conversion order for the land.

On April 10, 2012, upon receipt of all necessary permits, the site preparation contractor began clearing the site. In June 2012, the EPC contracts were executed with the Power Island contractor and the Balance of Plant contractor with an effective project start date of June 1, 2012.

In December 2012, the driving of pilings for the foundation of the power island commenced. The construction of the plant is now in full swing with hundreds of workers on site, many of them were hired from the host communities. The facility is expected to become operational by the first half of 2015, thereby providing Mindanao with much needed reliable, competitively-priced and environmentally-safe baseload power.

Therma Mobile, Inc. (Therma Mobile)

Therma Mobile is a wholly-owned subsidiary of TPI. On May 27, 2011, Therma Mobile acquired four barge-mounted floating power plants located at Navotas Fishport, Manila from Duracom Mobile Power Corporation and East Asia Diesel Power Corporation. The barge-mounted floating power plants have a total generating capacity of 242 MW.

The power barges are currently undergoing rehabilitation.

STEAG State Power Inc. (STEAG Power)

AboitizPower closed the sale and purchase of 34% equity ownership in STEAG Power from Evonik Steag GmbH (now STEAG GmbH or STEAG) on November 15, 2007. The total purchase price for the 34% equity in STEAG was US$102 mn, inclusive of interest.

Incorporated on December 19, 1995, STEAG Power is the owner and operator of a 232-MW (gross) coal-fired power plant located in PHIVIDEC Industrial Estate in Misamis Oriental, Northern Mindanao. The coal plant was built under a BOT arrangement and started commercial operations on November 15, 2006. The coal plant is involved in a 25-year power purchase agreement (PPA) with the NPC, which is backed by a Performance Undertaking issued by the Republic of the Philippines. STEAG Power was registered with the Board of Investments as a pioneer enterprise with six-year income tax holiday incentive. The incentive expired on November 14, 2012.

With its 34% stake in STEAG Power, AboitizPower is equity partner with majority stockholder STEAG, Germany's fifth largest power generator, which currently holds 51% equity in STEAG Power. La Filipina Uy Gongco Corporation holds the remaining 15% equity in STEAG Power.

STEAG Power's COC was renewed by the ERC, and it is effective until May 2016.

East Asia Utilities Corporation (EAUC)

On April 20, 2007, AboitizPower acquired 50% ownership interest in EAUC from El Paso Philippines, which still owns the other 50% interest in EAUC. EAUC was incorporated on February 18, 1993, and it has been operating a Bunker C-fired power plant with an installed capacity of 50 MW within MEPZ I in Mactan Island, Cebu since 1997. Pursuant to the EPPA with the PEZA, which took effect on April 26, 2011, PEZA shall purchase from EAUC 22-MW electric power. EAUC also signed an EPPA with BEZ for the supply of power equivalent to 5.255 MW for a period of five years, starting May 25, 2011 until May 25, 2016.

On December 26, 2010, EAUC started supplying power through the WESM.

Cebu Private Power Corporation (CPPC)

Incorporated on July 13, 1994, CPPC owns and operates a 70-MW Bunker C-fired power plant in Cebu City, one of the largest power plants in the island of Cebu. Commissioned in 1998, the CPPC plant was constructed pursuant to a BOT contract to supply 62 MW of power to VECO. The CPPC plant will revert to VECO in November 2013.

On April 20, 2007, AboitizPower acquired from EAUC 60% of the outstanding common shares of CPPC. The remaining 40% of the outstanding common shares is owned by Vivant, who together with AboitizPower, are the major shareholders of VECO. VECO owns all of the outstanding preferred shares of CPPC, which comprises approximately 20% of the total outstanding capital stock thereof.

On December 26, 2010, CPPC started selling its excess capacity through the WESM.

Southern Philippines Power Corporation (SPPC)

SPPC is a joint venture among AboitizPower, Alsing Power Holdings, Inc. and Tomen Power (Singapore), Pte Ltd. AboitizPower has 20% equity interest in SPPC, which owns and operates a 55-MW Bunker C-fired power plant in Alabel, Sarangani, a town located outside General Santos City in Southern Mindanao (SPPC Plant).

The SPPC Plant was developed by SPPC on a build-own-operate basis under the terms found in its Energy Conversion Agreement (ECA) with NPC. Under the ECA, NPC is required to deliver and supply to SPPC the fuel necessary to operate the SPPC power plant during an 18-year cooperation period, which ends in 2016. NPC is also required to take all the electricity generated by the SPPC Plant during the cooperation period and pay SPPC on a monthly basis, capital recovery, energy, fixed operations and maintenance (O&M) and infrastructure fees as specified in the ECA. During this cooperation period, SPPC is responsible, at its own cost, for the management, operation, maintenance and repair of the SPPC Plant.

Aside from providing the much needed capacity to southwestern Mindanao area, the SPPC Plant also performs the role of voltage regulator for General Santos City, ensuring the availability, reliability and quality of power supply in the area.

Western Mindanao Power Corporation (WMPC)

Like SPPC, WMPC is also a joint venture among AboitizPower, Alsing Power Holdings, Inc. and Tomen Power (Singapore), Pte Ltd. AboitizPower has 20% equity interest in WMPC, which owns and operates a 100-MW Bunker C-fired power station located in Zamboanga City, Zamboanga del Sur in western Mindanao (WMPC Plant). The WMPC Plant was developed by WMPC on a build-own-operate basis under the terms found in its ECA with NPC. Under the ECA, NPC is required to deliver and supply to WMPC the fuel necessary to operate the WMPC Plant during an 18- year cooperation period which ends in 2015. NPC is also required to take all the electricity generated by the WMPC Plant during the cooperation period and pay WMPC on a monthly basis, capital recovery, energy, fixed O&M and infrastructure fees as provided in the ECA. During this cooperation period, WMPC is responsible, at its own cost, for the management, operation, maintenance and repair of the WMPC plant. Aside from providing the much needed capacity to Zamboanga Peninsula, the WMPC Plant also performs the role of voltage regulator for Zamboanga City, ensuring the availability, reliability and quality of power supply in the area.

Other Generation Assets

AboitizPower's distribution utilities, Davao Light and Cotabato Light, each has its own stand-by plant. Davao Light currently maintains the 53-MW Bunker C-fired Bajada stand-by plant, which is capable of supplying 19% of Davao Light's requirements. Cotabato Light maintains a stand-by 7-MW Bunker C-fired plant capable of supplying approximately 30.50% of its requirements.

Future Projects

Before undertaking a new power generation project, the Company conducts an assessment of the proposed project. Factors taken into consideration by the Company include the proposed project's land use requirements, access to a power grid, fuel supply arrangements (if relevant), availability of water (for hydroelectric projects), local requirements for permits and licenses, the ability of the plant to generate electricity at a competitive cost and the presence of potential offtakers to purchase the electricity generated. For the development of a new power plant, the Company, its partners and suppliers are required to obtain the necessary permits required before commencement of commercial operations, including permits related to project site, construction, the environment and planning, operation licenses and similar approvals.

Notwithstanding the review and evaluation process that the Company's management conducts in relation to any proposed project, acquisition or business, there can be no assurance that the Company will eventually develop a particular project, acquire a particular generating facility or that projects will be implemented or acquisitions made or businesses conducted in the manner planned or at below the cost estimated by the Company. In addition, there can be no assurance that a project, if implemented, or an acquisition, if undertaken, will be successful.

DISTRIBUTION OF ELECTRICITY

The Aboitiz Group has more than 70 years of experience in the Philippine power distribution sector and has been known for innovation and efficient operations. Through the years, AboitizPower has managed to build strong working relationships with the industry's regulatory agencies.

With ownership interests in seven distribution utilities, AboitizPower is currently one of the largest electricity distributors in the Philippines. AboitizPower's distribution utilities collectively supply electricity to franchise areas covering a total of 18 cities and municipalities in Central Luzon, Visayas and Mindanao, with an aggregate land area of approximately 5,095 square kilometers. As of December 31, 2012, approximately 11% of AboitizPower's net income from business segments is derived from its power distribution business. The distribution utilities had a total customer base of 766,988 in 2012, 740,833 in 2011 and 714,423 in 2010.

The table below summarizes the key operating statistics of the distribution utilities for 2012 and the previous two years.

Company	Electricity Sold (MWh)			Peak Demand (MW)			No. of Customers		
	2012	2011	2010	2012	2011	2010	2012	2011	2010
Davao Light	1,680,477	1,582,928	1,548,155	295	280	293	303,135	294,159	281,234
Cotabato Light	117,538	117,726	129,788	23	23	24	33,931	32,929	31,611
VECO	2,300,959	2,120,454	1,994,237	412	407	378	341,611	327,587	316,845
SFELAPCO	493,565	456,121	446,513	90	88	83	85,405	83,312	81,891
SEZ	403,250	408,240	405,038	90	99	83	2,797	2,738	2,734
MEZ	122,660	132,928	138,129	21	23	22	78	76	77
BEZ	124,299	116,378	90,174	33	32	27	31	32	31
Total	**5,242,748**	**4,934,775**	**4,752,034**	**964**	**952**	**910**	**766,988**	**740,833**	**714,423**

Visayan Electric Company, Inc. (VECO)

VECO is the second largest privately-owned distribution utility in the Philippines in terms of customers and annual MWh sales. VECO supplies electricity to a region covering 674 square kilometers in the island of Cebu with a population of approximately 1.73 mn. To date, VECO has 20 power substations and 1 mobile substation that serve the electrical power needs of the cities of Cebu, Mandaue, Talisay and Naga, the municipalities of Minglanilla, San Fernando, Consolacion and Liloan and the 232 barangays in the island and province of Cebu.

VECO, directly and through its predecessors-in-interest, has been in the business of distributing electricity in Cebu since 1905. In the early 1900s, the predecessors-in-interest of the Aboitiz Group acquired a 20% interest in VECO's predecessor-in-interest, the Visayan Electric Company, S.A. Since that time, the Aboitiz Group's ownership interest in VECO has increased from 20% to the current beneficial ownership interest of 55.19%, which is held by AboitizPower.

In 1928, Visayan Electric Company, S.A. was granted a 50-year distribution franchise by the Philippine Legislature. The term of this franchise was extended by RA 6454 for an additional 25 years beginning in 1978 and was conditionally renewed for another 25 years from December 2003, subject to the resolution of an intra-corporate dispute involving AEV, AboitizPower's parent company, and Vivant Corporation. In September 2005, the Philippine Congress passed RA 9339, which extended VECO's franchise to September 2030. VECO's application for the extension of its CPCN was approved by the ERC last January 26, 2009.

In April 2004, AEV and Vivant, which is the holding company of the Garcia family, entered into a Shareholders' Cooperation Agreement that sets out guidelines for VECO's day-to-day operations and the relationship among VECO's shareholders, including: restrictions on share transfers (including the grant of rights of first refusal in the event of a transfer to a third party and rights to transfer to affiliates, subject to certain conditions), board composition and structure, proceedings of directors and shareholders, minority shareholder rights, dividend policy, termination and non-compete obligations. Under the terms of the agreement, day-to-day operations and management of VECO were initially assumed by AEV and, after AboitizPower acquired AEV's ownership interest in VECO in January 2007, by AboitizPower. AboitizPower and Vivant are each required to place in escrow 5% of the shares in VECO registered in their respective names to guarantee compliance with their respective obligations under the Shareholders' Cooperation Agreement. The escrow shares will be forfeited in the event a shareholder group violates the terms of the Shareholders' Cooperation Agreement. The Shareholders' Cooperation Agreement was adopted as a result of the then dispute between AEV and Vivant with respect to the management of VECO. Relations between the shareholders of VECO are amicable.

VECO is part of the third group (Group C) of private distribution utilities to shift to performance-based rate-setting regulation (PBR). The ERC issued its final determination on VECO's application for approval of its annual revenue requirements (ARR) and Performance Incentive Scheme (PIS) under the PBR for the regulatory period July 1, 2010 to June 30, 2014. Such determination became final in May 2010.

Rate-setting under PBR is governed by the Rules for Setting Distribution Wheeling Rates (RDWR). The PBR scheme sets tariffs according to forecasts of capital and operating expenditures to meet a predetermined level of operational performance. The PBR also employs a mechanism that penalizes or rewards a distribution utility depending on its network and service performance.

VECO filed with the ERC in May 2010 its application for approval of the translation into distribution rates of its different customer classes for the first regulatory year of the approved ARR under the PBR for the regulatory period July 1, 2010 to June 30, 2014. After subsequent hearings of the case, the application for approval was approved by the ERC on June 28, 2010. The approved distribution, supply and metering charges for regulatory year 2011 was implemented by VECO effective August 1, 2010.

On March 28, 2011, VECO filed with the ERC its application for approval of the translation into distribution rates to the different customer classes for the second year of the regulatory period. Since implementation in the first regulatory year was delayed by one month, recovery thereof was included in the application with respect to the second year of the regulatory period. After subsequent hearings of the case, the application for approval of the translation into distribution rates to different customer classes for the second regulatory year 2012 was approved by the ERC on July 25, 2011 effective August 1, 2011.

On March 29, 2012, VECO filed its application for the approval of its proposed distribution rates for the third regulatory year. Similar to VECO application for the second regulatory year, the application for the third regulatory year included a one-month recovery to cover the late implementation in the second regulatory year. After all the regulatory requirements were complied with, the ERC was expected to render a decision on the application before July 1, 2012. However, the ERC approved the application last December 4, 2012 only. Hence, VECO was able to implement the new distribution rates only on December 10, 2012, a five-month delay in the implementation.

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

Davao Light is the third largest privately-owned electric distribution utility in the country in terms of customers and annual kilowatt-hour (kWh) sales.

With a franchise covering Davao City and the areas of Panabo City, the municipalities of Carmen, Dujali and Santo Tomas in Davao del Norte, Davao Light services a population of approximately 1,777,926 and a total area of 3,561 square kilometers.

Although Davao Light was organized on October 11, 1929, the Aboitiz Group acquired its ownership in 1946. Currently, AboitizPower owns 99.93% of the shares in Davao Light.

Davao Light's original franchise, which covered Davao City, was granted in November 1930 by the Philippine Legislature and was for a period of 50 years. In 1976, the National Electrification Administration (NEA) extended Davao Light's franchise for Davao City to November 2005 and granted Davao Light franchises for the City of Panabo and the municipalities of Carmen and Santo Tomas in Davao del Norte. In September 2000, the Philippine Congress passed RA 8960, which granted Davao Light a franchise over its current franchise area for a period of 25 years, or until September 2025.

Davao Light has a 150-MVA and a 2x50-MVA substation drawing power at 138 kV. In 1998, it entered into a 10-year power purchase agreement with NPC, which had been extended until 2015 by a separate contract signed in 2005 by the parties. Davao Light's power purchase agreement with NPC allows the delivery of most of the utility's power requirements through its 138- kV lines. As a result, in taking delivery of electricity from NPC, Davao Light is able to bypass the NGCP connection assets and avoid having to pay corresponding wheeling fees to NGCP, thereby allowing the company to cut its operating costs.

In February 2007, Davao Light awarded to Hedcor Consortium (composed of Hedcor, ARI, Hedcor Sibulan, and Hedcor Tamugan) a 12-year supply contract of new capacity. There was a notable price differential between the Hedcor Consortium's winning bid price of P4.0856 per kWh and the next lowest bid of approximately ₱1.0129 per kWh. Over the life of the supply contract, the differential will amount to approximately ₱4.9 bn at current peso value, representing significant savings for Davao Light customers. Davao Light decided to secure the new supply contract in anticipation of the full utilization of the existing contracted energy supply under the 10-year contract with NPC for 1,363,375 MWH and the 12-year contract with Hedcor Consortium.

Davao Light's approach to help local economies sustain robust growth is by ensuring power reliability. It plows back a significant percentage of its annual earnings to prudent investments that upgrade its distribution network in order to meet the increasing demand for power within its franchise area.

As of November 2012, Davao Light hit a cumulative 9.598 MWh in energy sales posting a 10-year compounded annual growth rate at 4.83%. Meanwhile, peak demand was recorded at 295 MW higher than last year's 285 MW. As the company's customer base breached the 300,000 level last August 2012, its compounded annual growth rate was 3.11% over a 10-year period.

One of Davao Light's approaches to keep rates at reasonable levels is by maintaining its systems losses well within the government-mandated cap of 8.5%. The 12-month average system loss as of November 2012 was 7.6%.

Average collection efficiency was 106% over the previous month's revenue for 12 months cumulative. For new applications, 98% of the 13,167 customers received electric service within 24 hours from the time they signed the contract.

The precarious power supply situation remains to be a huge concern for Mindanao consumers. The Davao Light franchise however has been spared of the daily two to three hours of rotating power interruptions that were experienced in other parts of the island.

Contingencies designed to respond to energy deficiency which were tested during the 2010 Mindanao power crisis are still in place. These include tapping of embedded generators directly connected to the distribution facilities which are synchronized to the grid. In the event of a power crisis, Davao Light's 54.8-MW Bunker C-fired standby plant with a rated capacity of 58 MW can provide an average of 40 MW on a sustaining basis. The standby plant is capable of supplying 19% of Davao Light's electricity requirement.

The power supply from Hedcor Sibulan's 42.5-MW and Hedcor Talomo's 4-MW hydroelectric plants likewise augment the power requirements of Davao Light's franchise area.

The Bunker C-fired plant and the Hedcor Sibulan and Mintal hydroelectric plants are embedded in the Davao Light franchise. Thus, the power generated from these facilities is dispatched directly into the Davao Light distribution network without passing through the NGCP transmission lines.

To add to its power reserve capacity, on March 21, 2011 Davao Light entered into a power supply contract with TMI for 15 MW which was approved by the ERC on May 30, 2011.

Now on its third regulatory year of the PBR, the ERC's approval of its petition for rate increase intended for July 2012 came in late of December. The average increase for all customer classes is 0.0309 P/kWh.

Despite the increase in the distribution rates, customers consuming 100 kWh and below will still enjoy the lifeline subsidy. Of Davao Light's 301,339 customers, 36% or 109,518 customers avail of the lifeline subsidy discounts. An estimated 12% or 12,601 of these 109,518 customers whose consumption is 0 to 20 kWh enjoy 100% discount and pay only the fixed charge of ₱5.00 a month.

While the energy supply in Mindanao has been declining, the investment climate in the Davao Light franchise area has conversely been robust. The economies in the said areas especially Davao City has been described as bullish. From the last quarter of 2012 up to 2015, an increase in demand from large industrial customers alone has been projected to reach 60 MW. The biggest loads among these customers are a steel company and a storage facility and wharf. Most of these companies have already started construction or are ongoing businesses, such as malls and hotels, which have plans for expansion.

To keep pace with the rising demand for power and to support the uptrend of growing economies, Davao Light signed an additional 15-MW contract with TMI. Separately, it also signed a 100-MW PSA with the Therma South.

Davao Light provides more bill payment options for the convenience of its customers. This added service was made possible through Davao Light's partnership with Union Bank of the Philippines (UnionBank).

Starting October 2012, customers can pay through various UnionBank services. Payments are accepted over-the-counter through ATM, Internet and Auto Debit Account (ADA) in all UnionBank branches nationwide. Customers with existing UnionBank accounts may also pay online through UnionBank's official website.

Inquiry on electric bill balances is now just a text away through the company's ASKDLPC BILL service. Launched last March 2012, this SMS service allows customers to save time and money as they no longer have to visit the office. It is also helpful to most of the utility's customers who do not have access to a landline telephone.

Rural electrification has been brought to a whole new level. Davao Light's Panabo Branch brings its service to the far flung areas instead of customers going to the branch office to transact. This new strategy dubbed as "Oplan ISAAC" or Instant Site Application And Connection (ISAAC) is in coordination with the local government units.

To improve service reliability, a total of 9 circuit kilometers of 69-kV sub-transmission and 7 circuit kilometers of 13.8-kV lines were upgraded.

Safety of customers as well as the reduction of power outage incidences is of paramount importance to Davao Light. In order to achieve these, it piloted the Tree Wire installation project.

Starting 2012 and onwards, substations will not only have upgraded features but will also sport a new look. For improved power quality, these facilities will be installed with a mechanism that regulates voltage through an automatic off and on load tap changer on its power transformers.

The Work and Asset Management (WAM) Project powered by Oracle Utilities was rolled out successfully in August 2012. This application supports the entire asset life cycle – from acquisition to retirement. With its proven ability to track capital assets and work flows, WAM can help maximize the allocation of Davao Light's resources. Moreover, the use of Oracle Utilities' Customer Care and Billing (CC&B) Business Intelligence was launched in

July 2012. The software is designed to convert customer and revenue data into intelligent information to help improve decision-making, customer service and revenue management.

Davao Light gives back to host communities in various ways in the areas of its business operations. It strongly supports in the field of education in view of its profound and lasting impact. In 2012, it turned over 6 additional school buildings or classrooms. This brings to a total number of donated buildings to 40 or a combined 125 classrooms since 1996. Also, in 2012, it has granted academic scholarships to 88 deserving college students including 20 indigenous people or Lumads and 123 high school students residing in its franchise areas.

To date, employees have planted 18,200 trees in its adopted 500-hectare government forest land in Upper Kibalang, Marilog, Davao City which serves as a carbon sink area. Davao Light's motorpool turned over some 3 tons of Used Lead Acid Batteries (ULABs) from out of company junks to the recycling plant of Oriental-Motolite, earning some P250,000 worth donation value to help a Philippine Business for Social Progress (PBSP)-initiated health project. Consequently, the firm's problem of disposing toxic ULABs is addressed and environment protection is enhanced.

Davao Light was among the first responders to the areas ravaged by the recent super typhoon Pablo. It immediately sent two maintenance crews to assist Davao del Norte Electric Cooperative restore power in Compostela Valley. Davao Light also dispatched two crews for Davao Oriental Electric Cooperative to revive power in the Davao Oriental affected areas. Together with employee volunteers, Davao Light donated ₱400,000 worth of relief goods to the typhoon victims.

In addition to the company-sponsored CSR activities, its employees are also active in various CSR programs. Employees volunteered man-hours and expertise in the Gawad Kalinga (GK)-initiated construction of dormitories for persons with disabilities (PWD) at Our Lady of Victory Training Center for the Disabled, and a health center and two units of GK House at the GK Village Upper Kibalang, Marilog District. They also initiated a fun run to benefit the House of Hope Foundation. The House of Hope Foundation houses children diagnosed with cancer together with their families.

Davao Light was awarded the Tripartite Certificate of Compliance (TCC) by DOLE last December 2012, which means that the DOLE will not conduct any inspection in the offices for a period of three years. Favorable recommendation was also issued by DOLE to suppliers and external parties.

Through the years, Davao Light has been consistently cited as the biggest business taxpayer of Davao City. In 2011, it paid ₱71.5 mn to the city government of Davao.

Cotabato Light and Power Company (Cotabato Light)

Cotabato Light supplies electricity to Cotabato City and portions of the municipalities of Datu Odin Sinsuat and Sultan Kudarat, both in Maguindanao. Its franchise area covers approximately 191 square kilometers with a population of approximately 350,692. In 2012, it has a customer base of 33,931 composed of residential, commercial, industrial and flat rate customers.

Cotabato Light was formally incorporated in April 1938. Its original 25-year franchise was granted in June 1939 by the Philippine Legislature. In 1961, the Philippine Congress passed RA 3217 which was further amended by RA 3341 extending Cotabato Light's franchise until June 1989. In August 1989, NEA extended Cotabato Light's franchise for another 25 years, until August 2014. AboitizPower owns 99.94% of Cotabato Light.

As of 2011, Cotabato Light has four transformer substations, consisting of two 10 MVA, one 12 MVA and one 15 MVA. Its substations are served by two 69-kV transmission lines that provide redundancy in case one transmission line fails. Cotabato Light's distribution voltage is 13.8 kV.

Cotabato Light maintains a standby 8-MW Bunker C-fired plant capable of supplying approximately 30% of its franchise area requirements. The existence of a standby power plant, which is capable of supplying electricity in cases of supply problems with PSALM/NGCP and for the stability of voltage whenever necessary, is another benefit to Cotabato Light's customers. Despite the present power shortage in Mindanao, Cotabato Light's franchise area experiences one of the lowest power rotating outages due to its back-up power plant.

Although a relatively small utility, Cotabato Light's corporate relationship with its affiliate, Davao Light, allows the former to immediately implement benefits from the latter's system developments and innovations.

Keeping pace with world class standards, Cotabato Light is using computerized accounting system called ERP from Oracle. Also, Cotabato Light implemented the Oracle's CC&B system, which is a world class billing, collection and customer service related system utilized also by other Distribution Utilities.

Managing its systems loss is a challenge for Cotabato Light. With its various strategies implemented, the system loss was down to 8.25% by December 2012, which is below ERC cap of 8.5%.

The ERC issued its final determination on Cotabato Light's application for approval of its ARR and PIS under the PBR scheme covering a four-year regulatory period which commenced on April 1, 2009 until March 30, 2013.

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

Incorporated on May 17, 1927, SFELAPCO was a grantee of a municipal franchise in 1927. In 1961, the Philippine Congress passed RA 3207 which granted SFELAPCO a franchise to distribute electricity for a period of 50 years or until June 2011. Prior to the expiration of its legislative franchise, or on February 6, 2010, RA 9967 lapsed into law extending the franchise of SFELAPCO for another 25 years from March 24, 2010.

SFELAPCO's franchise in the City of San Fernando, Pampanga covers an area of 202,733 square kilometers with approximately 314.21 circuit-kilometers on its 13.8-kV and 608.21 circuit-kilometers on its 240-volt distribution lines. A total of 35 barangays in the City of San Fernando are currently being supplied by SFELAPCO under its existing franchise. SFELAPCO likewise serves barangays San Isidro and Cabalantian in Bacolor, Pampanga.

SFELAPCO also serves 25 barangays in the municipality of Floridablanca and two barangays in Guagua. This area consists of 124.219 square kilometers with around 89.24 circuit-kilometers of 13.8-kV and 144.69 circuit-kilometers on its 240-volt distribution lines.

On November 11, 2009, SFELAPCO signed a PSA with APRI. Under the PSA, APRI will supply additional energy required by SFELAPCO that cannot be supplied by NPC from December 25, 2009 to September 25, 2010. Thereafter, APRI became the sole provider of power to SFELAPCO until December 25, 2012. The PSA has already been extended up to September 25, 2013, pending the approval by the ERC of the new PSA dated December 5, 2012 between APRI and SFELAPCO.

SFELAPCO is part of the fourth batch of private utilities to enter PBR, and is currently under the four-year regulatory period starting October 1, 2011.

AboitizPower has an effective interest of 43.78% in SFELAPCO.

Subic Enerzone Corporation (SEZ)

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

SEZ's authority to operate SBFZ's power distribution system was granted by SBMA pursuant to the terms of RA 7227 (The Bases Conversion and Development Act of 1992), as amended.

As a company operating within the SBFZ, SEZ is not required to pay the regular corporate income tax of 30% and, instead, pays a preferential tax of 5% on its gross income in lieu of all national and local taxes.

Following the acquisition by AboitizPower in January 2007 of AEV's 64.30% effective ownership interest in SEZ, AboitizPower entered into another agreement on June 8, 2007 to acquire the combined 25% equity stake in SEZ of AEV, SFELAPCO, Okeelanta and PASUDECO. On December 17, 2007, AboitizPower bought the 20% equity of Team Philippines in SEZ for ₱92 mn. Together with Davao Light's 35% equity in SEZ, this acquisition brought AboitizPower's total equity in SEZ to 100%.

In September 2008, SEZ acquired the 100-MVA Subic Substation from NGCP. The substation has a 230/69/13.8kV power transformer supplying power to Subic Bay Industrial Park, Binictican and Kalayaan housing areas, Cubi, Naval Magazine and Grande Island in the SBFZ.

In November 2008, SEZ implemented a rate increase as per approved unbundled rates.

In 2010, SEZ acquired more advanced equipment to further enhance its service to its customers. SEZ purchased a Meter Test Equipment (MTE) 5-Position Test Bench from Germany to improve its meter calibration services. As a result, meter calibration improved from 25 meters to 130 meters a day. SEZ also procured a Megger Fault Locator for underground power cable trouble-shooting. With this new equipment, SEZ can determine electrical underground faults more quickly, thus, reducing power outage time.

In March 2011, SEZ formally launched and implemented the CC&B system as part of its continuing effort to improve customer service.

In April 2011, SEZ installed Automatic Circuit Reclosers (ACRs) on its distribution network to provide electric service continuity by removing a faulted circuit from the system brought about by natural causes.

In May 2011, SEZ installed an additional 69-kV SF6 circuit breaker to its SEZ 100-MVA substation to increase the flexibility and reliability of the substation's 69-kV line supplying its Maritan and Cubi substations. SEZ also completed the preventive maintenance of all its substations namely: Remy Field Substation, SEZ Substation, Cubi Substation, Maritan Substation and SBIP Substation.

SEZ is part of the fourth batch (Group D) of private utilities to enter PBR. The ERC released on July 6, 2011 its final determination on SEZ's application for approval of its MAP, ARR, and Performance Incentive Scheme for the period covering October 2011 to September 2015. The approved MAP for the first regulatory year, as translated into new per customer class rates, has started implementation in January 2012.

SEZ has seen a smooth transition in implementing new PBR power rates in 2012. In July 2012, ERC certified SEZ as a local Retail Energy Supplier (RES).

To further improve Subic freeport's power distribution system, SEZ completed several projects in 2012. SEZ finished its warehouse and toolroom expansion projects in April 2012 to answer the need for more storage space. Also in April, the construction of a backup power supply for the freeport's SBDMC commercial area and re-routing of lines at the Maritan Substation were done.

During the last quarter of 2012, the installation of additional RMU switch at Subic Bay Industrial Park (SBIP), re-routing and replacement of 69-kV Line 1 at Rizal Highway, installation of two reclosers at Naval Magazine, rehabilitation of cross-country lines at Cubi, and rehabilitation of the primary metering of SEZ's biggest industrial customer, Nidec, were completed.

In September 2012, the installation of Supervisory Control and Data Acquisition (SCADA) system at the SBIP substation resulted to full SCADA implementation for the whole SEZ distribution system. All substations are now online thru fiber optics.

Mactan Enerzone Corporation (MEZ)

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

On June 8, 2007, AboitizPower entered into an agreement to acquire AboitizLand's 100% equity stake in MEZ represented by 8,754,443 common shares in MEZ. Pursuant to the agreement, AboitizPower acquired AboitizLand's ownership interest in MEZ valued at P609.5 mn in exchange for AboitizPower's common shares issued at the initial IPO of ₱5.80 per share.

MEZ sources its power from NPC pursuant to a Contract to Supply Electric Energy. Under the said contract, NPC is required to provide power to MEZ up to the amount of contracted load, which is based on the projections provided by MEPZ II locators under their respective Power Service Contracts with MEZ.

In the first quarter of 2011, MEZ mounted three more sets of Automatic Voltage Regulator (AVR) to its old substation to improve voltage levels to locators.

To further provide world-class customer service, MEZ transferred its main administration office to the zone where it operates, MEPZ II, by leasing an office space through a lease agreement with AboitizLand. The MEZ control room was also renovated and expanded to improve the efficiency of operation. The construction of warehouse for slow- moving items in September 2011, the battery room construction in October 2011, and the continuous replacement of wooden poles under 69-kV were also 2011's highlights. To avail of the opportunities in the competitive electricity market, MEZ has become a direct participant in the WESM starting January 2011.

MEZ accomplished numerous projects and activities in the year 2011, including, but not limited to, deployment of CC & B system, launching of safety program and installation of line disconnect switches feeder lines for systems reliability and flexibility. For the 2011 operating period, MEZ also transferred its NGCP metering to its substation in order to minimize line losses and further improve voltage quality.

From July to November 2012, additional transformer banks were installed to the following customers: Atomed, Ina Micro Opto, Passepartout and Matluster to accommodate their load growth.

In 2012, MEZ fully implemented its metering audit as part of its Revenue Protection Program.

Balamban Enerzone Corporation (BEZ)

BEZ was incorporated in January 2007 when Cebu Industrial Park Developers, Inc. (CIPDI), a joint venture between AboitizLand and Tsuneishi Holdings (Cebu), Inc., spun off the power distribution system of the WCIP-SEZ. WCIP-SEZ is a special economic zone for light and heavy industries owned and operated by CIPDI. The park, which is located in Balamban, Cebu, is home to the shipbuilding and ship repair facilities of THI, as well as the modular fabrication facility of Metaphil International and recently, to Austal Philippines Pty. Limited.

On May 4, 2007, CIPDI declared property dividend to its stockholders in the form of its equity in BEZ. On June 8, 2007, AboitizPower entered into an agreement to acquire AboitizLand's 60% equity stake in BEZ represented by 4,301,766 common shares. Pursuant to the agreement, AboitizPower acquired AboitizLand's ownership interest in BEZ valued at P266.9 mn in exchange for AboitizPower's common shares issued at the IPO of ₱5.80 per share.

On March 7, 2008, AboitizPower purchased THC's 40% equity in BEZ for approximately ₱178 mn. The acquisition brought AboitizPower's total equity in BEZ to 100%.

In 2009, with the continued expansions of THI in its building ship business and the construction of additional facilities within the WCIP, BEZ constructed and energized the 25/33 MVA, 69 kV/13.8 kV Buanoy power substation equipped with an MR on load tap changer, strategically located near THI shipbuilding factories to provide additional substation capacity.

On September 25, 2009, BEZ completed the construction of the 33-MVA on-load tap changer substation, including the control room with 15-kV metal-clad switchgear, and the two-kilometer 69-kV line from Arpili to Buanoy substations. BEZ also erected the fast and slow moving warehouses within its Buanoy and Arpili substations, respectively.

In January 2011, BEZ secured firm contracts with Green Core Geothermal Incorporated (GCGI), Cebu Energy and EAUC power suppliers to ensure sufficient power supply to the different industries within the WCIP-SEZ. In the same period, BEZ became a direct member of the Philippine Electricity Market Corporation (PEMC) to avail of the power available at the WESM.

The implementation of the SCADA on March 11, 2011 and the installation of the closed circuit televisions at the different strategic locations in the first quarter of 2011 have greatly improved the operation of BEZ as both of its substations located two kilometers apart were remotely controlled and monitored. In addition, numerous sectionalisers were installed to provide more flexibility and reliability to BEZ power system.

In 2011, BEZ's power sales increased by 29%.

BEZ accomplished numerous projects and activities in the year 2011, including but not limited to, deployment of CC & B system, launching of safety program and installation of line disconnect switches feeder lines for systems reliability and flexibility.

From June to December 2012, BEZ implemented the Automatic Meter Reading (AMR) scheme. This is a pilot project for the whole Distribution Utilities led by Davao Light personnel. AMR is an automatic collection of information, status, meter readings and billings utilizing the End Sight software. It eliminates human error, and data are made available in real time. BEZ was chosen to be the pilot utility because of its small number of installed meters and smaller covered area.

In December 2012, BEZ installed 800 meters of 13.8-kV distribution lines at Spine Road connecting Arpili and Buanoy to increase system reliability.

RETAIL ELECTRICITY AND OTHER RELATED SERVICES (RES)

One of the objectives of electricity reform in the Philippines is to ensure the competitive supply of electricity at the retail level. In particular, when Open Access and Retail Competition (Open Access) is fully implemented, large-scale customers will be allowed to obtain electricity from RES licensed by the ERC.

Aboitiz Energy Solutions, Inc. (AESI)

AESI, a wholly-owned Subsidiary of AboitizPower, holds a license to act as a RES (renewed on October 29, 2012) and a license to act as a Wholesale Aggregator (WA) (issued on January 26, 2007).

AboitizPower offers a range of energy and efficiency services through AESI. These services are designed to help AESI's customers improve the efficiency, cost and reliability of their electric equipment and optimize their electricity consumption.

AESI provides a variety of services which include power quality monitoring and analysis, thermal scanning and power factor evaluation and correction. These services allow power supply customers to properly assess their power consumption profile leading to a more efficient management. Aside from providing technical assistance in power quality analysis, AESI is also involved in project management services for transmission lines and substations. Thus, AESI's operations enable the wide variety of AboitizPower customers, from distribution utilities to large industrial manufacturing firms, to obtain comprehensive services for their various power requirements. From power supply to technical support, AESI provides the one stop convenience of dealing with a single service provider.

As the era of Open Access begins, the same services currently enjoyed by existing AboitizPower generation customers will now be made available by AESI to new retail supply customers. This will positively impact the efficiency of power and the use thereof by industrial and residential customers in the years ahead.

Prism Energy, Inc. (Prism Energy)

Prism Energy was incorporated in March 2009 as a joint venture between AboitizPower and Vivant. It was granted an RES license by ERC on May 22, 2012, and the said license will be effective until May 22, 2017. Prism Energy is envisioned to serve contestable customers in the Visayas Region.

Adventenergy, Inc. (AdventEnergy)

Incorporated in August 2008, AdventEnergy is a licensed RES, duly authorized by the ERC to sell, broker, market, or aggregate electricity to end-users including those within economic zones. AdventEnergy's RES license was renewed with the ERC on June 18, 2012, and is valid until June 18, 2017.

FINANCIAL SERVICES

AEV's financial services group is composed of two companies: (1) Union Bank of the Philippines (UnionBank), a leading universal bank in the country, and (2) City Savings Bank, Inc. (CitySavings), a thrift bank based in Cebu City.

Union Bank of the Philippines (UnionBank)

UnionBank was founded in 1968 as a savings bank and was granted its commercial banking license by the Bangko Sentral ng Pilipinas (BSP) in 1982. In 1992, UnionBank received its license to operate as a universal bank. In 1994, it successfully acquired and merged with the International Corporate Bank, widening its business scope and presence in the Philippines. That same year, UnionBank embarked on a comprehensive corporate restructuring program through investments in technology, creation of new products and the development of online banking capabilities, all of which have become the bank's competitive strengths.

As part of its growth strategy, UnionBank acquired the International Exchange Bank (iBank) in June 2006. The acquisition and merger of iBank catapulted UnionBank to being the seventh largest in terms of assets, seventh largest in terms of loans and ninth largest in terms of deposits among private domestic commercial banks per BSP data as of September 2006. The merger strengthened its position as a top-tier universal bank with the necessary scale and enhanced product offerings to compete in the industry.

UnionBank issued 10-year unsecured subordinated notes eligible as Lower Tier 2 capital at 7.375% per annum in October 2009. It capped its offering at ₱3.75 bn following its strong performance on the first nine months of 2009. Proceeds of the offering were used to increase and strengthen capital base, and to support business expansion plans. Business expansion would be coming principally from growth in retail assets. Customer reach would be enhanced not only through expansion of brick and mortar presence but through the Bank's program of "Bringing the Bank to Customers", building and deepening relationships, connecting and enabling communities. Furthermore, fund sourcing would focus on low cost Current and Savings Account (CASA).

As a universal bank, UnionBank provides a broad range of services such as commercial, retail and corporate banking products and services such as loan and deposit products, cash management services, trust banking services, consumer finance, treasury activities and electronic banking products to high-end corporate segments, middle market, retail customers, and major government institutions.

UnionBank is focused on meeting changes in customer needs through technological advancements and seeks to remain at the forefront of technology-based banking in the Philippines. UnionBank believes that the use of technology and its operational structure has enabled it to capture and secure a loyal customer base as well as to achieve high levels of efficiency and productivity. As part of its future growth strategy, UnionBank aims to establish itself as a leading multiproduct financial services bank in the Philippines by providing a full range of financial products and services, thereby increasing its share of the banking business for all market segments.

UnionBank has received various awards for its achievements. Among its recent market commendations included being recognized in the tenth Annual Finance Asia Polls as the only bank among the top 10 Philippine companies that was cited in three categories, such as Best Corporate Governance, Best Corporate Social Responsibility and Most Committed to a Strong Dividend Policy. UnionBank ranks among the silver awardees for Good Corporate Governance as awarded by the Institute of Corporate Directors.

UnionBank is one of four local banks according to BusinessMirror that was included in the top 25 Philippine companies for achieving a high ranking in the latest Wealth-Added Index (WAI) developed by New York based Stern Stewart & Co. Thomson Reuters-Lipper recognized UnionBank for consistently displaying strong risk-adjusted returns in Philippines Peso Bond Portfolio.

UnionBank was awarded the Asian Banker Achievement Award for Cash Management in the Philippines. It is the first Philippine bank to be certified for the SWIFT Workers' Remittance Service (WRS), allowing cheaper and faster crossborder bank-to-bank transfers. UnionBank received a Product Innovation Partnership award from J.P. Morgan Chase Bank for its active participation in its auto-convert product, an innovation of J.P. Morgan's FX remittance worldwide payment service. In recognition of the Bank's leadership in technological innovation, UnionBank received the Financial Insights Innovation Award from Financial Insights for its Business-to-Government (B2G) Payments.

UnionBank received various distinctions from Visa International for its exemplary achievements in its credit and debit card businesses. UnionBank was awarded the Best Credit Card Product Innovation for its Omnipass Visa and Best Debit Card for EON CyberCard, both under the National Awards Category, at the Lafferty Group's Southeast Asian Payment Card Awards. Both awards reflect the voice of the consumer, having been based on cardholders' experience in terms of the cards' features and benefits, services, product conditions and brand value. The Bank was also recognized for being the Top one Bank with the Highest Controllable Approval Rate by Megalink for having the shortest downtime among Megalink member banks.

The Management Association of the Philippines (MAP) honored UnionBank's Corporate Philanthropy and Social Responsibility program with the Best Education award for its "The UnionBank Learning System: Development Reading Integrated with Values Education for Good Citizenship As a Filipino".

UnionBank was awarded the ISO 9001:2008 certification, an upgrade from its previous ISO 9001:2000 Quality Management System (QMS) Certification obtained in 2008, when it was acknowledged as the first and only bank awarded for its entire centralized backroom operations by TUV Rheinland. Since then, for three consecutive years, the Bank had been certified as having zero non-conformance during quality audit, a testament to the Bank's commitment to maintain compliant, accurate, timely and problem-free service delivery. In 2010, UnionBank was awarded the 27001:2005 Information Security Management System Certification, another first in the Philippine banking system, attesting to its commitment to become an acknowledged leader and benchmark for service quality, technological advancement, and operational excellence.

As of December 2011, AEV beneficially owns 43.27% of UnionBank. Other major shareholders of UnionBank are Insular Life Assurance Company, Ltd. and the Social Security System.

City Savings Bank, Inc. (CitySavings)

CitySavings, a thrift bank, was incorporated on December 9, 1965 and was originally known as Cebu City Savings and Loan Association. It was the first of its kind to be organized under the "Savings and Loan Association Act", otherwise known as Republic Act 3779. CitySavings began its business with a mission to serve ordinary working men and women in the areas where it operates.

From one branch built in 1966, CitySavings now has 31 branches and extension offices nationwide. In recent years, CitySavings have expanded in Luzon where there are opportunities to scale up its operations and tap into new sources of revenue. It has four full branches in Luzon at present including its latest branches in San

Fernando, Pampanga and San Fernando, La Union which opened in November 2011 and March 2012, respectively. The other two branches are located in Calamba, Laguna and Ortigas, Pasig.

Three full branches and three extension offices are located in the Cebu province while other branches and extension offices are located in the cities and municipalities of Iloilo, Leganes, Roxas, Antique, Kalibo, Bacolod, San Carlos, Kabankalan, Dumaguete, Tanjay, Tagbilaran, Ubay, Ormoc, Sogod in Southern Leyte, Tacloban, Calbayog, Catarman in Northern Samar, Borongan, Davao, Tagum and Cagayan de Oro.

CitySavings offers traditional deposit products such as savings, current and time deposits. Such products include the regular savings accounts, student savings accounts, Kaugmaon savings accounts and its 5-year and 7-year high interest time deposit accounts. The regular savings account allows minimum deposits for as low as ₱500, while the student savings is intended primarily to encourage students to save money and learn the value of saving. In 2009, CitySavings launched its CitySavings ACCESS which is the new ATM product under the BANCNET network. This has allowed the CitySavings to enhance its payroll facility offered to valued clients.

Most of its loans are salary loans extended to public school teachers and government employees. CitySavings carries with it over 46 years of experience in teachers' lending, its main loan product since its incorporation. The salary loan is pursuant to the Department of Education's (DepEd) Automatic Payroll Deduction System (APDS).

CitySavings currently employs over 400 employees serving over 100,000 borrowers, and counts on the strong patronage of its more than 70,000 depositors all over the Philippines. It has total capital funds of ₱1.8 bn and total resources of ₱13 bn. It also has one of the best operating efficiencies and the lowest past due ratio in the thrift banking industry. Its capital adequacy ratio has always been above the BSP requirement of 10%.

From an ownership of 34%, AEV offered to acquire an additional 26% of the equity of CitySavings in March 2010 to bring up its direct ownership to 60%. Meanwhile, its wholly owned subsidiary Pilmico Foods Corporation (Pilmico) offered to acquire the remaining 40% of CitySavings. The combined acquisition by AEV and Pilmico was valued at approximately ₱1.36 bn.

On November 17, 2010, the BSP approved AEV's and Pilmico's proposed acquisition of CitySavings. As of December 31, 2011, AEV's beneficial ownership in CitySavings is 99.25%.

FOOD MANUFACTURING

AEV's food manufacturing group is presently made up of Pilmico Foods Corporation (Pilmico) and its Subsidiaries, Pilmico Animal Nutrition Corporation (PANC), Filagri, Inc. (Filagri) and Filagri Holdings, Inc. (Filagri Holdings).

Pilmico Foods Corporation (Pilmico)

Pilmico is one of the country's largest manufacturers of flour and ranks among the top three domestic flour producers in terms of sales.

Incorporated on August 8, 1958, Pilmico started out as a joint venture of the Aboitiz Group, the Lu Do Group, the Soriano Group and the Pillsbury Group of the United States. The Lu Do, Soriano and Pillsbury Groups eventually sold off their holdings to AEV.

Pilmico is primarily engaged in the manufacture of wheat flour and its by-products. As a flour miller, it brings into the market a variety of brands such as "Sun Moon Star," "Sunshine," "Glowing Sun," "Kutitap," "Gold Star" and "Megastar". Aside from these basic all-purpose baking flour brands, it also offers high-end cake flour under the "Wooden Spoon" brand. Pilmico products are distributed nationwide through external distributors and dealers located in major cities like Manila, Davao, Iloilo, Bacolod, Iligan and Cebu. These distributors handle sales to bakeries, restaurant chains, hotels and other large end-users. Pilmico imports both soft and hard wheat, (the main raw materials for its products), from the United States and Canada.

On September 1, 2008, Pilmico commenced commercial operations of its new 115,000-metric ton (MT) feedmill located within its flourmill complex in Iligan City. New grains silos with capacity of 27,000 MT were also completed in September 2008.

In July 2010, Pilmico completed the expansion of its Iligan feedmill, doubling its capacity to produce high quality animal feeds. This allowed Pilmico to meet not only the growing demand for animal feeds in the Visayas and Mindanao regions, but also achieve operating cost efficiencies and yield improvements.

At present, there is a relatively high degree of competition in the domestic flour milling industry. As freight and distribution costs continue to rise, flour companies gain competitive advantage in the areas proximate to their milling plants. On its part, Pilmico's flourmill, which is located in Iligan City, ensures a lion's share in Mindanao's flour consumption as there are only two flour millers operating in Mindanao - Pilmico and Universal Robina, which has a plant in Davao City.

With its dedicated commitment to quality standards in terms of products and processes, Pilmico ensures its competitiveness in the market and increased customer satisfaction. Pilmico's flour and feed mills in Iligan City received the HACCP and ISO 9001:2008 certifications in June and July 2011, respectively.

Pilmico Animal Nutrition Corporation (formerly Fil-Am Foods, Inc.) (PANC)

To diversify the cyclical nature of its existing products, Pilmico entered the swine production and animal feeds businesses in 1997 through PANC(formerly Fil-Am Foods, Inc.), which is a joint venture among Pilmico, Tyson International Holding Company, a subsidiary of Tyson Foods, Inc., and PM Nutrition Company, Inc., an affiliate of Purina Mills, Inc. In January 1999, PANC began commercial operations of its feed milling plants and its started its swine operations in the second half of that year.

In October 2002, PANC became a wholly-owned subsidiary of Pilmico following Pilmico's acquisition of its partners' equity. This strengthened Pilmico's focus and core competence in the feed milling industry.

PANC brings into the animal feeds market a variety of brands such as "Elite," "Ultimax," "Gallimax," "Avemax," "Civic," "Classic," "Lakas Gatas," "Lakas Mama," "Poultry Express," "Pork Solution" and "Poultry Solution". PANC products are distributed nationwide through external distributors and dealers located in major cities like Manila, Davao, Iloilo, Bacolod, Iligan and Cebu.

In January 2010, PANC expanded its product portfolio by venturing into the gamefowl industry through its newest brand of feed, SALTO. SALTO offers a complete feed line, - Chick Booster, Baby Stag Developer, Stag Developer, Maintenance and Conditioner - for a round-up of protection and stamina from brooding and ranging, up to conditioning stage.

In November 2012, PANC completed the construction of its offsite nursery farm and has commenced operation thereafter. With the transfer of the nursery facility out of the breeder farm, breeder farm facility will be expanded to increase sow level from 6,500 to 8,350. To support the expansion program, the construction of 5th grower-finisher farm with 7,200 market hogs capacity and the expansion of 2nd grower-finisher farm from 4,800 to 7,200 market hogs capacity were also completed on the same year.

With its dedicated commitment to quality standards in terms of products and processes, PANC ensures its competiveness in the market and increase customer satisfaction. In July 2011, PANC's feedmill received HACCP and ISO 9001:2008 certifications, while its swine breeder and nucleus farms received the ISO 9001:2008 certification.

Moving forward, PANC aims to continue maximizing and expanding its existing business while looking at opportunities to diversify into other segments of food business that will complement its existing product lines.

Filagri, Inc. (Filagri) and Filagri Holdings, Inc. (Filagri Holdings)

Incorporated on July 30, 1997, Filagri was initially formed to hold PANC's investment in real estate properties. As part of the diversification plans of PANC, Filagri became the project vehicle of PANC's low-cost feeds starting 2012, following the approval of the amendment of the purpose clause of Filagri's Articles of Incorporation. SEC approved the amendments, which also include the change of name from Filagri Land, Inc., to Filagri, Inc., on January 26, 2012. Filagri is a wholly-owned subsidiary of Filagri Holdings.

Filagri started its commercial operations in April 2012. It brings into the animal feeds market brands such as "Pigrow" and "Pigrow Materna". Filagri products are distributed through external distributors and dealers located in major provinces in Luzon such as La Union, Pangasinan, Tarlac, Zambales, Bataan, Pampanga, Bulacan, Rizal, Quezon, Laguna, Cavite and Batangas.

Filagri Holdings is a wholly-owned subsidiary of Pilmico. As of December 31, 2011, Filagri Holdings has 50% equity interest in PANC.

OTHER INVESTMENTS

AEV's other investments include holdings in [i] integrated maritime services through the Aboitiz Jebsen Group of Companies, [ii] aviation through AEV Aviation, Inc. and [iii] real estate through Cebu Praedia Development Corporation (CPDC) and Aboitiz Land, Inc. (AboitizLand).

Aboitiz Jebsen Group

The Aboitiz Jebsen Group, a joint venture with the Jebsen Group of Norway, is primarily engaged in ship management, manning and crew management, and bulk transport businesses. It is composed of Aboitiz Jebsen Bulk Transport Corporation, Aboitiz Jebsen Manpower Solutions, Inc., Jebsen Maritime, Inc. and their affiliated companies.

AEV Aviation, Inc. (AAI)

AAI holds AEV's aviation assets, including the corporate aircraft and accompanying support facilities. Incorporated on October 9, 1990, it was originally known as Spin Realty Corporation, and was reorganized in late 1998 when the AEV corporate aircraft was placed under its holdings.

To date, AAI has 13 employees, one chief pilot, eight pilots, one aircraft mechanic supervisor and three aircraft mechanics. Their task is to serve the aviation needs of AEV's and its Subsidiaries' executives all over the Philippines. AAI operates under the strictest safety measures and complies with all the government's aviation policies, in addition to the aircraft manufacturers' mandated maintenance procedures. All of AAI's pilots, together with the maintenance personnel, undergo rigid trainings not only before they handle the aircrafts, but also annually so that they are armed with the latest knowledge and skills in aviation technology.

AAI has the following aircrafts registered under its name: Beechcraft Premier IA, Bell 429 Chopper and Cessna Citation XLS. All are duly registered with the Civil Aviation Authority of the Philippines.

On December 19, 2011, the SEC approved the increase in the authorized capital stock of AAI. After the said increase, a total of 242,631 common shares and 291,157 redeemable preferred shares were subscribed by and issued to AboitizPower.

AEV has an effective interest of 88.59% in AAI as of December 31, 2012.

Cebu Praedia Development Corporation (CPDC)

CPDC is the holding company for AEV's real estate properties. Incorporated on October 13, 1997, CPDC is engaged in leasing of properties located in the cities of Makati and Cebu. To date, its major property holdings include [i] the commercial building block located at 110 Legazpi Street, Legaspi Village, Makati City that serves as the office of AEV and its Subsidiaries and associates in Metro Manila and [ii] AEV's corporate headquarters located at Gov. Manuel Cuenco Avenue, Kasambagan, Cebu City.

Aboitiz Land, Inc. (AboitizLand)

Registered under Philippine laws on January 1, 1964 initially under the name of Central Visayan Warehousing Co. Inc., AboitizLand is engaged in the design and development of distinct communities for residential, industrial and commercial use. It is an ISO 9001:2008 (Quality Management System) certified company.

Throughout its 18-year history, AboitizLand has continued to innovate to meet the discriminating needs of diverse markets. It calls its customers, *vecinos* (the Basque word for 'neighbor'). Because AboitizLand believes that investing in a home could be the single biggest decision in the life of a Filipino, it commits to provide each *vecino* with the ultimate real estate experience.

AboitizLand's brand idea is Nurturing Communities, and its tagline is 'Made for Life'. Both are supported by three attributes that define AboitizLand's culture and business thrust: nurturing, assuring, enduring.

Since 2009, a matrix-type organization has been formed to support four major business divisions: residential, industrial, commercial and property management.

As of December 2012, AboitizLand has continued to concentrate all its real estate developments in Cebu. It achieved (_____) in net income after tax, a ( )% increase from 2011. As of December 2012, AboitizLand is positioned to grow the recurring business. It continues its property search for another industrial zone and prepares to launch up to three more commercial projects in 2013.

Below are AboitizLand's subsidiaries:

- Cebu Industrial Park Developers, Inc. (CIPDI) is a joint venture between AboitizLand (60%) and the Kambara Group of Japan (40%). It started operations in 1993 with the development and operation of what is now the West Cebu Industrial Park (WCIP) in Balamban, Cebu. WCIP is a 202-hectare industrial development, catering to medium to heavy industries such as shipbuilding and ship recycling facilities, iron and steel manufacturing plants and allied activities. WCIP currently has 10 locators employing approximately 17,000 people.

- Propriedad del Norte, Inc. (PDNI), incorporated in March 2007, is a wholly owned subsidiary of AboitizLand. It is engaged in the purchase and development of real estate. Current land bank stands at 58 hectares, all of which are in Liloan, Cebu.

- Misamis Oriental Land Development Corporation (MOLDC) is a joint venture between AboitizLand (60%) and Kao Corporation of Japan (40%). It was incorporated to acquire, own, sell, develop and hold for investment real estate properties. MOLDC is the developer/operator of Jasaan Misamis Oriental Ecozone, a 25-hectare PEZA-registered development that caters to the oleochemical industry.

Aseagas Corporation (AseaGas)

The Company partnered with British company GazAsia Ltd. to build a plant that produces liquid bio methane fuel from organic wastes derived from municipal solid wastes and other forms of organic wastes. Aseagas Corporation, the company that will undertake this project, will employ existing and proven technology to produce methane gas and liquefy it for transportation purposes. The project is currently in its development stage, and it is planned that the first plant will break ground during the second half of 2013. Aseagas will apply for registration with the Department of Energy as a renewable energy developer in order to avail of the incentives under the Renewable Energy Act of 2008.

AseaGas' mission is to provide carbon neutral energy from society's waste. The company's income will be derived from the sale of methane fuel for vehicles.

(ii) Sales

Comparative amounts of consolidated revenues and profitability of continuing operations, and assets AEV's assets in 2010, 2011 and 2012 are as follow:

	2012	2011	2010
Gross Income		71,997	74,551
Operating Income		22,925	28,869
Total Assets		200,992	174,967

The operations of AEV and its Subsidiaries are based largely in the Philippines.

Comparative amounts of revenue contributing by business grouping[7] are as follows:

	2012		2011		2010	
Power Distribution & Generation			54,476	75%	59,546	79%
Food Manufacturing			14,753	20%	12,880	17%
Financial Services			1,966	3%	1,471	2%
Transport			-	0%	452	1%
Parent & Portfolio			1,308	2%	629	1%
Total Revenues			72,503	100%	74,977	100%
Less: Eliminations			505		427	
Net Revenues			71,997		74,551	

Note: Values in the above table are in Million Pesos.

(iii) Distribution Methods of the Products or Services

POWER GENERATION AND DISTRIBUTION

The Generation Companies sell their electricity either to the WESM or through bilateral PSA's with NPC, private distribution utilities or other large end-users.

Currently, SNAP-Magat and SNAP-Benguet have ASPAs with NGCP as ancillary service providers to the Luzon grid. As ancillary service providers, SNAP-Magat and SNAP-Benguet nominate their available capacity for ancillary service to NGCP (System Operator). If NGCP accepts the nominated ancillary capacity, it will then provide a notice

[7] Percentages refer to the business group's share in net revenue for a given year. Under financial services group, only CitySavings' revenues are reflected starting 2010 when CitySavings became a Subsidiary. Prior to 2010, CitySavings was an associate. To date, UnionBank remains an associate. The revenues of associates do not form part of AEV's consolidated revenue. UnionBanks's 2011, 2010 and 2009 and CitySavings' 2009 contributions to registrant's net income are reported under the account "Share in Net Earnings of Associates". For additional detail on the income contributions of all business segments/groups to AEV, please refer to Business Segment Information of the Notes to the Consolidated Financial Statement.

of ancillary service schedule to SNAP-Magat and SNAP-Benguet. The current Magat ASPA is on partial extension. Initially, it is until December 26, 2012, but it was extended further until March 25, 2013.

Majority of AboitizPower's Generation Companies have transmission service agreements with NGCP for the transmission of electricity to the designated delivery points of their customers, while others built their own transmission lines to directly connect to their customers. In some instances, where the offtaker is NPC, NPC takes delivery of the electricity from the generation facility itself.

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

All of Aboitiz Power's Distribution Utilities have entered into transmission service contracts with NGCP for the use of NGCP's transmission facilities to receive power from their respective Independent Power Producers and NPC/PSALM for distribution to their respective customers. VECO owns a 138-kV tie-line that connects to Cebu Energy's power plant. All customers that connect to the Distribution Utilities distribution lines are required to pay a tariff approved by ERC.

FINANCIAL SERVICES

UnionBank delivers its products and services through multiple channels: 189 branches and 223 ATMs nationwide as of December 31, 2011, a call center and Internet bank at www.unionbankph.com.

CitySavings has 31 branches and extension offices all over the Philippines serving over 100,000 borrowers and more than 70,000 depositors. CitySavings also has 16 ATMs under the BANCNET network.

FOOD MANUFACTURING

Pilmico products are distributed nationwide through external distributors and dealers located in major cities like Manila, Davao, Iloilo, Bacolod, Iligan and Cebu.

REAL ESTATE

AboitizLand's revenue portfolio is largely non-recurring, with 77% average contribution. This refers to residential real estate, contributed by 10 completed and 5 ongoing residential projects. Since the early 1990s, AboitizLand has been developing upper-mid to high-end residential subdivisions with focus on horizontal (lot-only and/ or house-and-lot) products. In 2003, AboitizLand established Cornerstone, a separate division that develops and manages house and lot projects for the middle-income families.

In 2008, the AboitizLand was ready to enter a new sphere – vertical product types – by launching its first mixed-use condominium project, The Persimmon.

The industry has drastically grown over the past five years, moving particularly towards condominium products. AbotizLand introduced many firsts to Cebu real estate – the New Urbanism concept of live-work-play in a large master-planned community (Pristina North); Zen living, which takes off from the spa lifestyle trend (Kishanta); the commercial and residential 'urban village' that is The Persimmon; the introduction of shop houses as a residential product (Ajoya); and most recently, fully-furnished affordable units in an all-studio residential tower (The Persimmon Studios).

Despite stiff local competition and the aggressive entry of national real estate developers to Cebu, AboitizLand has remained a stable performer. 2012 sales reached a record-high (), ()% over 2011.

Collectively, the industrial, commercial and property management divisions of AboitizLand contribute an average of 23% to overall revenue; 20% comes from the industrial business.

AboitizLand is a registered developer/operator of MEZ II where it leases land and provides utility services to locators inside the zone under a BOT Agreement with MCIAA. The 63-hectare zone is home to 44 light manufacturing locators and is fully leased out. In 2011, the BOT agreement with MCIAA was extended to 2048.

The commercial division currently focuses on neighborhood office, lifestyle and retail hubs that complement existing industrial or residential developments. Anticipating growth in the BPO sectors, AboitizLand launched its first BPO office building, iMEZ, thereby expanding its product portfolio.

To support its residential, industrial and commercial products, as well as other companies within the Aboitiz Group, AboitizLand offers property management services. These cover community security, site and infrastructure maintenance, village activities and policy administration. The property management group also engages in water supply distribution for the industrial zone.

(iv) New Products/Services

FINANCIAL SERVICES

In 2011, UnionBank launched 22 new co-brand/affinity credit card partnerships with schools, colleges and universities, alumni associations, corporate foundations, religious, humanitarian, socio-civic and other non-profit organizations, financial security providers, healthcare, optical and medical specialists, hotels and various retail establishments.

UnionBank launched four BusinessLine credit facilities, namely: FeedLine, FranchiseLine, PhoenixLine and BusinessLine First Union Plans (FUP) that allows use of preneed plans as collateral.

During the first quarter of 2011, UnionBank launched an exclusive offer for buyers of premium car brands that offered zero percent interest on balloon payment schemes. UnionBank entered into an agreement with national residential developers that allowed clients to enjoy express loan processing. UnionBank offered Great Treats and Rewards (GT+R) credit card by the 3rd quarter to existing auto and mortgage loan customers, which entitled cardholders to earn rebates, reward points as well as access various GT+R discount merchants. UnionBank introduced a housing and auto loan program customized for seafarers, providing fast loan processing and various insurance freebies.

UnionBank launched an improved version of the Business Check, which gave clients the option to generate more reports, among which was the Certificate of Tax Withheld at Source. UnionBank also introduced OneHub Customs Duties and Taxes, an eSettlement facility for the online viewing and payment of customs duties and taxes. UnionBank also relaunched ePayroll, offering more comprehensive reports and formulas for easier and faster payroll processing. It also introduced EIPP Advance, a customizable, online and real time collection facility. UnionBank partnered with Globe GCASH for eMoney Xchange, a mobile platform that allows transfer of funds between clients' UnionBank account and GCASH wallet.

(v) Competition

On the parent company level, AEV has no direct competitor. However, for reference purposes, other holding and management companies listed in the PSE can be used for comparison.

On the Subsidiary and Affiliate level, competition may be described as follows:

GENERATION BUSINESS

With the privatization of NPC-owned power generation facilities, the establishment of WESM and the impending implementation of retail competition and Open Access, AboitizPower's generation facilities located in Luzon, Visayas and Mindanao will face competition from other power generation plants that supply electricity to the Luzon, Visayas and Mindanao grids.

In particular, SNAP-Magat, SNAP-Benguet, APRI and TLI are expected to face competition from leading multinationals such as AES Corporation, TEaM Energy, GN Power and Korea Electric Power Corporation, as well as power generation facilities owned or controlled by Filipino-owned companies such as Global Business Power Corporation, Trans-Asia Power Generation Corporation, AC Energy Holdings Corporation, First Gen Corporation, DMCI Holdings, Inc. and San Miguel Energy Corporation. Upon the onset of retail competition and Open Access, these foreign and local generation companies are expected to set up their own RES business. Additional competition for open access customers can come from entities that do not generate power but can establish RES operations by acting as demand aggregators.

AboitizPower will face competition in both the development of new power generation facilities and the acquisition of existing power plants, as well as competition for financing these activities. The improving performance of the Philippine economy, the presence of a market to sell, i.e.WESM, and the potential shortfall in the Philippines' energy supply have attracted many potential competitors, including multinational development groups and equipment suppliers, to explore opportunities in the development of electric power generation projects in the Philippines. The new guidelines for Feed-In-Tariffs (FIT) also limit the total installed capacity for each renewable technology eligible for FIT rates. Accordingly, competition for and from new power projects may increase in line with the expected long-term economic growth of the Philippines.

DISTRIBUTION BUSINESS

Each of AboitizPower's Distribution Utilities currently has an exclusive franchise to distribute electricity in the areas covered by its franchise.

Under Philippine law, the franchises of the distribution utilities may be renewed by the Congress of the Philippines, provided that certain requirements related to the rendering of public services are met. The Company intends to apply for the extension of each franchise upon its expiration. The Company may face competition or opposition from third parties in connection with the renewal of these franchises. It should be noted that under Philippine law, a party wishing to secure a franchise to distribute electricity must first obtain a Certificate of Public Convenience and Necessity from ERC, which requires that such party prove that it has the technical and financial competence to operate a distribution franchise, and that there is a need for such franchise. Ultimately, the Philippine Congress has absolute discretion in determining whether to issue new franchises or to renew existing franchises, and the acquisition by competitors of any of the Distribution Utilities' franchises could adversely affect the results of the company's operations.

FINANCIAL SERVICES

UnionBank intends to grow its lending business as it accesses more collateral business and builds its consumer business. It continues to apply appropriate risk management techniques to different types of risk exposures. It continues to leverage on its leading position in technology-driven products and services. As of end-December 2011, it has a total of 189 operational branches. It plans to expand its branch network with ten new branches in key strategic areas, in support of its objective of enhancing customer experience and community banking strategy.

CitySavings competes with other similar thrift banks and rural banks, such as First Consolidated Bank of Bohol and One Network Bank of Mindanao, that operate in Cebu and the neighboring islands of Bohol, Samar, Leyte, Panay, Negros, and Mindanao. In Luzon, the Manila Teachers Mutual Aid System (MTMAS) is CitySavings's major competitor. It also competes with other private lending institutions accredited by the DepEd on APDS that offer the same products and services.

CitySavings' strategy is to strengthen its capabilities as the preferred provider of financial services to people of moderate means, such as the public school teachers, other public servants and the ordinary working class. It also aims to solidify its leadership position in Visayas and Mindanao by protecting and developing its existing market and pursuing branch expansions.

As part of its diversification strategy, CitySavings has expanded its market for salary loans to cover civil servants and employees of private companies. This is an existing market of CitySavings since it has been extending loans to selected local government units and employees of its Affiliates. In 2011, it has further expanded its operations in Luzon through the opening of five branches located in Ortigas, Kalibo, Leganes, Borongan and Pampanga.

FOOD MANUFACTURING

There is a relatively high degree of competition in the domestic flour milling industry. However, because of freight and distribution costs within the Philippine archipelago, flour companies have a competitive advantage in the areas proximate to their milling plants. Pilmico's flourmill is located in Iligan City in Northern Mindanao. The only other flour miller operating in Mindanao is Universal Robina, which has a plant in Davao.

REAL ESTATE

AboitizLand faces stiff competition from local and national real estate developers such as Ayala Land, Inc., Primary Homes, Inc., Filinvest Land, Inc. among others.

(vi) Purchase of Raw Materials and Supplies

As a holding company, AEV's primary business is not dependent on the availability of certain raw materials or supplies. Acquisition and/or purchases of raw material requirements are done at the Subsidiary or Affiliate level.

GENERATION COMPANIES

AboitizPower's hydroelectric facilities harness the energy from the flow of water from neighboring rivers to generate electricity. Some of these facilities have impounding dams allowing the storage of water for later use. The hydroelectric companies on their own, or through NPC in the case of LHC, possess water permits issued by the National Water Resources Board (NWRB), which allow them to utilize the energy from a certain volume of water from the applicable source of the water flow.

Under the APA between APRI and PSALM for the Tiwi-MakBan complex, the management and operation of the geothermal fields which supply steam to the power generation units, remain with Chevron Geothermal Philippines Holdings, Inc. (Chevron). The terms of the steam supply is governed by a Transition Agreement (TA) under which APRI reimburses capital expenditures and operating expenses and pays service fees to Chevron. The TA will take effect no more than four years from the date of the turnover of Tiwi-MakBan to APRI . On or before May 26, 2013, upon fulfilment of preconditions - that Chevron becomes a Philippine corporation and the completion of the rehabilitation of MakBan Plants units 5 and 6 - the TA will be replaced by a Geothermal Resource Service Contract (GRSC). Under the GRSC, the price of steam shall be linked to the Barlow Jonker and Japanese Public Utilities (JPU) coal price indices. As a result, the steam cost structure under GRSC will shift from a largely fixed to a full variable cost.

AboitizPower's oil-fired plants use bunker C fuel to generate electricity. SPPC and WMPC get fuel supplies from NPC pursuant to the terms of their respective ECAs with NPC. EAUC and CPPC each have a fuel supply agreement with Petron; while TMI has existing fuel supply agreements with Shell and Petron for Mobile 1 and Mobile 2, respectively. The fuel prices under these agreements are pegged to the Mean of Platts Singapore (MOPS) index.

STEAG has existing long-term coal supply agreements with PT Jorong Barutama Greston of Indonesia and Samtan Co. Ltd of Korea.

TLI has entered into long-term coal supply contracts for the Pagbilao Plant's annual coal requirements. TLI is continuously looking at and evaluating alternative sources to ensure security of supply.

DISTRIBUTION COMPANIES

Most of AboitizPower's Distribution Utilities have bilateral agreements with NPC for the purchase of electricity, which set the rates for the purchase of NPC's electricity. The following table sets out material terms of each Distribution Company's bilateral agreements with NPC:

Distribution Company	Term of Agreement with NPC	Contract Energy (MWh per year)	Take or Pay	Pricing Formula
VECO	NPC – (extended) expiring in June 2013	364,945	Yes	ERC approved NPC rate plus ERC approved adjustments
Davao Light	NPC– 10 years; expiring in December 2015	1,361,575	Yes	ERC approved NPC rate plus ERC approved adjustments
Cotabato Light	NPC – 10 years; expiring in December 2015	116,906	Yes	ERC approved NPC rate plus ERC approved adjustments
MEZ	NPC – 10 years; expiring in September 2015	114,680	Yes	ERC approved NPC rate plus ERC approved adjustments

The rates at which Davao Light and SFELAPCO purchase electricity from AboitizPower's Generation Companies are established pursuant to the bilateral agreements that are executed after the relevant Generation Company has successfully bid for the right to enter into a PPA with either Davao Light or SFELAPCO. These agreements are entered into on an arm's-length basis, on commercially reasonable terms and are approved by the ERC. ERC's regulations currently restrict AboitizPower's Distribution Utilities from purchasing more than 50% of their electricity requirements from affiliated Generation Companies. Hedcor Sibulan supplies Davao Light with electricity generated from its Sibulan plants pursuant to the Hedcor Consortium's 12-year PSA. To add to its power reserve capacity, Davao Light has entered into a three-year power supply contract with TMI for 15 MW last March 21, 2011, and this was provisionally approved by ERC on May 30, 2011. On February 29, 2012, Davao Light and TMI filed a "Joint Manifestation" with the ERC stating that they agreed to supplement and modify their supply contract to 30 MW. Contract energy of involve 30MW was made available to Davao Light starting March 1, 2012.

VECO has PPAs pursuant to which it entered into a PPA for the purchase of electric energy from CPPC for a period of 15 years starting from the commercial operation date of the latter. On October 16, 2009, VECO entered into an Electric Power Purchase Agreement (EPPA) with Cebu Energy for the supply of 105 MW for 25 years to address VECO's long-term power supply requirement. VECO also signed a five-year contract for the supply of power from Green Core Geothermal Inc. (GCGI) for 60 MW at 100% load factor. GCGI started supplying VECO on December 26, 2010. The company entered into a second PPA with GCGI for the supply of 15-MW starting December 25, 2011. This supply of power replaced NPC's reduction thereof in its contract with VECO.

The provisions of the Distribution Utilities' PPAs are governed by ERC regulations. The main provisions of each contract relate to the amount of electricity purchased, the price, including adjustments for various factors such as inflation indexes, and the duration of the contract. Under current ERC regulations, the Distribution Utilities can purchase up to 90% of their electricity requirements using bilateral contracts.

Meanwhile, Davao Light and Cotabato Light each have its own stand-by plant. Davao Light currently maintains the 54.8-MW bunker C-fired Bajada stand-by plant which is capable of supplying 19% of Davao Light's requirements. Cotabato Light maintains a stand-by 8.1-MW bunker C-fired power plant capable of supplying approximately 35% of its requirements.

TRANSMISSION CHARGES

Each of the Distribution Utilities has entered into a transmission service contract with NGCP for the use of NGCP's transmission facilities in the distribution of electric power from the grid to its customers. The Distribution Utilities have negotiated agreements with NGCP in connection with the amount and form of security deposit to be provided by the Distribution Utilities to NGCP to secure their obligations under their transmission services contracts.

FOOD COMPANIES

AEV's food Subsidiaries import wheat, soybean meal and other grains mostly from various suppliers in the United States and Canada.

(vii) Major Customers

As a holding company providing management services, AEV's principal customers are its Subsidiaries and Associates.

Power Generation and Distribution

Close to ______% of the total electricity generated by the Generation Companies are either sold to private distribution utilities pursuant to long-term bilateral agreements or delivered to NPC pursuant to long-term bilateral power supply agreements. The bilateral agreements with NPC are supported by NPC's credit, which in turn is backed by the Philippine government. The remaining 16% of the total electricity generated by AboitizPower's Generation Companies is sold to the WESM.

Most of AboitizPower's Distribution Companies, on the other hand, have wide and diverse customer bases. As such, the loss of any one customer will have no material adverse impact on AboitizPower. The Distribution Companies' customers are categorized into four principal categories:

(a) *Industrial customers*. Industrial customers generally consist of large-scale consumers of electricity within a franchise area, such as factories, plantations and shopping malls.

(b) *Residential customers.* Residential customers are those who are supplied electricity for use in a structure utilized for residential purposes.

(c) *Commercial customers*. Commercial customers include service-oriented businesses, universities and hospitals.

(d) *Other customers*. Other customers include public and municipal services such as street lighting.

FINANCIAL SERVICES

CitySavings is highly dependent on its salary loan product offered to public school teachers. As of December 31, 2011, CitySavings' total salary loans to teachers amounted 99% of its total loan portfolio.

As an institution engaged in lending to public school teachers for over 46 years, CitySavings has developed an in-depth understanding and expertise in teachers' lending. It has established an efficient collection system and maintains a low NPL ratio of 0.74% as of December 2011. Consequently, the BSP has provided CitySavings with a CAMELS rating of four in the last five years in a scale of one to five, with five being the highest. The composite rating of four indicates a stable bank capable of withstanding unfavorable outside factors or influences. Certain weaknesses are well within the capability of the Board or senior management to correct in the normal course of operation. Risk management policies are satisfactory relative to the institution's size, complexity and risk profile.

In addition, CitySavings is protected under the Thrift Banks Act of 1995, otherwise known as RA 7906. Thrift banks are allowed to extend loans to government employees and collect the same through automatic or direct payroll deductions. This reduces the risk of default on salary loans extended to this sector.

OTHER SUBSIDIARIES AND AFFILIATES

AEV's other Subsidiaries and Affiliates have a wide and diverse customer base. As such, the loss of any one customer will have no material adverse impact on AEV.

(viii) Transactions With and/or Dependence on Related Parties

AEV and its Subsidiaries and associates (the Group), in their regular conduct of business, have entered into related party transactions consisting of temporary advances, professional services and rental fees. These are made on an arm's length basis and at current market prices at the time of the transactions.

ACO, the parent company of AEV, and certain Subsidiaries and associates have service contracts with AEV for corporate center services rendered, such as human resources, internal audit, legal, treasury and corporate finance, among others. These services are obtained from AEV to enable the Group to realize cost synergies. AEV maintains a pool of highly qualified professionals with business expertise specific to the businesses of the Group. Transactions are priced on a cost recovery basis. In addition, transaction costs are always benchmarked on third party rates to ensure competitive pricing. Service Level Agreements are in place to ensure quality of service.

The Group extends temporary interest-bearing advances to ACO for working capital requirements. These are made to enhance the lending parent companies' and Affiliates' yield on their cash balances. Interest rates are determined by comparing prevailing market rates at the time of the transaction.

ACO and certain associates are leasing office spaces from CPDC, a Subsidiary of AEV. Rental rates are comparable with prevailing market prices. These transactions are covered with lease contracts for a period of three years.

The Company's retirement benefit fund is in the form of a trust being maintained and managed by ACO. The said fund has investments in the equities of the Company and one of its Subsidiaries.

No other transaction, without proper disclosure, was undertaken by the Company in which any director or executive officer, any nominee for election as director, any beneficial owner (direct or indirect) or any member of his immediate family was involved or had a direct or indirect material interest.

AEV employees are required to promptly disclose any business and family-related transactions with the Company to ensure that potential conflicts of interest are determined and brought to the attention of management.

(ix) Patents, Copyrights, Franchises and Government Approvals

On June 21, 2012, the Intellection Property Office (IP Office) issued a Certificate of Registration to AEV for its trademark "Driven to Lead, Driven to Excel, Driven to Serve." AboitizPower, in which AEV has interest, was also granted by the IP Office certificates of registration for the following: AboitizPower word mark, AboitizPower and Device, AboitizPower Spiral and Device, Alterspace, Alterspace and Device, A Better Future, Better Solutions, CLEANERGY, Cleanergy Get It and Device, Cleanergy Got It and Device.

AEV's food Subsidiary Pilmico registered the following brands for its flour products: Wooden Spoon, Sun Moon Star, Sunshine, Glowing Sun, Kutitap, Gold Star and Megastar. PANC registered the following brands for its products: Salto, Ultimax, Gallimax, Lakas Gatas, Avemax, Lakas Mama, Civic, Elite, Poultry Express, Classic, Pork Solution and Poultry Solution; and the tagline Angat Sarado.

The businesses of AEV's power Subsidiaries are dependent on government franchises granted them.

AEV's power distribution Subsidiaries either have congressional franchises and certificate/s of public convenience issued by the ERC or its predecessor, or PEZA licenses for the distribution companies operating within special economic zones.

AboitizPower's Generation Companies, as well as Davao Light and Cotabato Light, which own generation facilities, are required under the EPIRA to obtain a COC from ERC for its generation facilities. They are also required to comply with technical, financial and environmental standards provided in existing laws and regulations in their operations.

The business of supplying electricity is currently being undertaken solely by franchised distribution utilities. However, once Open Access starts, the supply function will become competitive. Like power generation, the business of supplying electricity is not considered a public utility operation under the EPIRA. However, it is considered a business affected with public interest. As such, the EPIRA requires all suppliers of electricity to end-users in the Contestable Market, other than distribution utilities within their franchise areas, to obtain a license from ERC in accordance with the ERC's rules and regulations. In preparation for the implementation of Open Access, AboitizPower's wholly-owned subsidiary, AESI, obtained a license to act as a RES (issued on December 6, 2006) and a license to act as a WA (issued on January 26, 2007).

As banking institutions, the business operations of UnionBank and CitySavings are regulated by BSP, SEC, and Philippine Deposit Insurance Commission (PDIC). CitySavings, as an accredited lender institution under DepEd's APDS, also has to comply with the policies issued by DepEd with regard to the setting of interest rates and other fees on loans to public school teachers.

As of the date of this report, these Subsidiaries and Affiliates have the necessary government approvals, franchises, permits or licenses necessary to operate their respective businesses. The Group always strives to maintain a track record of quality services and complies with government regulations to justify and ensure renewal of such franchises or accreditations.

(x) Effect of Existing or Probable Governmental Regulations

Since the enactment of the EPIRA in 2001, the Philippine power industry has undergone and continues to undergo significant restructuring. Among the provisions of the EPIRA which have had or will have considerable impact on AboitizPower's businesses relate to the following:

WHOLESALE ELECTRICITY SPOT MARKET

The WESM, a spot market for the buying and selling of electricity, is a mechanism established by the EPIRA to facilitate competition in the production and consumption of electricity. It aims to: (a) provide for the cost-efficient dispatch of power through an economic merit order; (b) create reliable price signals to assist participants in weighing sell and purchase options; and (c) provide a fair and level playing field for suppliers and buyers of electricity, wherein prices are driven by market forces.

The WESM provides avenue whereby generators may sell power, and at the same time suppliers and wholesale consumers can purchase electricity even when no bilateral contract exists between the two. Although generators are allowed under the WESM to transact through bilateral contracts, these contracts will have to be "offered" to the market for the purpose of determining the appropriate merit order of generators. Settlement for bilateral contracts will, however, occur outside the market between the contracting parties. Traded electricity not covered by bilateral contracts will be settled through the market on the basis of the market clearing prices for each of the trading periods.

OPEN ACCESS AND RETAIL COMPETITION

The EPIRA likewise provides for a system of Open Access to transmission and distribution wires, whereby Transco, its concessionaire, NGCP, and any distribution utility may not refuse the use of their wires by qualified persons, subject to the payment of transmission and distribution retail wheeling charges. Conditions for the commencement of Open Access are as follows:

(a) Establishment of the WESM;

(b) Approval of unbundled transmission and distribution wheeling charges;

(c) Initial implementation of the cross subsidy removal scheme;

(d) Privatization of at least 70% of the total capacity of generating assets of NPC in Luzon and Visayas; and

(e) Transfer of the management and control of at least 70% of the total energy output of power plants under contract with NPC to the IPP administrators.

As provided in the EPIRA, Open Access shall be implemented in phases. The WESM began operations in Luzon in June 2006 and in Visayas in December 2010.

In 2011, the ERC motu proprio initiated proceedings to determine whether Open Access may already be declared in Luzon and Visayas. Following various public hearings, the ERC declared December 26, 2011 as the Open Access Date when full operations of the competitive retail electricity market in Luzon and Visayas shall commence. All electricity end-users with an average monthly peak demand of one MW for the 12 months preceding December 26, 2011, as certified by ERC to be contestable customers, were given the right to choose their own electricity suppliers. However, on October 24, 2011, upon the request of Manila Electric Company (MERALCO), Private Electric Power Operators Association (PEPOA) and Philippine Rural Electric Cooperatives Association, Inc. (PHILRECA) for re-evaluation of the feasibility of the December 26, 2011 Open Access Date, ERC declared the deferment of the implementation of Open Access in Luzon and Visayas by reason of the inadequacy of rules, systems, preparations and infrastructure required therefor.

In 2012, ERC, together with DOE and Philippine Electricity Market Corporation (PEMC), worked on the development of the Transitory Rules to govern the initial implementation of Open Access, which rules were finalized and issued by ERC in December 2012. Under the said rules, ERC declared December 26, 2012 as the Open Access Date, while the period from December 26, 2012 to June 25, 2013 was declared as the Transition Period during which the required systems, processes and information technology structure relating to Open Access will be developed and finalized, and registration of retail electricity suppliers and contestable customers into the WESM database will be instituted. The period from June 26, 2013 to December 25, 2013 will cover the initial commercial operation of Open Access. From December 26, 2013 onwards, full retail competition will be implemented, with PEMC assigned to perform the functions of the Central Registration Body tasked to undertake the development and management of the required systems, processes and information technology structure and the settlement of transactions in the WESM relating to Open Access.

In Mindanao, a truly competitive environment required by Open Access is not expected in the near future because the largest generating asset owned by NPC in Mindanao has yet to be privatized. However, with the DOE initiative in the 4th quarter of 2012 to begin an interim electricity market in Mindanao, a competitive environment can be seen to be developed upon its formal establishment.

UNBUNDLING OF RATES AND REMOVAL OF SUBSIDIES

The EPIRA mandated the unbundling of distribution and wheeling charges from retail rates with such unbundled rates reflecting the respective costs of providing each service. It also mandated the removal of cross subsidies other than the lifeline rate for marginalized end-users which shall subsist for a period of 20 years, unless extended by law. The lifeline rate is a socialized pricing mechanism set by ERC for low-income, captive electricity consumers who cannot afford to pay the full cost of electricity.

Implementation of the Performance-Based Rate-Setting Regulation (PBR)

On December 13, 2006, the ERC issued the Rules for Setting Distribution Wheeling Rates (RDWR) for privately-owned distribution utilities entering PBR for the second and later entry points, setting out the manner in which this new PBR rate-setting mechanism for distribution-related charges will be implemented. PBR replaces the Return on Rate Base (RORB) mechanism which has historically determined the distribution charges paid by customers. Under PBR, the distribution-related charges that distribution utilities can collect from customers over a four-year regulatory period is set by reference to projected revenues which are reviewed and approved by ERC and used by ERC to determine the distribution utility's efficiency factor. For each year during the regulatory period, the distribution utility's distribution charges are adjusted upwards or downwards taking into consideration the utility's efficiency factor as against changes in overall consumer prices in the Philippines.

The ERC has also implemented a Performance Incentive Scheme whereby annual rate adjustments under PBR will take into consideration the ability of a distribution utility to meet or exceed service performance targets set by ERC, such as the: [i] average duration of power outages, [ii]average time of restoration to customers and [iii] average time to respond to customer calls, with utilities being rewarded or penalized depending on their ability to meet these performance targets.

Cotabato Light is in its last regulatory year of its current regulatory period covering April 1, 2009 to March 31, 2013, for which the ERC has previously approved in its Final Determination the four-year Annual Revenue Requirements and Performance Incentive Scheme. On March 2012, the ERC decided on Cotabato Light's application for rates translation, which will effectively be charged to its customers for the 4th regulatory year, i.e., April 1, 2012 to March 31, 2013.

Likewise, Cotabato Light is already preparing for the upcoming reset process of its next regulatory period-April 1, 2013 to March 31, 2017. The activities will include asset revaluation, forecasting operation and maintenance and capital expenditures, setting of new performance targets, among others.

The reset process, however, is potentially delayed due to the absence of a position paper, the document covering the issues at hand and the information requirements for the upcoming reset. This is the result of ERC's direction of adopting a new set of procurement process for its regulatory reset experts which has not been finalized. The said paper was supposed to be released in November 2011. As of year-end 2012, the regulatory reset process has been delayed by 13 months.

On March 2012, VECO and Davao Light filed their rate translation application for the third regulatory year - July 1, 2012 to June 30, 2013. Since implementation by VECO of the rate translation in the second regulatory year was delayed by one month, recovery for the under-recovery was included in its application for the third regulatory year. The ERC set the distribution, supply and metering charges of Davao Light and VECO in its Decisions dated October 29, 2012. Similarly, the under-recoveries arising from the delay are recoverable in the following regulatory year.

For SEZ and SFELAPCO's first regulatory year covering October 1, 2011 to September 30, 2012, SEZC was able to implement the new rate schedule in January 2012 while SFELAPCO's implementation begins in March 2012. The resulting under-recoveries from the lag starting from October 1, 2011 were included by SFELAPCO as under-recoveries in its rates filing in the second regulatory year, which was done in July 2012. SEZC, on the other hand, will be including its under-recoveries in its third regulatory year filing. The PBR rules allow such mechanism in its Maximum Average Price (MAP) formula.

Reduction of Taxes and Royalties on Indigenous Energy Resources

EPIRA mandates the President of the Philippines to reduce the royalties, returns and taxes collected for the exploitation of all indigenous sources of energy, including but not limited to, natural gas and geothermal steam, so as to effect parity of tax treatment with the existing rates for imported coal, crude oil, bunker fuel and other imported fuels. Following the promulgation of the implementing rules and regulations, Former President Arroyo enacted Executive Order No. 100 to equalize the taxes among fuels used for power generation.

Proposed Amendments to the EPIRA

Since the enactment of the EPIRA, members of the Philippine Senate and House of Representatives have proposed amendments to the EPIRA and its implementing rules and regulations. Some of the proposed amendments are as follows.

(a) Disallowance of the recovery of stranded contract costs;

(b) Requiring transmission charges, wheeling charges, connection fees, and retail rates to be approved by the ERC only after due notice and public hearing participated in by all interested parties;

(c) Exclusion from the rate base the following items that Transco and the distribution utilities charge the public corporate income tax, value of the franchise, value of real or personal property held for possible future growth, costs of over-adequate assets and facilities, and amount of all deposits as a condition for rendition and continuation of service;

(d) Prohibition of cross-ownership between generation companies and distribution utilities or any of their subsidiaries, affiliates, stockholders, officials or directors, or the officials, directors, or other stockholders of such subsidiaries or affiliates, including the relatives of such stockholders, officials or directors within the fourth civil degree of consanguinity;

(e) Prohibiting distribution utilities under a bilateral electric power supply contract from sourcing more than 33% of its total electric power supply requirements from a single generation company or from a group of generating companies wholly owned or controlled by the same interests.

(f) Adding the following exceptions under Section 45 of EPIRA (Cross Ownership, Market Power Abuse and Anti-Competitive Behavior): [1] generating companies utilizing or producing power from site-specific indigenous and renewable energy source such as hydro, geothermal and wind power and [2] if the breach in market share limits is due to the temporary or permanent shutdown or non-operation of other generating facilities;

(g) Exemption or deferral of some assets of NPC from privatization, such as the Unified Leyte (Tongonan) Geothermal Complexes, Agus and Polangui Complexes and the Angat Dam;

(h) Expansion of the definition of host communities to include all barangays, municipalities and provinces or regions which protect and maintain watersheds that are providing water supply to the dam or hydroelectric power generating facility;

(i) Requiring distribution utilities to pay a franchise tax equivalent to 3% of the distribution utility's gross income in lieu of all taxes; and

(j) Exemption of a distribution utility or a company holding its shares or its controlling stockholders from the mandatory divestment rule provided under Section 28 of the EPIRA, if the shares of the distribution utility, its parent company or its controlling stockholders are listed in the PSE at the time of the effectivity of RA 9136

The Renewable Energy Act of 2008

RA 9513, or the Renewable Energy Act of 2008 (RE Law), was signed into law by former President Gloria M. Arroyo on December 16, 2008 and became effective in January 2009.

Among the RE Law's declared policies is to encourage and develop the use of the country's renewable energy (RE) resources to reduce the country's dependence on fossil fuels, thereby minimizing exposure to price fluctuations in the international markets, and to reduce or prevent harmful emissions and promote a healthy and sustainable environment.

The RE Law imposes a government share on existing and new RE development projects at a rate of 1% of gross income from sale of renewable energy and other incidental income from generation, transmission and sale of electric power except for indigenous geothermal energy which shall be at a rate of 1.50% of gross income. Micro-scale projects for communal purposes and non-commercial operations with capacities not exceeding 100 kW will not be subject to this government share.

The RE Law offers fiscal and non-fiscal incentives to RE developers, including developers of hybrid systems, subject to a certification by the DOE in consultation with the BOI. These incentives include income tax holiday for the first seven years of commercial operations; duty-free importations of RE machinery, equipment and materials effective within ten years upon issuance of certification, provided, said machinery, equipment and materials are directly, exclusively and actually used in RE facilities; special realty tax rates on equipment and machinery not exceeding 1.50% of the net book value; net operating loss carry-over (NOLCO); corporate tax rate of 10% after the seventh year; accelerated depreciation; zero-percent value-added tax on sale of fuel or power generated from emerging energy sources and purchases of local supply of goods, properties and services needed for the development, construction and installation of RE facilities; cash incentives for RE developers for missionary electrification; tax exemption on the sale of carbon emission credits; tax credit on domestic capital equipment and services. All fiscal incentives apply to all RE capacities upon effectivity of the RE Law. RE producers from intermittent RE resources are given the option to pay transmission and wheeling charges on a per kilowatt-hour basis at a cost equivalent to the average per kilowatt-hour rate of all other electricity transmitted through the grid. On the other hand, electricity generated from emerging RE resources such as wind, solar, ocean, run-of-river hydropower and biomass are given priority dispatch. Electricity generated from RE resources for the generator's own consumption and/or for free distribution to off-grid areas are exempt from the universal charge. The RE Law further provides financial assistance from government financial institutions for the development, utilization and commercialization of renewable energy projects, as may be recommended and endorsed by the DOE.

Pursuant to Department Circular No. DO2009-05-008 dated May 25, 2009 (Rules and Regulations Implementing the Renewable Energy Act of 2008), the DOE, Bureau of Internal Revenue (BIR) and the Department of Finance (DOF) shall, within six months from its issuance, formulate the necessary mechanism and/or guidelines to implement the entitlement to the general incentives and privileges of qualified RE developers. However, as of this date, no specific guidelines or regulations have been issued by the relevant implementing agencies. Such being the case, the renewable energy companies of AboitizPower, such as APRI, LHC, Hedcor Sibulan, Hedcor Tamugan, SNAP-Magat and SNAP-Benguet, filed on August 6, 2010 a request before the BIR Law Division for a ruling on the application of zero-rated value-added tax on all its local purchases of goods and services needed for the development of RE plant facilities, exploration and development of RE sources and their conversion into power. To date, the said request is still pending with the BIR Law Division.

In Resolution No. 10, Series of 2012, the ERC adopted the following feed-in tariff (FIT) and degression rates for electricity generated from biomass, ocean, run-of-river hydropower, solar and wind resources:

	FIT Rate (PhP/kWh)	Degression Rate
Wind	8.53	0.5% after year 2 from effectivity of FIT
Biomass	6.63	0.5% after year 2 from effectivity of FIT
Solar	9.68	6% after year 1 from effectivity of FIT
Hydro	5.90	0.5% after year 2 from effectivity of FIT

NREB is presently in the process of preparing the Renewable Portfolio Standards which, under the RE Law, shall be a market-based policy requiring electricity suppliers to source an agreed portion of their energy supply from eligible RE resources. It is likewise in the process of drafting rules enabling the net metering program for RE, which shall govern distributed generation and providing for the criteria of eligibility of RE developers to the FIT.

New ERC Regulation on Systems Loss Cap Reduction

Under ERC Resolution No. 17, Series of 2008, the actual recoverable systems losses of distribution utilities was reduced from 9.50% to 8.50%. The new system loss cap was implemented in January 2010.

Under the new regulation, actual company use of electricity shall be treated as an expense of the distribution utilities, particularly, as an Operation and Maintenance expense in the PBR applications.

In December 2009, VECO and Cotabato Light filed separate petitions in the ERC for the deferment of the implementation of the new system loss cap of 8.50%, citing circumstances peculiar to their franchise and beyond the control of VECO and Cotabato Light that affect the system loss incidence in their areas.

(xi) Research and Developmental Activities

AEV and its Subsidiaries do not allocate specific amounts or fixed percentages for research and development. All research and developmental activities are done by its Subsidiaries and Affiliates on a per project basis. The allocation for such activities may vary depending on the nature of the project.

(xii) Compliance with Environmental Laws

Businesses under AEV are subject to extensive, evolving and increasingly stringent safety, health and environmental laws and regulations. These laws and regulations, such as the Clean Air Act (RA 8749), address, among other things, air emissions; wastewater discharges; the generation, handling, storage, transportation, treatment and disposal of toxic or hazardous chemicals, materials and waste; workplace conditions; and employee exposure to hazardous substances. The said businesses have incurred and are expected to continuously incur operating costs to comply with the above laws and regulations. However, these costs and expenses cannot be segregated or itemized as these are embedded in, and are part and parcel of, the businesses' overall system in compliance with both industry standards and the government's regulatory requirements.

Standard regulations that govern business operations other than Clean Air Act are Ecological Solid Waste Management Act (RA 9003), Clean Water Act (RA 9275), Toxic Chemical Substances and Hazardous Waste Act (RA 6969), and Philippine Environmental Impact Statement System (Presidential Decree No. 1586). Designated pollution control officers in the different business units closely monitor compliance to the requirements of these regulations.

In 2012, AboitizPower's business units, Hedcor, Inc., APRI–Makban and APRI–Tiwi were accorded by the Department of Environment and Natural Resources (DENR) Environmental Partnership Program Track 1 for superior environmental performance. This recognition is given to companies who show evidence of "going beyond simple compliance, and being driven by competitiveness, image and supply chain requirements to improve their performance".

SNAP–Benguet (Binga Plant) was awarded the ERC's Compliance Certificate for its compliance to energy laws, orders and regulations. SNAP–Benguet (Ambuklao Plant) was awarded Silver Prize in the Best Power Plant Upgrade category by the Asian Power Awards.

In the Food sector, Pilmico merited a re-certification for ISO 9001:2008/hazard analysis and critical points control/good manufacturing practice.

(xiii) Employees

As of February 28, 2013, AEV has a total of 238 employees composed of executives, managers, supervisors, administrative and clerical staff. There is no existing collective bargaining agreement (CBA) covering AEV employees.

The following table provides a breakdown of total employee headcount per strategic business unit basis, divided by function, as of February 28, 2013:

Number of Employees	Business Unit				
	Aboitiz Equity Ventures, Inc.	City Savings Bank, Inc.	Pilmico Foods Corporation & Subsidiary	Aboitiz Land, Inc.	Aboitiz Power Corporation & Subsidiaries
Executives	39	15		4	
Managers	37	95		40	
Supervisors	25	105		59	
Rank & File	117	392		66	
Contractual	20	0		0	
TOTAL	238	607		169	
Unionized Employees	N/A	273		0	
Expiry of CBA	N/A	May 15, 2015		N/A	

(xiv) Major Risk/s Involved in the Business of AEV and its Significant Subsidiaries

An integral part of our Enterprise Risk Management efforts is to understand and anticipate the risks that are crucial to the success of AEV and its businesses. AEV constantly strives to address the risks it might encounter in the businesses in which it is involved. Certain risks however are inherent to specific industries that are not within the direct control of AEV or its investee companies. Of note are the following:

Reputational Risk

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

Today's world of higher corporate governance standards coupled with the rise of civil society groups, social media and greater scrutiny from key stakeholders, has created a new environment where corporate reputation has become a differentiating asset as well as the number one risk.

Managing AEV's reputation requires understanding of its reputational terrain, which has now expanded from the usual general public to its very own team members, partners, shareholders, lenders, communities in which it operate, non-governmental organizations, the regulators, advocacy groups and those in traditional media and social media.

The views of its stakeholders and their perception of the image that the Company communicates over time determine the employer brand, societal and regulatory brand, customer brand and shareholder brand.

Managing reputation risk, which could be the effect of an occurrence of another risk, requires building organization capability through a governance structure and an intelligence process. These are currently in the process of being implemented across the Aboitiz Group, to help ensure that [i] issues are identified early, [ii] business units connect with the identified business strategies, and [iii] prevention and preparation strategies are developed, and changes and issues are properly implemented and monitored.

Managing AEV's reputation through traditional public relations and corporate communications approach will no longer be enough. AEV needs to be equipped with the new rules of the game to be able to gain the valuable trust and credibility of its key stakeholders.

Competition Risk

As with other businesses, AEV and its subsidiaries and affiliates operate in highly competitive environments. As such, failure to properly consider changes in their respective markets and predict the actions of competitors can greatly diminish competitive advantage.

To strengthen this advantage and enable AEV and its Business Units to maximize opportunities, a more robust and comprehensive strategic planning processes have been put in place to formalize these processes and focus their efforts on maximizing their strengths and in addressing their weaknesses.

Integration of Enterprise Risk Management into the Strategic Planning process has also been performed, with the intent of creating synergy that leverages and reinforces both processes. On top of the Business Development Team of AboitizPower, a separate business development organization is also setup in AEV primarily to evaluate and maximize new non-power related business prospects for the Aboitiz Group.

Regulatory Risk

The complexity of the business and regulatory landscape is increasing dramatically. Several of AEV's investments, particularly in the power and banking sectors are now being subject to more stringent regulations.

Companies are navigating through new stricter regulatory requirements with relatively higher stakeholder expectations, and are challenged to do so in ways that support the performance objectives, protects the brand and sustains the value of the company.

To respond proactively to potential fundamental changes that have an impact to its businesses, the Power Group has a dedicated regulatory team that works very closely with the generation companies and distribution utilities and maintains working relations with the Department of Energy and other regulatory agencies. This includes actively participating in the consultative processes that lead to the development of rules and regulatory policies covering its industry. The regulatory team has also developed a strategy anchored on a long term perspective in anticipation of a possible new or changes in existing regulations.

For AEV's Subsidiaries engaged in banking, compliance programs have been implemented and designed to ensure adherence not only to current and applicable laws and regulations, but also to the banks' internal policies, as well as to industry-accepted standards and corporate governance best practices and principles.

Business Interruption Due to Natural Calamities and Critical Equipment Breakdown

Loss of critical functions and equipment caused by natural calamities such as earthquakes, windstorms, typhoons and floods could result in a significant interruption of the businesses. Interruption may also be caused by other factors such as major equipment failures, fires and explosions, hazardous waste spills, workplace fatalities, product tampering, terrorism, and other serious risks.

Regular preventive maintenance of the facilities of the Aboitiz Group is being strictly observed and loss prevention controls are continually being evaluated and strengthened.

In addition, to ensure the continuity of operations in the event of a business interruption, AEV and its Subsidiaries are in the process of developing a Business Continuity and Crisis Management Plan in 2011, and are expected to complete it by end of 2013. Business Interruption insurance has also been procured to cover the potential loss in gross profits in the event of a major damage to the Aboitiz Group's critical facilities and assets.

Financial Risks

In the course of the operation of the Company and its business units, the Company is exposed to financial risks namely, interest rate risk resulting from movements in interest rates that may have an impact on outstanding long-term debt; credit risk involving possible exposure to counter-party default on its cash and cash equivalents, AFS investments and trade and other receivables; liquidity risk in terms of the proper matching of the type of financing required for specific investments; and foreign exchange risk in terms of foreign exchange fluctuations that may significantly affect its foreign currency denominated placements and borrowings.

Details of the risks abovementioned, including measures to mitigate them are discussed in the notes to the financial statements.

Commodity Price Risk

Certain AEV investee companies, specifically those engaged in the food and power businesses have raw material and fuel requirements that are subject to price, freight and foreign exchange volatility factors. Fluctuation in any these volatile elements individually or combined will result to increases in the operating costs of these companies.

To address these exposures, the respective management team of these companies have taken a more active role in understanding the markets, including entering into contracts and hedge positions with the different suppliers of these commodities. In 2013, a Commodity Risk Management framework will be developed to help improve existing capabilities in managing and reducing uncertainty relating to certain commodities.

Working Capital

For 2012, AEV derived its working capital mainly from the steady cash flow generated and contributed by its Subsidiaries and associates.

Item 2. Properties

The office space occupied by AEV belongs to a wholly owned Subsidiary. As a holding company, AEV does not utilize significant amounts of office space.

On a consolidated basis, total property, plant and equipment of AEV were valued at ₱_____ and ₱82.61 bn as of December 31, 2012 and December 31, 2011, respectively broken down as follows:

	2012	2011
Power, Plant & Equipment		74,250,636
Transmission & Distribution Equipment		5,460,360
Machinery & Equipment		3,969,925
Buildings, Warehouses and Improvements		4,222,562
Office Furniture, Fixtures and Equipment		1,291,832
Transportation Equipment		762,873
Land		872,036
Leasehold Improvements		328,966
Handling Equipment		112,128
Flight Equipment		561,218
Ships Under Refurbishment and Construction in Progress		5,197,632
Others		929,718
		97,959,886
Less: Accumulated Depreciation and Amortization		15,351,297
TOTALS		**82,608,589**

Note: Values for the above table are in Thousand pesos.

Locations of Principal Properties and Equipment of AEV subsidiaries are as follows:

SUBSIDIARY	DESCRIPTION	LOCATION/ADDRESS	CONDITION
Cotabato Light & Power Company	Industrial land, buildings/plants, equipment & machineries	Sinsuat Avenue, Cotabato City	In use for operations
Davao Light & Power Company, Inc.	Industrial land, buildings/plants, equipment & machineries	P. Reyes Street, Davao City; Bajada, Davao City	In use for operations
Pilmico Foods Corporation	Industrial land, buildings/plants, equipment & machineries	Kiwalan Cove, Dalipuga, Iligan City	In use for operations
Hedcor, Inc.	Hydropower plants	Kivas, Banengneng, Benguet; Beckel, La Trinidad, Benguet; Bineng, La Trinidad, Benguet; Sal-angan, Ampucao, Itogon, Benguet; Bakun, Benguet	In use for operations
Hedcor Sibulan, Inc.	Hydropower plant	Sibulan, Santa Cruz, Davao del Sur	In use for operations
Cebu Private Power Corporation	Bunker C thermal power plant	Cebu City, Cebu	In use for operations
East Asia Utilities Corporation	Bunker C thermal plant	Lapu-lapu City, Mactan, Cebu	In use for operations
AP Renewables, Inc.	Geothermal power plants	Tiwi, Albay; Caluan, Laguna; Sto. Tomas, Batangas	In use for operations

SUBSIDIARY	DESCRIPTION	LOCATION/ADDRESS	CONDITION
Therma Marine, Inc.	Barge-mounted diesel power plants	Nasipit, Agusan del Norte; Barangay San Roque, Maco, Compostela Valley	In use for operations
Pilmico Animal Nutrition Corporation	Industrial land, building/plant equipment & machineries	Barangay Sto. Domingo II, Capas, Tarlac	In use for operations
Therma Mobile, Inc.	Barge-mounted diesel power plants	G/F PFDA Bldg. Navotas Fishport Complex, Navotas City	In use for operations
Therma Visayas, Inc.	Land	Bato, Toledo, Cebu	For Plant Site
Therma South, Inc.	Land	Davao City and Davao del Sur	For Plant Site
Aboitiz Land, Inc.	Land		

Item 3. Legal Proceedings

Material Pending Legal Proceedings

AEV and its Subsidiaries and Affiliates are involved in various legal actions, most of which occur in the ordinary course of business. However, AEV does not expect that the results of any of these actions will have a material effect on the Company's financial position.

Item 4. Submission of Matters to a Vote of Security Holders

There were no matters submitted to a vote of security holders during the fourth quarter of the fiscal year covered by this report.

PART II - OPERATIONAL AND FINANCIAL INFORMATION

Item 5. Market for Issuer's Common Equity and Related Stockholder Matters

(1) Market Information

AEV's common shares are traded on the Philippine Stock Exchange.

The high and low stock prices of AEV's common shares for each quarter within the past two years and first quarter of 2013 were as follows:

	2013		2012		2011	
	High	Low	High	Low	High	Low
First Quarter	NA	NA	54.80	40.20	47.00	33.30
Second Quarter	NA	NA	53.90	45.00	42.15	37.50
Third Quarter	NA	NA	49.45	47.00	42.35	36.00
Fourth Quarter	NA	NA	52.95	47.90	41.20	36.00

As of February 28, 2013, AEV has 9,797 shareholders. Common shares outstanding as of the same date totaled 5,521,871,821. The closing price of AEV common shares as of February 28, 2013, 2012 is ₱____ per share.

(2) Holder

The top 20 stockholders of AEV as of February 28, 2013 are as follows:

	STOCKHOLDER	NATIONALITY	COMMON SHARES	PERCENTAGE
1	Aboitiz & Company, Inc.	Filipino	2,735,600,915	49.54%
2	PCD Nominee Corporation	Filipino	704,530,059	12.76%
3	PCD Nominee Corporation	Non-Filipino	503,541,248	9.12%
4	Ramon Aboitiz Foundation, Inc.	Filipino	420,915,863	7.62%
5	Sanfil Management Corp.	Filipino	116,790,211	2.12%
6	Chanton Management & Development Corp.	Filipino	62,118,484	1.12%
7	Windemere Management & Development Corporation	Filipino	47,666,352	0.86%
8	Donya 1 Management & Development Corporation	Filipino	43,136,359	0.78%
9	Morefund Management & Development Corporation	Filipino	40,000,000	0.72%
10	Anso Management Corporation	Filipino	34,369,707	0.62%
11	Bauhinia Management, Inc.	Filipino	32,643,799	0.59%
12	Mario Ugarte	Filipino	23,531,731	0.43%
13	MYA Management & Development Corporation	Filipino	22,494,414	0.41%
14	Parraz Development Corporation	Filipino	22,380,003	0.41%
15	Les Folatieres Holdings, Inc.	Filipino	20,779,308	0.38%
16	Luis Miguel O. Aboitiz	Filipino	20,092,133	0.36%

	STOCKHOLDER	NATIONALITY	COMMON SHARES	PERCENTAGE
17	Guada Valley Holdings Corp.	Filipino	17,688,445	0.32%
18	Melissa Marie O. Aboitiz	Filipino	15,654,815	0.28%
19	Ma. Cristina; Jaime Jose Aboitiz; Luis Alfonso Aboitiz	Filipino	13,605,767	0.25%
20	Unionbank TISG as Investment Manager for IMA #4B1	Filipino	12,737,111	0.23%
	SUB-TOTAL		**4,910,276,724**	**88.92%**
	Other Stockholders		**611,595,097**	**11.08%**
	TOTAL SHARES		**5,521,871,821**	**100.00%**
	NET ISSUED AND OUTSTANDING SHARES		**5,521,871,821**	

(3) Dividends

The cash dividends declared by AEV to common stockholders from fiscal year 2011 to the first quarter of 2013 are shown in the table below:

Year	Cash Dividend Per Share	Total Declared	Record Date
2013 (regular)	₱1.44	₱7.9 bn	03/19/2013
2013 (special)	₱0.56	₱3.0 bn	03/19/2013
2012	₱1.58	₱8.7 bn	03/16/2012
2011	₱1.58	₱8.7 bn	03/17/2011

In a special meeting held on January 11, 2007, the AEV Board of Directors approved the policy of distributing at least one-third of its previous year's earnings as cash dividends to its stockholders for subsequent years.

(4) Recent Sales of Unregistered or Exempt Securities, Including Recent Issuance of Securities Constituting an Exempt Transaction

(a) On May 14, 2010, AEV signed a Notes Facility Agreement with a consortium of primary institutional lenders for the issuance of 6-year peso-denominated corporate fixed rate notes ("Notes") in the principal aggregate amount of up to ₱2.5 bn through a private placement to not more than 19 institutional investors pursuant to SRC Rule 9.2 (2) (B). First Metro Investment Corporation and Metropolitan Bank & Trust Company – Trust Banking Group acted as the Arranger and Notes Facility Agent respectively. The proceeds of the Notes were used to fund AEV's investments in various projects, including capital expenditures and acquisitions.

The following are the details of the corporate notes held by institutional investors as of December 31, 2012:

NOTEHOLDERS TRANCHE 1	AMOUNT DUE
The Insular Life Assurance Co., Ltd.	₱700,000,000
Metropolitan Bank & Trust Company – Trust Banking Group as Investment Manager for 3011-00131-10	50,000,000
Metropolitan Bank & Trust Company – Trust Banking Group as Investment Manager for 3011-00011-10	50,000,000
Metropolitan Bank & Trust Company – Trust Banking Group as Investment Manager for 3011-00133-10	50,000,000
Metropolitan Bank & Trust Company – Trust Banking Group as Investment Manager for 3011-00132-10	50,000,000
Metropolitan Bank & Trust Company – Trust Banking Group as Investment Manager for 3011-00141-09	20,000,000
Metropolitan Bank & Trust Company – Trust Banking Group as Investment Manager for 3011-00001-09	50,000,000
Metropolitan Bank & Trust Company – Trust Banking Group as Investment Manager for 3015-00064-06	145,000,000
Metropolitan Bank & Trust Company – Trust Banking Group as Investment Manager for 3011-00064-09	35,000,000
The Philippine American Life & General Insurance Co.	440,000,000
Social Security System	250,000,000
Metropolitan Bank & Trust Company – Trust Banking Group as Investment Manager for De La Salle University	50,000,000
Metropolitan Bank & Trust Company – Trust Banking Group as Investment Manager for Xavier School	50,000,000
Metropolitan Bank & Trust Company – Trust Banking Group as Trustee	50,000,000
TOTAL	**1,990,000,000**
NOTEHOLDERS TRANCHE 2	**AMOUNT DUE**
First Metro Investment Corporation	196,000,000
Metropolitan Bank & Trust Company	196,000,000
Philippine Savings Bank	107,800,000
TOTAL	**₱499,800,000.00**

(b) On November 23, 2010, AEV signed a Notes Facility Agreement with a consortium of primary institutional lenders for the issuance of 5-year and 1 day peso-denominated corporate fixed rate notes (“Notes”) in the principal aggregate amount of up to ₱1.5 bn through a private placement to not more than 19 institutional investors pursuant to SRC Rule 9.2 (2) (B). BPI Capital Corporation and Bank of the Phillipine Islands – Asset Management and Trust Group acted as the Arranger and Notes Facility Agent respectively. The proceeds of the Notes were used for refinancing and for general corporate use of AEV.

The following are the details of the corporate notes held by institutional investors as of December 31, 2011:

NOTEHOLDERS	AMOUNT DUE
Bank Of The Philippine Islands	₱497,500,000
BPI AMTG as Investment Manager for ALFM Peso Bond	697,675,000
BPI AMTG as Trustee	297,325,000
TOTAL	₱1,492,500,000

The underwriting fees paid to the Arrangers of the ₱2.5 bn and ₱1.5 bn corporate notes were ₱10.7 mn and ₱4 mn, respectively.

UNDERTAKING TO DISTRIBUTE SEC FORM 17-Q DURING THE ASM

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ATTY. JUSTINA F. CALLANGAN
Director, Corporation Finance Department
Securities and Exchange Commission
SEC Building, EDSA Greenhills
Mandaluyong City
Metro Manila

Re: SEC Form 17-Q for First Quarter 2013

Dear Atty. Callangan:

This is in reference to Aboitiz Equity Ventures, Inc.'s (AEV) SEC Form 17-Q for the first quarter due on May 15, 2013. Considering that the deadline for filing said SEC Form 17-Q is very near the scheduled Annual Stockholders Meeting (ASM) on May 20, 2013, undersigned undertakes to furnish the shareholders copies of said report during the ASM.

Thank you.

Very truly yours,

M. JASMINE S. OPORTO
Corporate Secretary

Item 6. Management's Discussion and Analysis or Plan of Action

Year ended December 31, 2012 vs. Year ended December 2011

Year ended December 31, 2011 vs. Year ended December 2010

The following discussion and analysis of Aboitiz Equity Ventures, Inc.'s ("AEV" or the "Company" or the "Parent Company") consolidated financial condition and results of operations should be read in conjunction with the consolidated financial statements and accompanying schedules and disclosures set forth elsewhere in this report.

KEY PERFORMANCE INDICATORS
(Amounts in thousands except financial ratio data)

	JAN-DEC 2011	JAN-DEC 2010
EQUITY IN NET EARNINGS OF INVESTEES	**11,229,066**	6,843,156
EBITDA	**38,906,442**	40,030,498
CASH FLOW GENERATED:		
Net cash provided by operating activities	**23,568,689**	**29,550,862**
Net cash used in investing activities	**(5,791,837)**	(5,719,574)
Net cash used in financing activities	**(14,333,987)**	(3,254,452)
Net Increase in Cash & Cash Equivalents	**3,442,864**	20,576,836
Cash & Cash Equivalents, Beginning	**26,097,203**	5,582,228
Cash & Cash Equivalents, End	**29,543,492**	26,097,203
CURRENT RATIO	**2.96**	2.36
DEBT-TO-EQUITY RATIO	**1.12**	1.23

DESCRIPTION OF KEY PERFORMANCE INDICATORS:

1. **EQUITY IN NET EARNINGS OF INVESTEES.** Equity in net earnings (losses) of investees represents the group's share in the undistributed earnings or losses of its investees for each reporting period subsequent to acquisition of said investment, net of goodwill impairment cost, if any. Goodwill is the difference between the purchase price of an investment and the investor's share in the value of the net identifiable assets of investee at the date of acquisition. Equity in net earnings (losses) of investees indicates profitability of the investments and investees' contribution to the group's consolidated net income.

   Manner of Computation: Investee's Net Income (Loss) x Investor's % ownership – Goodwill Impairment Cost.

2. **EARNINGS BEFORE INTEREST, TAXES, DEPRECIATION & AMORTIZATION (EBITDA).** The Company computes EBITDA as earnings before extra-ordinary items, net finance expense, income tax provision, depreciation and amortization. It provides management and investors with a tool for determining the ability of the group to generate cash from operations to cover financial charges and income taxes. It is also a measure to evaluate the group's ability to service its debts and to finance its capital expenditure and working capital requirements.

3. **CASH FLOW GENERATED.** Using the Statement of Cash Flows, management determines the sources and usage of funds for the period and analyzes how the group manages its profit and uses its internal and external

sources of capital. This aids management in identifying the impact on cash flow when the group's activities are in a state of growth or decline, and in evaluating management's efforts to control the impact.

4. **CURRENT RATIO.** Current ratio is a measurement of liquidity, calculated by dividing total current assets by total current liabilities. It is an indicator of the group's short-term debt paying ability. The higher the ratio, the more liquid the group.

5. **DEBT-TO-EQUITY RATIO.** Debt-to-Equity ratio gives an indication of how leveraged the group is. It compares assets provided by creditors to assets provided by shareholders. It is determined by dividing total debt by stockholders' equity.

DISCUSSION ON KEY PERFORMANCE INDICATORS:

Amidst external market volatilities and challenges, management expected 2011 to be another outstanding year for the group in terms of sustainable profitability and financial stability. As can be gleaned from the resulting key performance indicators, these expectations were achieved.

Equity in net earnings of investees registered a 64% year-on-year ("YoY") increase. This improvement was largely attributed to the strong performance of the majority of the power associates. Bulk of the increase was coming from the growth in the combined income contributions of SN Aboitiz Power-Magat, Inc. (SNAP-Magat) and SN Aboitiz Power-Benguet, Inc. (SNAP-Benguet) due to significant upsurge in their ancillary service revenues.

The growth in equity earnings of associates more than offset the 3% decrease in EBITDA. The drop in EBITDA was mainly due to the decline in gross profit of the power generation group as sales volume dipped and average selling prices softened during the current year. Increase in coal and steam supply costs likewise put a squeeze on the profit margins of the group.

Management teams of the different businesses continued to effectively handle and monitor their respective operating performances and financial requirements. As a result, profitability was sustained, generating positive cash inflows from operations, and the needed funds were raised to finance various investments and projects. The group registered healthy financial ratios at year-end 2011. This strong financial position enabled the Group to deliver higher value directly to its shareholders while continuing to invest in its growth opportunities.

Review of 2011 Operations versus 2010

Results of Operations

AEV and its subsidiaries recorded a consolidated net income of ₱21.19 billion, a 3% YoY decrease, which translated to a lower earnings per share of ₱3.84. In terms of income contribution, power group still accounted for the lion's share at 78%, followed by the banking and food groups at 16% and 6% each.

The Group generated a non-recurring net gain of ₱366 million (versus ₱30 million in 2010), which comprised the following: (1) a ₱266 million gain from a power subsidiary's revenue adjustment that resulted from the favorable ruling by the industry regulator involving its ancillary services tariff structure; (2) a ₱163 million gain from a power associate's recovery of costs relating to its fuel importation; (3) a ₱149 million gain from a power subsidiary's reversal of an accrued expense relating to its IPPA contract ; (4) a net foreign exchange loss of ₱123 million from the revaluation of dollar-denominated loans and placements; and (5) ₱89 million loan pre-termination fees. Sans one-off items, the Group's core net income for the current year amounted to ₱20.82 billion, down 5% YoY.

Power

Aboitiz Power Corporation (AP) and its subsidiaries ended the year with an income contribution of ₱16.50 billion, a 14% decline from last year's ₱19.13 billion.

AP's generation group posted a 16% YoY drop in earnings contribution to AEV, from ₱18.63 billion to ₱15.61 billion, resulting from the decline in profit margins given the lower average selling prices and net generation recorded during the current year. As compared to 2010 levels, average selling prices dipped 7% as spot market prices softened amid flat demand for electricity and increase in supply in the Luzon Wholesale Electricity Spot Market (“WESM”). This negative impact on revenues was cushioned by the group’s strategic move to enter into more bilateral agreements, thus, increasing its contracted sales and lowering its exposure to the price volatility of the spot market. Meanwhile, the group’s attributable net generation decreased by 3%, from 9,762 GWh to 9,422 GWh, as sales made through the WESM reduced owing to prevailing low prices. The higher costs of coal and steam supply also contributed to the decline in earnings as it reduced the profit margins on contracted sales.

Partially offsetting the decrease in income contributions were the higher earnings of SNAP-Magat, SNAP-Benguet, STEAG State Power Inc. (STEAG), and Therma Marine, Inc. (TMI), and the full contributions of Cebu Energy Development Corporation (CEDC) and Hedcor Sibulan, Inc. (“HSI”). For the SNAPs, the improvement was due to the increase in their ancillary service revenues. STEAG’s earnings growth was attributed to higher coal margins and its recording of some non-recurring gains, vis-à-vis last year’s non-recurring loss. TMI’s increase was likewise due to increase in profit margins brought about by higher sales and its one-time billing of a tariff rate adjustment amounting to ₱348 million.

AP’s distribution group registered a 24% YoY rise in earnings contribution to AEV, from ₱1.48 billion to P1.83 billion. Driving this growth was the 3% YoY expansion in attributable electricity sales, from 3,606 GWh to 3,727 GWh, mainly coming from the 6% increase in the power consumption of industrial customers. Higher selling prices resulting from the implementation of the rate increase (under a Performance Based Regulation scheme) by certain distribution utilities also complemented the group’s profit improvement. Furthermore, Davao Light & Power Company, Inc.’s (DLP) operating expenses declined YoY, as operation of its back-up power plant was not required given the improved power supply situation in Mindanao during the current year.

Financial Services

Income contribution from the financial services group grew by 31%, from last year’s ₱2.63 billion to ₱3.44 billion. Union Bank of the Philippines (UBP) ended the current year with an earnings contribution of P2.91 billion, an increase of 26% YoY, while City Savings Bank Inc.’s (CSB) share in earnings was ₱531 million, up 69% YoY. The main drivers of this growth were the improvement in the operating performances of UBP and CSB, and AEV’s increased ownership in both banks.

UBP’s 2011 net income was higher at P6.6 billion (vs ₱5.35 billion in 2010) mainly due to the 56% YoY increase (₱9.56 billion vs ₱6.13 billion) in its non-interest income, which more than made up for the 17% decline (₱5.21 billion vs ₱5.16 billion) in net interest income after impairment losses. AEV’s higher ownership in UBP, from 40.91% to 43.27%, also boosted UBP’s income contribution.

The 7% YoY increase in CSB’s net income, from P499 million to ₱535 million, was attributed mainly to the 33% growth in its interest income on loans and service fees as total loan booked during the year in review was up by 52% YoY to ₱9.9 billion. Enhancing the growth in CSB’s earnings contribution was the full-year recognition of AEV’s 99.3% share of CSB’s net income (vis-à-vis last year’s 99.3% equity up based only on the 4th quarter earnings with the rest still computed based on the old 40.6% ownership).

Food

Income contribution from Pilmico Foods Corporation (PFC) and its subsidiaries amounted to ₱1.23 billion, down 19% YoY. In the flour division, increase in wheat cost outpaced the growth in sales, resulting to a 36% YoY decline in its income contribution. The swine business’ earnings contribution also fell by 75% YoY due to lower margins coming from the decrease in average selling prices (ASP) and higher input costs. Partially offsetting these decreases was feeds division’s 14% improvement in income contribution, as higher ASP countered the rise in raw material costs.

Material Changes in Line Items of Registrant’s Statements of Income and Comprehensive Income

AEV’s consolidated net income attributable to equity holders registered a 3% decline, from last year’s ₱21.86 billion to ₱21.19 billion.

Operating profit amounted to ₱22.92 billion, a 21% drop from the ₱28.87 billion generated in 2010. This was brought about by the ₱2.55 billion decrease in consolidated revenues and the ₱3.39 billion increase in costs and expenses. Both power and food groups recorded lower operating margins during the year in review.

Power subsidiaries reported a combined 22% YoY decline in operating margins resulting from the 9% decrease in consolidated revenues and the 2% increase in costs and expenses. Revenues were lower at ₱54.48 billion (vs ₱59.55 billion in 2010) substantially due to the decrease in sales of Therma Luzon, Inc. (TLI) and Aboitiz Power Renewable Inc. (APRI). For both subsidiaries, it was mainly due to the drop in average selling prices and sales volume as WESM prices softened and sales made thru WESM correspondingly lessened due to the prevailing low prices. This decrease was partially tempered by the increase in sales of the distribution subsidiaries.

Food group reported a 9% YoY decrease in operating margins as the ₱2.05 billion increase in costs and expenses more than offset the ₱1.87 billion rise in revenues. The 15% improvement in sales (₱14.75 billion vs ₱12.88 billion in 2010) was largely attributed to growth in sales volume for swine and feeds, and the higher selling prices for both flour and feeds. The 19% spike in costs (₱12.96 billion vs ₱10.92 billion in 2010) was mainly due to the increasing costs of raw materials of these three businesses.

The decline in consolidated operating profit was partially offset by the ₱148 million increase in gross margin contribution of CSB and the ₱4.38 billion growth in equity earnings.

Share in net earnings of associates registered an 64% YoY improvement (₱11.23 billion vs ₱6.84 billion in 2010) due to the strong performance of the majority of the power associates and of UBP. Bulk of the increase was coming from the combined income contributions of SNAP-Magat and SNAP-Benguet due to the upsurge of their ancillary service revenues. Growth in ancillary service sales was a result of the higher level of acceptance by the National Grid Corporation of the Philippines of these hydro plants' nominated capacities . With the elevated water levels during the current year, both SNAP plants' capability to provide ancillary services was significantly enhanced. The fresh income contribution of CEDC which had its full commercial operation of its 246 MW coal plant in 2011, the higher earnings of STEAG due to the increase in its coal margins and recording of a one-off gain on cost reimbursements from NPC on fuel importations (vis-à-vis last year's refinancing costs), and the increase in UBP bottomline attributable to substantial trading gains realized during the year in review, further boosted this growth in equity earnings of associates.

While net interest expense remained flat in 2011, other income decreased by 49% substantially due to lower foreign exchange (FX) gains (₱12 million vs ₱1.39 billion in 2010). This was the result of the restatement of the dollar-denominated debt of the power group under an unchanged peso scenario as of year-end 2011 when FX rate for the US$ stood at ₱43.84 to a dollar, exactly the same rate as of the start of the year, compared to the ₱2.36 peso appreciation as of year-end 2010 when FX rate was at ₱43.88, coming from a ₱46.20 rate as of the start of that year.

The 6% increase in provision for income tax (₱1.73 billion vs ₱1.62 billion in 2010) was mainly due to the higher taxable income of CSB and the majority of the power distribution subsidiaries.

The 9% dip in net income attributable to minority interests was mainly due to the decline in power group's net income, 24% of which, belongs to minority shareholders.

AEV's consolidated comprehensive income attributable to equity holders decreased by 3%, from ₱22.21 billion in 2010 to ₱21.49 billion in 2011. This was mainly due to the decline in the 2011 consolidated net income.

Changes in Registrant's Resources, Liabilities and Shareholders Equity

Assets

Compared to year-end 2010 levels, consolidated assets increased 15% to ₱200.99 billion as of December 31, 2011, due to the following:

a. Cash & Cash Equivalents increased by ₱3.45 billion mainly due to the excess cash generated from operations and cash dividend collections from associates, after the group spent for various asset acquisitions, debt servicing and cash dividend payments.

b. Trade and Other Receivables increased by 40% (₱22.02 billion vs ₱15.7 billion in Dec. 2010) mainly due to TMI's higher collectibles from customers, CSB's and food group's rise in revenues which resulted in higher trade receivables, and the ₱2.5B cash dividend receivable from a power associate.

c. Inventories increased by 21% (₱4.93 billion vs ₱4.08 billion in Dec. 2010) mainly due to the increase in wheat inventory of food group and coal inventory of TLI.

d. Other Current Assets increased by 18% (₱2.22 billion vs ₱1.88 billion in Dec. 2010) mainly due to the build-up of VAT inputs by power generation subsidiaries.

e. Gross of depreciation expense, the resulting increase in Property Plant and Equipment was mainly due to the following: 1.) purchase of 4 barge-mounted floating power plants (₱2.9B); 2.) APRI's plant rehabilitation (₱2.6B); 3.) on-going construction of Hedcor Irisan hydro plant and Davao coal plant (₱781 million); and 4.) capital expenditures of AP distribution group (₱1 billion) and food group (₱498 million).

f. Intangible Asset – Service Concession Right increased by 344% (₱4.16 billion vs ₱937 million in Dec. 2010) due to first-time consolidation of LHC's plant which is booked as an intangible asset under IFRIC 12.

g. Investments in and Advances to Associates increased by 9% (₱48.76 billion vs ₱44.85 billion in Dec. 2010) mainly due to the purchase of ₱910 million worth of UBP shares, the ₱856 million additional capital infusion into Manila Oslo Renewable Enterprise, Inc. (MORE), and recording of ₱11.23 billion share in earnings of associates during the current year. This increase was partially reduced by the ₱7.14 billion cash dividends received and ₱367 million collection of advances from associates, and the ₱1.71 billion downward adjustment due to the consolidation of LHC in 2011 (as compared to being equitized in 2010).

h. Deferred Income Tax Assets increased by 7% (₱269 million vs ₱251 million in Dec. 2010) mainly due to the first-time consolidation of LHC's accounts.

i. Other Noncurrent Assets increased by 195% (₱4.22 billion vs ₱1.43 billion in Dec. 2010) mainly due to the P2.2 billion downpayment made on purchase of turbines by a power subsidiary and the increase in VAT input tax credit certificates of certain AP subsidiaries.

Liabilities

Consolidated short-term bank loans decreased by 6% (₱5.3 billion vs ₱5.67 billion in Dec. 2010) while long-term liabilities increased by 9% (₱80.74 billion vs ₱74.06 billion in Dec. 2010). The decline in short-term loans was mainly due to the prepayments made by power group using internally-generated funds. The upward movement in long term debt was mainly due to the following: 1.) ₱1.7 billion net proceeds by AP Parent from its issuance of additional ₱5.0 billion peso-denominated corporate fixed rate notes in 2011, less the prepayment made during the same year on the ₱3.33 billion 5-year corporate notes it issued in 2008; 2.) ₱4.4 billion increase in the finance lease obligation of TLI resulting from interest accretion; 3.) first-time consolidation of LHC's ₱510 million long term debt; 4.) ₱600 million additional long-term loan availed by Subic EnerZone Corp.; 5.) ₱800 million net loan availment by CSB; and 6.) ₱1.5 billion increase in food group's account to replace short-term loans with long-term debt. Said increase was partially offset by AEV Parent's redemption of its ₱1.5 billion preferred shares and the group's ₱1.3 billion amortization payments on existing loans.

Trade and other payables and deposit liabilities was up by 20%, from ₱14.24 billion to ₱17.14 billion, mainly due to the growth in CSB's depositors. The currently maturing portion of CSB's deposit liabilities are lodged under Trade Payables account. Out of the ₱2.9 billion increase, ₱2.6 billion could be attributed to the expansion of CSB's deposit liabilities in 2011. The remaining ₱300 million was due to the increase in payables to suppliers of certain subsidiaries.

Income tax payable decreased by 25%, from ₱300 million to ₱223 million, mainly due to the build-up of unapplied prepaid taxes.

Customer deposits were higher by 8% mainly due to the growth in the customer base of power distribution subsidiaries.

Deferred income tax liabilities increased by ₱76 million mainly due to TLI's recognition of the corresponding income tax provision on the unrealized foreign exchange gains booked during the current year.

Equity

Equity attributable to equity holders of the parent grew by 20% from year-end 2010 level of ₱64.31 billion to ₱77.08 billion, mainly due to the following: (1) ₱12.47 billion increase in Retained Earnings, resulting from the ₱21.19 billion net income recorded during the current year and offset by the ₱8.72 billion cash dividends paid to common stockholders; and (2) the recognition of AEV's ₱802 million share in UBP's unrealized fair valuation gain on AFS investments, net of the ₱402 million share of current translation adjustments recorded by a power generation associate in marking to market its hedged instruments.

Material Changes in Liquidity and Cash Reserves of Registrant

For the year ended 2011, the group continued to support its liquidity mainly from cash generated from operations, additional loans availed, and dividends received from associates.

Compared to the cash inflow of 2010, consolidated cash generated from operating activities decreased by ₱5.98 billion to ₱23.57 billion. This decline was largely a result of lower net income generated during the year in review.

The current year ended up with a ₱5.79 billion net cash used in investing activities, slightly more than the ₱5.72 billion spent last year. This was due to higher investment acquisitions made in 2011.

Net cash used in financing activities was higher at ₱14.33 billion, compared to the ₱3.25 billion in 2010. This increase in fund usage was substantially due to higher cash dividends paid and lower debt availed in 2011.

For the current year, net cash inflows surpassed cash outflows, resulting to an 13% increase in cash and cash equivalents, from ₱26.10 billion as of year-end 2010 to ₱29.54 billion as of year-end 2011.

Financial Ratios

Backed by strong operating cash inflows, liquidity was adequately preserved. Cash and cash equivalents stood at ₱29.5 billion as of end-2011, 13% higher than end-2010 level, keeping current ratio at a high level of 2.96:1 (versus last year's 2.36:1). Further enhancing liquidity was the collection of ₱4.6 billion cash dividends from associates. Likewise, debt-to-equity ratio improved, from 1.23:1 as of Dec. 2010 to 1.12:1 as of Dec. 2011, and net debt-to-equity ratio was also lower at 0.59x (versus year-end 2010's 0.70x), as the growth in equity surpassed the increase in consolidated liabilities.

Year ended December 31, 2010 vs. Year ended December 31, 2009

The following discussion and analysis of the Company's consolidated financial condition and results of operations should be read in conjunction with the consolidated financial statements and accompanying schedules and disclosures set forth elsewhere in this report.

With the sale of the Company's investment in Aboitiz Transport System Corp. (ATS) in December, 2010, the 2010 net loss of ATS Group, except Aboitiz Jebsen Bulk Transport Corp, (AJBTC), Jebsen Maritime, Inc. (JMI) and Aboitiz Jebsen Manpower Solutions, Inc. (AJMSI), is reported separately under the item "Net Income (Loss) from Discontinued Operations" in the AEV consolidated income statement. ATS's 2010 profit and loss (P&L) items are no longer reported on a line-by-line consolidation.

To be comparative with the 2010 presentation, the AEV consolidated income statements for 2009 and 2008 are re-presented to also deconsolidate ATS's P&L accounts, and instead, reflect its net income under "Net Income (Loss) from Discontinued Operations".

The 2010 AEV consolidated balance sheet no longer includes the ATS Group accounts as a consequence of the sale of ATS. This results in the substantial decrease in certain AEV balance sheet items when 2010 account balances are compared with those of 2009, considering that ATS was still consolidated in 2009.

On the other hand, with the Group's step-acquisition of almost the entire stake in City Savings Bank (CSB) during the 4th quarter of 2010, CSB is now treated as a subsidiary, and consequently, is consolidated in AEV's financial statements starting 2010. The first-time consolidation of CSB accounts causes the upward movements of certain income statement and balance sheet items in 2010 when compared to 2009, considering that CSB, formerly an associate, was still not consolidated in 2009.

Top Five Key Performance Indicators

Management uses the following indicators to evaluate the performance of registrant Aboitiz Equity Ventures, Inc. ("AEV" or the "Company" or the "Parent Company") and its subsidiaries (the Company and its subsidiaries are hereinafter collectively referred to as the "Group"):

Key Performance Indicators
(Amounts in thousands except financial ratio data)

	DEC 31/2010	DEC 31/2009
EQUITY IN NET EARNINGS OF INVESTEES	6,843,156	4,264,551
EBITDA	40,030,498	15,639,274
CASH FLOW GENERATED:		
Net cash provided by operating activities	29,550,862	11,338,049
Net cash used in investing activities	(5,719,575)	(26,373,366)
Net cash provided by (used in) financing activities	(3,254,452)	4,741,161
Net Increase (Decrease) in Cash & Cash Equivalents	20,576,835	(10,294,155)
Cash & Cash Equivalent, Beginning	5,582,228	16,037,473
Cash & Cash Equivalent, End	26,097,203	5,582,228
CURRENT RATIO	2.36	0.79
DEBT-TO-EQUITY RATIO	1.23	1.62

Note: Values for the above table are in Thousand pesos.

Description of Key Performance Indicators:

1. EQUITY IN NET EARNINGS OF INVESTEES. Equity in net earnings (losses) of investees represents the group's share in the undistributed earnings or losses of its investees for each reporting period subsequent to acquisition of said investment, net of goodwill impairment cost, if any. Goodwill is the difference between

the purchase price of an investment and the investor's share in the value of the net identifiable assets of investee at the date of acquisition. Equity in net earnings (losses) of investees indicates profitability of the investments and investees' contribution to the Group's consolidated net income.

Manner of Computation: Investee's Net Income (Loss) x Investor's % Ownership - Goodwill Impairment Cost

2. EARNINGS BEFORE INTEREST, TAXES, DEPRECIATION & AMORTIZATION (EBITDA). The Company computes EBITDA as earnings before extra-ordinary items, net finance expense, income tax provision, depreciation and amortization. It provides management and investors with a tool for determining the ability of the Group to generate cash from operations to cover financial charges and income taxes. It is also a measure to evaluate the Group's ability to service its debts and to finance its capital expenditure and working capital requirements.

3. CASH FLOW GENERATED. Using the Statement of Cash Flows, management determines the sources and usage of funds for the period and analyzes how the Group manages its profit and uses its internal and external sources of capital. This aids management in identifying the impact on cash flow when the Group's activities are in a state of growth or decline, and in evaluating management's efforts to control the impact.

4. CURRENT RATIO. Current ratio is a measurement of liquidity, calculated by dividing total current assets by total current liabilities. It is an indicator of the Group's short-term debt paying ability. The higher the ratio, the more liquid the Group.

5. DEBT-TO-EQUITY RATIO. Debt-to-Equity ratio gives an indication of how leveraged the Group is. It compares assets provided by creditors to assets provided by shareholders. It is determined by dividing total debt by stockholders' equity.

Discussion on Key Performance Indicators:

2010 is another record year for AEV, and again, all the key performance indicators exceeded management's expectations. Equity in net earnings of investees registered a 60.5% year-on-year ("YoY") increase. This improvement was attributed to the strong performance of Union Bank of the Philippines (UBP) and the majority of the power associates. Bulk of the increase was coming from the growth in the combined income contributions of VECO, SNAP-Magat and SNAP-Benguet due to significant upsurge in revenues. Likewise, UBP contributed higher earnings during the current year on the back of higher net interest margins and trading gains.

The 156% increase in EBITDA was attributable to the rise in equity earnings of associates and the robust gross profit generated by the group as a result of higher revenues and effectively-controlled costs and expenses. The full year gross margin contributions of Aboitiz Power Renewable Inc. ("APRI") and Therma Luzon, Inc. ("TLI") which started commercial operations in June, 2009 and October, 2009, respectively, the fresh gross profit contributions of Therma Marine, Inc. ("TMI") and Hedcor Sibulan, Inc. ("HSI") which commenced commercial operations in February, 2010, and March, 2010, respectively, and the first- time consolidation of CSB gross income also significantly enhanced this growth in EBITDA.

The improvement in both current and debt-to-equity ratios from year-end 2009 levels was mainly due to the combined effect of the increase in current assets and the decline in current liabilities, and the increase in equity which more than offset the increase in consolidated liabilities, respectively. The higher level of current assets was mainly attributed to the movement in cash and trade and other receivables which correspondingly rose with the higher volume of revenues generated during the period in review. Equity attributable to equity holders of the parent also registered a commendable growth with the ₱21.86 billion net income recorded during the current year, net of the ₱2.87 billion cash dividends paid by AEV parent.

Operating in a challenging economic environment and dealing with external market volatilities, management teams across the Group strive to effectively handle and monitor their respective operating performances and financial requirements. This results in the generation of positive cash inflows from operations and raising of the needed funds to finance various investments and projects, and still registering healthy financial ratios in the process. This strong financial position enables the Group to deliver higher value directly to its shareholders while continuing to invest in its growth opportunities.

Period ended December 31, 2010

Results of Operations

For the year ended December 31, 2010, AEV and subsidiaries posted a consolidated net income of ₱21.86 billion, a 163% YoY increase, which translated to a ₱3.96 in earnings per share. This impressive operating performance was driven by robust income contributions of the majority of the industry groups, with the power group still accounting for the lion's share at 85% and followed by the banking and food groups at 12% and 7% each, offsetting transport group's negative share.

The group recorded a non-recurring net gain of ₱30 million (versus ₱961 million in 2009), attributable to the ₱786 million foreign-exchange gains recognized in the revaluation of dollar-denominated liabilities under an appreciating Philippine peso scenario, net of its ₱304 million share in one of the power associate's refinancing cost and the ₱456 million loss recognized on the sale of ATS. Sans one-off items, AEV's core net income grew at a very healthy rate of 197% YoY, from ₱7.34 billion to ₱21.84 billion.

Power

Aboitiz Power Corp. ("AP") and its subsidiaries ended the current year with an income contribution of ₱19.13 billion, a 342% jump YoY.

The power generation group recorded a 424% YoY surge in earnings contribution to AEV, from ₱3.56 billion to ₱18.63 billion, mainly due to the 111% increase in total attributable power sales, from 4,619 GWh to 9,762 GWh. This revenue growth substantially resulted from the fresh contributions of Therma Marine, Inc. ("TMI"), the owner of the two power barges, and Hedcor Sibulan, Inc. ("HSI"), the owner of the Sibulan plant. Aboitiz Power Renewable Inc. ("APRI"), the owner of the Tiwi-MakBan geothermal power plants which were turned over in May 2009, and Therma Luzon, Inc. ("TLI"), the IPP administrator of the Pagbilao plant starting October, 2009, also contributed to the growth with their respective full year contributions in 2010. As at December 31, 2010, AP's attributable capacity was at 2,051 MW, posting an 18% YoY increase, with the takeover of the two 100 MW power barges in the first quarter of 2010 and the start of operations of the 42.5 MW Sibulan hydro power and the 26%-owned 246-MW Cebu coal-fired power plant in 2010. This remarkable performance of the generation group could also be attributed to: a.) improved pricing and volume sales as average selling prices for bilateral contracts and transactions in the spot market significantly grew by 42% and 183% YoY, respectively; and b.) the spike in ancillary revenues generated by Magat and Binga hydropower plants.

The power distribution group likewise posted a 23% YoY improvement in earnings contribution to AEV, from ₱1.2 billion to ₱1.48 billion. Its attributable electricity sales rose by 9% YoY, from 3,322 GWh to 3,606 GWh, as power consumption of the residential, commercial and industrial customers increased by 6%, 5% and 11%, respectively. Customer base still grew, with the residential and non-residential segments increasing by 4% and 3%, respectively. The growth in GWh sales, coupled with the implementation of the rate increase (under a Performance Based Regulation scheme) by two power distribution utilities in August, 2010 and the full year effect of a rate increase (under the Return on Rate Base scheme) effected by one of these two firms, more than compensated for the higher expenses incurred during the first half of 2010. These higher expenses resulted from the operation of the back-up power plant of a Davao-based distribution utility to provide the much-needed power to the Mindanao grid, and the reduction in the systems loss allowance in January 1, 2010, from 9.5% to 8.5%.

UBP's 2010 net income increased to ₱5.35 billion (vs ₱4.32 billion in 2009) mainly due to the 9% YoY expansion in net interest income to ₱7.07 billion. This improvement was attributable to the 13% YoY reduction in the bank's interest expense, which more than offset the 1% YoY decrease in interest income mainly resulting from lower average asset yields. The 4% increase in trading gains and other non-interest revenues and the 73% decline in provision for loan impairment losses also added to the bank's bottomline growth.

The 78% YoY increase in CSB's net income, from ₱280 million in 2009 to ₱499 million in 2010, was attributed mainly to the 40% growth in its interest income on loans and service fees as total loan booked during the year was up by ₱1.6 billion to ₱6.5 billion.

Transport

The transport group ended the current year with a net loss contribution of ₱821 million, in contrast to last year's net income contribution of P387 million. This was mainly attributable to the substantial increase in operating expenses brought about by higher international charter rates and fuel costs.

Food

For the period under review, income contribution from Pilmico Foods Corporation ("PFC") and its subsidiaries amounted to ₱1.53 billion, up 25% YoY. In the flour division, increase in sales volume more than offset the decline in average selling price, resulting to a 79% YoY improvement in its income contribution. The swine business' earnings contribution likewise improved by 34% YoY due to higher margins coming from increases in both sales volume and selling prices, complemented by lower input costs and enhanced operating efficiencies. These increases more than offset the 9% dip in feeds division's income contribution resulting from lower average selling price and higher input costs.

Material Changes in Line Items of Registrant's Statements of Income and Comprehensive Income

For full year 2010, AEV's consolidated net income attributable to equity holders registered a 163% growth, reaching ₱.86 billion from ₱8.31 billion posted in 2009.

From continuing operations, operating profit for the current year amounted to ₱28.87 billion, a 304% increase from the ₱7.14 billion generated in 2009. This improvement was brought about by the ₱39.62 billion increase in consolidated revenues, which more than offset the ₱17.9 billion increase in costs and expenses. All the industry groups recorded higher operating margins during the year under review.

Power subsidiaries reported a combined 381% YoY increase in operating margins resulting from the 157% growth in consolidated revenues which surpassed the corresponding hike in costs and expenses. Improvement in revenues (₱59.55 billion in 2010 vs ₱23.17 billion in 2009) was largely due to the full year contributions of APRI and TLI which started commercial operations in May and October, 2009, respectively, and the new contributions TMI and HSI which commenced operations in February and March, 2010, respectively. The 88% rise in consolidated costs and expenses (₱33.28 billion in 2010 vs ₱17.72 bllion in 2009) was mainly due to the operating costs of these same companies which accounted for 76% of the total increase.

Food group reported a 38% YoY increase in operating margins as the ₱1.83 billion increase in revenues more than compensated for the P1.29 billion rise in costs and expenses. The 16% rise in sales (₱12.88 billion in 2010 vs ₱11.05 billion in 2009) was largely attributed to the higher sales volume of flour, feeds and swine and better selling prices of swine. The 13% increase in costs (₱10.92 billion in 2010 vs ₱9.63 billion in 2009) was mainly attributed to the higher cost of raw materials for feeds, which was partially tempered by the lower average wheat costs for flour and the decrease in operating costs for swine resulting from enhanced operating efficiencies of the company-owned farms.

The newly-consolidated operating margins of CSB amounting to ₱652 million also contributed to the growth in AEV consolidated operating profit.

Share in net earnings of associates registered a 60.5% YoY improvement (₱6.84 billion in 2010 vs ₱4.26 billion in 2009) primarily due to the strong performances of the majority of the power associates and UBP. Bulk of the increase was coming from the growth in the combined income contributions of VECO, SNAP-Magat and SNAP-Benguet due to rise in revenues. UBP contributed higher earnings during the current year on the back of higher net interest margins and trading gains, coupled with the increased ownership of AEV in said bank.

Financial Services

Income contribution from the financial services group registered a 45% YoY improvement, from previous year's ₱1.81 billion to ₱2.63 billion. UBP ended the current year with an earnings contribution of ₱2.31 billion, up by 35% YoY, while CSB's share in earnings was ₱315 million, up 228% YOY. The main drivers of this growth were the impressive operating performances of both banks and AEV's increased ownership in both.

The growth in consolidated operating profit and equity earnings was enhanced by the increase in other income and partially offset by the rise in net interest expense and provision for income tax. Other income increased by 14% (₱2.06 billion in 2010 vs ₱1.81 billion in 2009) as foreign exchange gains inched up by ₱827 million mainly due to the restatement of the dollar-denominated debt of the power group under an appreciating peso scenario as of year-end 2010. Said increase was partially offset by the Company's non-duplication in 2010 of the reversal made in 2009 of a ₱575 million impairment provision that was set up in 2008 on its ATS investment.

The ₱4.14 billion increase in net interest expense (₱6.87 billion in 2010 vs ₱2.74 billion in 2009) was due to higher average debt level in 2010, which included the finance lease obligation booked by TLI in October, 2009. This finance lease obligation generated ₱5.12 billion in accreted interest expense in 2010 (vs ₱1.23 billion in 2009).

The ₱586 million increase in provision for income tax (₱1.62 billion in 2010 vs ₱1.04 billion in 2009) was mainly due to the ₱290 million rise in power group's tax provision resulting from higher taxable income, and the newly-consolidated ₱212 million tax provision of CSB.

The discontinued operations posted a ₱1.47 billion net loss in 2010, a 388% decline from the ₱510 million net income in 2009. The 2010 net loss contribution consisted of the ₱734 million net loss of ATS and some of its subsidiaries (also referred to as Disposal Group), the ₱276 million eliminated gain on sale of Aboitiz Jebsen shares, and the ₱456 million loss recorded by AEV arent on its sale of ATS. The disposal group registered a net loss in 2010 mainly due to the decrease in operating margins. This drop in operating margins resulted from the increase in costs and expenses which was principally attributed to higher international charter rates and fuel costs.

The 261% increase in net income attributable to minority interests was mainly due to the significant surge in power group's net income, 24% of which, belongs to minority shareholders, and the first-time consolidation of P184 million minority interest's share in CSB net income.

AEV's consolidated comprehensive income attributable to equity holders rose by 157%, from ₱8.65 billion in 2009 to ₱22.21 billion in 2010. This was mainly due to the increase in net income (₱21.86 billion in 2010 vs ₱8.31 billion in 2009) as other comprehensive income registered a very minimal decline.

Changes in Registrant's Resources, Liabilities and Shareholders Equity

Assets

Compared to year-end 2009 levels, consolidated assets increased 22% to P174.97 billion as of December 31, 2010, due to the following:

a. Cash & Cash Equivalents increased by ₱20.51 billion mainly due to higher funds held by AEV parent and power group. For AEV parent, the increase was due to unused proceeds from the additional debt availed and the sale of its ATS investment in 2010. For power group, the upsurge in its EBITDA translated to higher excess cash at year-end 2010.

b. Trade and Other Receivables rose by 106% from ₱7.63 billion to ₱15.7 billion, primarily due to the newly-consolidated receivables of CSB amounting to P6.97 billion and the fresh receivables of TMI and HSI, and the rise in trade receivables of APRI and TLI resulting from higher sales, which accounted for ₱2.32 billion of the increase. This growth was partially offset by the ₱1.88 billion deconsolidated receivables of ATS.

c. Inventories increased by 25% (₱4.08 billion vs ₱3.27 billion) mainly due to the ₱735 million spike in power group's inventory resulting from higher cost of coal of TLI and the newly-consolidated fuel and spare parts inventory of TMI, and the ₱638 million rise in wheat inventory of the food group. Said increase was partially offset by the ₱567 million deconsolidated inventory of ATS.

d. Intangible Asset – Service Concession Rights increased by ₱55 million due to the capital expenditures incurred by one of AP's ecozone subsidiaries.

e. Investment Properties increased by ₱96 million due to the newly-consolidated properties of CSB.

f. Investments and Advances totalled ₱44.85 billion, up by 16% from year-end 2009 level of ₱38.57 billion. This increase was mainly attributed to the following: (1) ₱647 million purchase of additional UBP shares; (2) ₱1.0 billion capital infusion into SNAP-Benguet to finance the on-going Ambuklao plant rehabilitation; (3) ₱1.09 billion stockholder's advances given to LHC and RP Energy; (4) recognition of a ₱387 million share in unrealized valuation gains on UBP's AFS investments; and (5) increase in accumulated equity earnings coming from the ₱6.88 billion share in associates' net earnings recorded during the year, reduced by the ₱2.14 billion cash dividends received from certain associates. The ₱1.26B redemption of EAUC preferred shares and the ₱279 million step-acquisition of CSB to a subsidiary partially offset the increase.

g. Pension Asset increased by ₱74 million resulting from the one-time funding of power group's past service liabilities in 2010.

The above increases were tempered by the following decreases in:

a. Property, Plant & Equipment (PPE) which declined by ₱3.12 billion primarily due to the deconsolidation of ₱4.76 billion PPE of ATS. Said reduction was partially offset by the ₱1.74 billion increase attributed to the purchase of two power barges by TMI and the additional costs in the construction of Sibulan hydro-power plant.

b. Goodwill which dipped by 10% (P1.64 billion vs ₱1.81 billion) mainly due to the deconsolidated goodwill of the disposal group totalling ₱817 million, partially offset by the ₱644 million new goodwill generated from the step-acquisition of CSB in 2010.

c. Deferred Income Tax Assets which reduced by 51% (₱251 million vs ₱514 million) mainly due to the deconsolidation of ATS's ₱245M account in 2010.

d. Other Noncurrent Assets which declined by 30% (₱1.43 billion vs ₱2.04 billion) mainly due to: a.) the deconsolidation of ATS' ₱307M account in 2010; and b.) the release of AP's restricted cash that was used to secure a long-term loan of an associate when said loan was paid off in 2010.

Liabilities

Consolidated short-term bank loans decreased by 37% (₱5.67 billion in 2010 vs ₱9.04 billion in 2009) while long-term liabilities went up by 11% (₱74.06 billion in 2010 vs ₱66.46 billion in 2009). The decline in short-term was mainly due to the prepayments made by power group using internally-generated funds. The upward movement in long term debt was principally due to the:

a.) ₱4.0 billion fixed-rate notes issuance by AEV parent, proceeds of which were used to preterminate an expensive P1 billion long-term debt and the balance kept as cash over the yearend; b.) ₱2.69 billion net increase in the finance lease obligation of TLI resulting from interest accretion, net of the monthly payments made and foreign exchange adjustments; c.) ₱800 million loan availment by power subsidiary Cebu Private Power Corporation, and d.) ₱2.13B first-time consolidated CSB long-term loans. Said increase was partially offset by the ₱974 million amortization payments of existing loans.

The ₱3.68 billion increase in deposit liabilities was due to the first-time consolidation of CSB's accounts.

Income tax payable decreased by 34% mainly due to the lower levels maintained by the power group resulting from the availment of income tax holiday incentive by certain subsidiaries.

Customer deposits was higher by 13% mainly due to the growth in the customer base of DLP as well as the new deposits recorded in APRI and TLI from their bilateral contracts.

Deferred income tax liabilities increased by ₱279 million mainly due to TLI's recognition of the corresponding income tax provision on the unrealized foreign exchange gains booked during the current period.

Equity

Equity attributable to equity holders of the parent increased by 44% from year-end 2009 level of ₱44.70 billion to ₱64.31 billion, mainly due to (1) the ₱18.99 billion increase in Retained Earnings, resulting from P21.86 billion net income recorded during current year and offset by the ₱2.87 billion cash dividends paid to common stockholders; and (2) the ₱380 million increase in Share in Unrealized Valuation Gains on AFS Investments and Underwriting Accounts of an associate resulting from the improvement in the market prices of these financial instruments as of the end of the current period.

Material Changes in Liquidity and Cash Reserves of Registrant

For the year ended 2010, the group continued to support its liquidity mainly from cash generated from operations and dividends received from associates. External borrowings were also a source of liquidity.

Compared to the cash inflow in 2009, consolidated cash generated from operating activities in 2010 increased by ₱18.21 billion to ₱29.55 billion. This improvement was largely a result of the higher EBITDA generated during the current period, partially offset by the rise in trade receivables and inventories.

Net cash used in investing activities was lower at ₱72 billion, versus ₱26.37 billion in 2009, as business acquisitions slowed down during the period under review.

The current year posted a ₱3.25 billion net cash used in financing activities, compared to the ₱4.74 billion net cash provided by long-term loan availments in 2009. As against last year, short-term loan prepayments and cash dividend distribution using funds generated from operations were higher while long-term loan availments were lower.

For the current period, net cash inflows surpassed cash outflows, resulting to a 368% increase in cash and cash equivalents, from ₱5.58 billion in December, 2009 to ₱26.10 billion in December, 2010.

Financial Ratios

The improvement in current ratio, from 0.79:1 as of Dec. 2009 to 2.36:1 as of Dec. 2010, was due to the sharp increase in current assets, complemented by the decline in current liabilities. The growth in current assets was mainly attributed to the movement in cash and trade receivables which correspondingly rose with the higher volume of revenues generated during the period in review. Current liabilities dipped due to prepayment of bank loans using internally-generated funds. Likewise, debt-to-equity ratio improved, from 1.62:1 as of Dec. 2009 to 1.23:1 as of Dec. 2010, and net debt-to-equity ratio stood at 0.7x (versus year-end 2009's 1.3x), as the increase in equity outpaced the increase in consolidated liabilities. The rise in equity attributable to equity holders of the parent was substantially the result of the ₱21.86 billion net income recorded during the current year.

Year ended December 31, 2009 vs. Year ended December 31, 2008

Key Performance Indicators for 2009 and 2008 are as follows:

	December 31, 2009	December 31, 2008
EQUITY IN NET EARNINGS OF INVESTEES	4,264,551	3,631,338
EBITDA	15,639,274	8,607,000
CASH FLOW GENERATED:		
Net cash provided by operating activities	11,785,904	2,027,018
Net cash used in investing activities	(26,735,726)	(7,402,511)
Net cash provided by (used in) financing activities	4,655,667	2,961,164
Net Increase (Decrease) in Cash & Cash Equivalents	(10,294,155)	(2,414,329)
Cash & Cash Equivalent, Beginning	16,037,473	17,986,518
Cash & Cash Equivalent, End	5,582,228	16,037,473
CURRENT RATIO	0.79	1.90
DEBT-TO-EQUITY RATIO	1.62	0.62

All the key performance indicators exceeded management's expectations during the year under review.

Despite the anticipated downward trend of LHC net income as a result of its declining capacity fee rate structure and the non-recurrence of 2008 provision reversals, and the lower income contribution of STEAG Power due to the decrease in coal margins, equity in net earnings of investees registered a 17% year-on-year (YoY) increase. This improvement was attributed to the strong performance of the bank associates which generated higher net interest margins , trading gains and other non- interest revenues during the current year. The spike in their income contributions more than offset the decrease in equity earnings from the two power associates.

The 82% increase in EBITDA was attributable to the rise in equity earnings of associates and the robust gross profit generated by the Group as a result of higher revenues and effectively-controlled costs and expenses. The fresh gross margin contributions of the newly-acquired subsidiaries, APRI and TLI, also significantly enhanced this growth in EBITDA.

Current ratio declined and debt-to-equity ratio increased from year-end 2008 levels mainly due to AP's deployment of funds and issuance of additional fixed-rate notes and retail bonds to finance its various investing activities in 2009.

Despite today's challenging economic environment and external market volatilities, management teams across the Group continue to effectively handle and monitor their respective operating performances and financial requirements. This results in the generation of positive cash inflows from operations and raising of the needed funds to finance various investments and projects, and still registering healthy financial ratios in the process. This strong financial position enables the Group to deliver higher value directly to its shareholders while continuing to invest in its growth opportunities.

Results of Operations

For the year 2009, AEV posted a consolidated net income of ₱8.31 billion, a 102% YOY increase, which translated to a ₱1.49 in earnings per share. This record performance was driven by robust income contributions of all the industry groups, with the power group still accounting for the lion's share at 56%, followed by the banks at 23%, the food group at 16% and the transport group at 5%.

In 2009, the group generated a non-recurring income of ₱961 million, which includes (1) a foreign exchange net gain of P380 million at the parent and subsidiary levels; (2) a ₱575 million reversal of impairment provision and a ₱58 million revenue from the forfeited option money booked by AEV parent in consideration of the aborted sale of its investment in ATS;(3) a ₱78 million share in the reversal of NPC charges for ancillary services to two of AP's generation companies, and (4) an ₱84 million share in the gains booked by ATS on the sale of a vessel and its logistics business, net of the ₱178 million one-off costs incurred in the acquisition of the Tiwi-MakBan geothermal power plants and the Pagbilao IPP Administrator contract, and the ₱36 million goodwill impairment in one of transport group's investments.

Sans one-off gains, AEV's consolidated recurring net income was still strong at ₱7.34 billion, up 50% YOY from ₱4.9 billion.

For the year 2009, income contribution by AP and its subsidiaries amounted to ₱4.32 billion, recording a 30% YOY increase.

The power generation business recorded a 68% YOY expansion in earnings contribution to AEV, from ₱2.11 billion to ₱3.56 billion. This strong showing was mainly due to the 167% YOY increase in total attributable power sales, from 1,728 GWh to 4,619 GWh. The expansion mainly came from the improved generation of the hydro assets, which resulted from the higher rainfall during the year and the full-year operation of the 100-MW Binga hydro power plant. In addition, the Tiwi-MakBan geothermal power plants, which were turned over in May 2009, and the Pagbilao coal-fired power plant, which AP took over its dispatch control on October 1, 2009, contributed a combined energy sales of 2,653 GWh, accounting for 58% of the total sales for the year.

As of yearend 2009, AP's attributable capacity was at 1,745 MW, posting a 202% YOY increase. The growth was due to the turnover of the Tiwi-MakBan geothermal plants in May 2009, which recorded peak generation of 467 MW during the year, and the turnover of the dispatch control over the 700-MW contracted capacity of the Pagbilao plant.

Likewise, the power distribution business posted a 5% YOY increase in its income contribution, from ₱1.14 billion to ₱1.2 billion. Electricity sales for the year grew by 6% YOY, from 3,142 GWh to 3,322 GWh. Improvement in electricity consumption growth rates, complemented with enhancements in operating efficiencies, offset the impact of the under recovery of cost of purchased power by these distribution utilities in March 2009. The attributable power consumption of residential and non-residential customers improved by 7% and 5%, respectively. The group's customer base still grew with the residential segment increasing by 5% and the non-residential inching up by 1%.

Income contribution from the financial services group registered a hefty 106% YOY improvement, from previous year's ₱880 million to ₱1.81 billion. UBP ended the period with an earnings contribution of ₱1.71 billion, up by 103% YOY, while CSB contributed earnings of ₱96 million, up by 163% YOY.

A 109% YOY increase in UBP's net income from ₱2.07 billion in 2008 to ₱4.32 billion in 2009, coupled with the increase in AEV's equity ownership to 38.66%, led to the higher contribution. Interest income for the year increased by 14% YOY to ₱11.89 billion, mainly due to the 30% YOY expansion in interest earnings on loans and receivables to ₱6.99 billion. The bank's loan portfolio recorded an 11% YOY increase to ₱100.7 billion, as lending to all market segments, i.e. corporate, middle market and consumer, expanded. With the additional interest earnings from investments and trading securities improving by 13% YOY to ₱3.96 billion, net interest income rose by 10% YOY, from ₱5.88 billion to ₱6.46 billion, despite the 20% increase in interest expense brought about by the hike in deposit liabilities and bills payable. Higher net securities trading and foreign exchange gains led to a 95% YOY increase in other income from ₱3.01 billion to ₱5.88 billion. Meanwhile, other expenses only grew by 16% YOY as UBP continued to implement cost containment and efficiency improvements.

The 163% YOY increase in CSB's contributed earnings of ₱96 million was attributed mainly to the bank's loan volumes expansion for the period which translated to a 67% spike in interest income. It ended the year with a total loan book of ₱4.9 billion, up by 41% from ₱3.5 billion in 2008.

The transport group shored in an income contribution of₱387 million, a marked improvement over last year's ₱81 million. This was mainly attributed to the ₱2 billion reductions in ATS' consolidated operating expenses that resulted from lower fuel costs, its single largest expense. The average fuel price in 2009 was lower by 36% YOY. The decrease in operating expenses more than made up for the ₱1 billion drop in consolidated revenues resulting from the loss of one of its ships and the subsequent temporary suspension of all its roro-passenger vessels in September 2009, the typhoons which negatively affected operations during the last quarter of the year, and the decline in its international chartering business.

Income contribution from Pilmico and its subsidiaries, amounted to ₱1.2 billion, up by 168% YOY. Increase in sales volume in the flour business more than offset the decline in its average selling prices, resulting to a 25% YOY improvement in income contribution. Growth in operating margins, resulting from higher sales volume and lower freight and raw material costs, led to the 2707% YOY jump in the feeds business' income contribution. The swine business' earnings contribution likewise improved by 13% YOY due to operating efficiencies that resulted to higher margins, despite the 11% YOY decline in sales volume.

Material Changes in Line Items of Registrant's Statements of Income and Comprehensive Income

For the year 2009, AEV's consolidated net income attributable to equity holders registered a 102% growth, reaching ₱8.31 billion from ₱4.12 billion in 2008.

Operating profit from continuing operations for the current year amounted to ₱7.14 billion, a 182% increase from the ₱2.53 billion generated in 2008. This improvement was brought about by the ₱11.46 billion increase in consolidated revenues, which more than offset the ₱6.85 billion increase in costs and expenses. All industry groups recorded higher operating margins during year under review.

The power subsidiaries reported a combined 230% YOY increase in operating margins resulting from the 89% growth in consolidated revenues which surpassed the corresponding hike in costs and expenses. Improvement in revenues (₱23.2 billion vs ₱12.2 billion) was largely due to the fresh contributions of APRI, which took over operations of the Tiwi-MakBan geothermal power plants in May 2009, and TLI, which assumed dispatch control of the Pagbilao plant as an Independent Power Producer (IPP) Administrator. The combined revenues from these plants accounted for almost 90% of the increase in AP's consolidated revenues. The rest of the increase could be attributed to the spike in revenues of the distribution utilities brought about by kWhr sales growth and higher passed-on costs of purchased power. The 67% rise in consolidated costs and expense (₱17.7 billion vs ₱10.6 billion) was mainly due to the incremental operating costs of APRI and TLI the higher costs of purchased power of distribution subsidiaries resulting from the approved NPC rate increase in March 2009.

The food group reported a 94% YOY increase in operating margins as the ₱360 million increase in revenues was complemented by a ₱503 million decrease in costs and expenses. The 3% rise in sales (₱11.0 billion vs ₱10.7 billion) was largely attributed to the improved selling prices of feeds and higher sales volume of both flour and feeds. The 5% decline in costs and expenses (₱9.7 billion vs ₱10.2 billion) was brought about by the decrease in raw material and freight costs of feeds and the operating efficiencies of the swine business.

Share in net earnings of associates registered a 17% YOY improvement (₱4.26 billion vs ₱3.61 billion) primarily due to the substantial increase in the income contribution of the bank associates. The banks generated higher net interest margins, trading gains and other non-interest revenues during the current year. The increase in AEV's equity ownership in UBP from 36.34% to 38.66% also contributed to the growth. This improvement more than made up for the decline in earnings contribution of certain power associates brought about by the drop in the Japanese Power Utilities Index (JPU) which resulted in the decrease of STEAG's JPU-indexed coal margins, and LHC's declining capacity fee rate structure and the non-recurrence of 2008 provision reversals that negatively affected its 2009 bottomline.

The overall growth in consolidated operating profit was further boosted by the 992% increase in other income (₱1.81 billion vs ₱166 million) resulting from (1) the Company's reversal in the first quarter 2009 of the ₱575 million impairment provision set up in 2008 to adjust the carrying amount of the assets of ATS and the recognition as revenue of the P83 million forfeited option money resulting from the termination of the planned sale of its ATS investment in April 2009, and the (2) ₱560 million net foreign exchange gains, the bulk of which was recognized by TLI in the restatement of its future minimum dollar payments to PSALM as part of its IPPA agreement. This increase in other income was offset by the (1) 20% decrease in interest income (₱504 million vs ₱632 million) due to lower cash balances; (2) the 350% spike in finance expense (₱3.24 billion vs ₱720 million) attributed to higher average debt level in 2009; and (3) the 8% rise in provision for income tax (₱1.0 billion vs ₱965 million) resulting from higher taxable income generated during the current year.

Net income from disposal group represents the net earnings of the ATS Group, except AJBTC, AJMSI and JMI. Net income from the discontinued operations registered a 1962% increase, from P25 million during the previous year to ₱510 million for 2009. This turnaround performance was achieved on the back of a 12% drop in costs and expenses (₱11.3 billion vs ₱12.9 billion), which more than compensated for the 8% decline in revenues (₱11.8 billion vs ₱12.9 billion). The decrease in costs and expenses was mainly due to the drop in fuel prices. The dip in consolidated revenues was due to lower freight and passage revenues resulting from the slowdown of its international charter business, the loss of one ship and the temporary suspension of vessels in September 2009, and the devastating typhoons which hampered operations in the fourth quarter.

The 40% increase in net income attributable to minority interests was mainly due to the growth in the power and transport groups' net income, 24% and 23%, respectively.

AEV's consolidated comprehensive income attributable to equity holders rose by 111%, from ₱4.09 billion in 2008 to ₱8.65 billion in 2009. This was mainly due to the increase in both net income (₱8.31 billion vs ₱4.12 billion) and other comprehensive income (₱346 million income vs ₱29 million loss). The rise in other comprehensive income was a result of the ₱235 million share in net unrealized gains on AFS investments of UBP, a significant improvement from the ₱434 million share in net unrealized losses booked in 2008, as market conditions favorably affected the bank's mark-to-market valuation of its investment securities. This was partially offset by the decline in the share of cumulative translation adjustments (₱102 million in 2009 vs ₱409 million in 2008) of power associates using functional currency accounting. With the US dollar depreciation in 2009, these power associates recognized lower foreign currency translation adjustments in 2009 compared to those in 2008 when the US dollar appreciated.

Changes in Registrant's Resources, Liabilities and Shareholders Equity

Assets

Compared to yearend 2008 levels, consolidated assets increased by 89% to ₱143.28 billion as of December 31, 2009 due to the following:

a. Inclusive those of the disposal group as of yearend 2008. Trade and Other Receivables increased by 70% from ₱4.49 billion to ₱7.63 billion, primarily due to the newly-consolidated receivables of APRI and TLI and the higher non-trade receivables of the transport group.

b. Inclusive those of the disposal group as of yearend 2008, Property, Plant & Equipment (PPE) registered an increase of 512%, from ₱13.15 billion to ₱80.56 billion, primarily due to the ₱19.35 billion purchase of the Tiwi-MakBan geothermal power plants, the ₱44.52 billion finance lease acquisition of the Pagbilao coal-fired power plant, and the additional ₱1.91 billion costs incurred in the ongoing construction of the 42.5-MW Sibulan hydropower plant in Davao del Sur. The transport group's PPE also increased with the purchase of two freighters, two fast crafts and one roro-passenger vessel totalling P1.94 billion, reduced by the disposal of certain assets with a combined book value of ₱410 million.

c. Inclsive those of the disposal group as of yearend 2008. Investments and Advances totalled ₱38.47 billion, up by 18% from yearend 2008 level of ₱32.64 billion. This increase was mainly attributed to the following: (1) purchase of ₱297 million worth of UBP shares; (2) capital infusion into CEDC, the project company for the 3X82-MW coal plant in Toledo City, Cebu, and into MORE, the holding company of SNAP-Magat and SNAP-Benguet, amounting to ₱1.34 billion and ₱353 million, respectively; (3) recognition of a ₱235 million share in unrealized valuation gains on UBP's AFS investments and a ₱347 million increase in gain on dilution resulting from the purchase of additional UBP shares; and (4) increase in accumulated equity earnings resulting from the recording of a ₱4.32 billion share in associates' net earnings and the receipt of ₱1.12 billion cash dividends from certain associates.

d. Inclusive those of the disposal group as of yearend 2008, pension asset was up 111% to ₱106 million mainly due to actuarial adjustments that increased the pension asset of one of AP's distribution subsidiaries.

e. Inclusive those of the disposal group as of yearend 2008, Deferred Income Tax Assets increased by 19% (₱514 million vs ₱433 million) mainly due to the unrealized foreign exchange losses on dollar cash holdings and net operating loss carryover (NOLCO) recognized by AP parent during the current year, both of which required a corresponding deferred income tax asset set up.

f. Inclusive those of the disposal group as of yearend 2008, goodwill increased by 45%, from ₱1.25 billion to ₱1.81 billion, due to the reversal in 2009 of the ₱575 million impairment provision recorded by AEV parent on its ATS investment in 2008. Said reversal was made to adjust the carrying amount of the transport assets inconsideration of the terminated sale of ATS. With this reversal, the ₱560 million goodwill in ATS was effectively reinstated in 2009.

g. Inclusive those of the disposal group as of yearend 2008, Other Noncurrent Assets increased by 72% to ₱2.04 billion mainly due to the prepaid rental recorded by APRI on its advance lot rental payment to PSALM and the build-up of unused VAT inputs generated from the Sibulan plant construction.

The above increases were partially offset by the following decreases:

a. Cash & Cash Equivalents stood at ₱5.58 billion, 65% lower than the ₱16.04 billion reported as at yearend 2008 which was inclusive of the disposal group's funds amounting to ₱860 million. This decrease was mainly due to AEV's purchase of ₱297 million worth of UBP shares and AP's ₱1.34 billion capital infusion into Abovant to fund its Cebu coal project and ₱9.1 billion extension of stockholder's advances to APRI to fund the purchase of the Tiwi-MakBan geothermal plants.

b. Inclusive those of the disposal group as of yearend 2008, Inventories decreased by 2% (₱3.27 billion vs ₱3.34 billion) mainly due to lower wheat inventory carried by Pilmico as of end of year under review, partially offset by the increase in power group's supplies & materials and coal inventories resulting from the first-time consolidation of the inventories of APRI and TLI.

Liabilities

Inclusive of the ₱551 million loan of the disposal group as of yearend 2008, consolidated short-term bank loans increased by 11% (₱9.04 billion vs ₱8.16 billion) while long-term liabilities increased by 435% (₱66.46 billion vs ₱12.41 billion). This substantial surge in debt was due to (1) AP parent's net availment of ₱952 million short-term loans and its issuance of additional ₱8.0 billion fixed-rate bonds and notes to fund the purchase of the Tiwi-MakBan geothermal plants for ₱19.5 billion, ₱11.6 billion of which was financed through debt; (2) TLI's recording of a ₱45.59 billion obligation under finance lease related to the acquisition of the Pagbilao plant; (3) Hedcor Sibulan's additional ₱1.85 billion loan draw down to finance the construction of its 42-MW hydro plant, and (4) the Transport group's incremental short-term borrowings of ₱562 million to finance its capital expenditures. These increases were partially offset by the payment of close to ₱1.25 billion long-term loan amortizations due in 2009 and the food group's ₱739 million prepayment of its short-term loans using internally-generated funds Inclusive of the P3.02 billion payables of the disposal group as of yearend 2008, trade and other payables increased by 61% from ₱6.68 billion to ₱10.74 billion, mainly due to the first-time consolidation of APRI and TLI trade payables and accruals.

The first-time recognition of a ₱16.48 million derivative liability represented the booking of the unrealized mark to-market losses on the foreign currency forwards entered into by AP parent and TMI.

Income tax payable increased by 366% due to the higher current income tax provisions recorded by subsidiaries during the year under review.

Customer deposits was higher by 13% mainly due to the growth in the customer base of DavaoLight as well as the new deposits recorded in APRI from its bilateral contracts.

Deferred income tax liabilities decreased by ₱16 million, mainly due to the reversal of a portion of this liability that was set upon previous year's unrealized foreign exchange gains that were realized during the current year.

Equity

Equity attributable to equity holders of the parent increased by 18% from yearend 2008 level of ₱37.79 billion to ₱44.70 billion, mainly due to (1) the ₱6.80 billion increase in Retained Earnings, resulting from the P8.31 billion net income recorded and offset by the ₱1.51 billion cash dividends paid to common stockholders; (2) the ₱235 million increase in Share in Unrealized Gains on AFS Investments and Underwriting Accounts of an associate resulting from the improvement in the market prices of these financial instruments as of the end of the current year; and (3) ₱353 million increase in Gain on Dilution account resulting from AEV's recognition of its additional share in UBP's accumulated prior periods' earnings as it increased its ownership in UBP. These increases were partially offset by the additional ₱464 million worth of treasury shares acquired by the Company in 2009.

Material Changes in Liquidity and Cash Reserves of Registrant

In 2009, the group continued to support its liquidity mainly from cash generated from operations and dividends received from associates. External borrowings were also a source of liquidity.

Compared to the cash inflow in 2008, consolidated cash generated from operating activities in 2009 increased by ₱9.76 billion to ₱11.78 billion. This increase was largely a result of a higher net income generated during the current year, the lower funds used in financing food group's inventory build-up and the rise in trade payables.

Net cash used in investing activities reached ₱26.74 billion (versus ₱7.40 billion last year) as business acquisitions were higher in 2009.

Net cash provided by financing activities during the current year was ₱4.66 billion, compared to the ₱2.96 billion in 2008. This increase in generated cash was mainly from the proceeds of the loans availed by the power group, partially offset by the cash used in the payment of cash dividends and interest.

For the year ended 2009, net cash outflows were higher than cash inflows, resulting to a 65% decrease in cash and cash equivalents, from ₱16.04 billion in December 2008 to ₱5.58 billion in December 2009.

Financial Ratios

Lower cash balances and higher short-term debt accounted for the decrease in current ratio, from 1.9:1 as of Dec. 2008 to 0.8:1 as of Dec. 2009. Higher total debt level in 2009 resulted in the increase in debt-to-equity ratio from 0.6:1 as of Dec. 2008 to 1.6:1 as of Dec. 2009, and in net debt-to-equity ratio at 1.3x (versus yearend 2008's 0.1x).

Item 7. Financial Statements

The audited consolidated financial statements of AEV are incorporated herein by reference. The schedules listed in the accompanying Index to Supplementary Schedules are filed as part of this Form 17-A.

Item 8. Information on Independent Accountant and other Related Matters

(A) External Audit Fees and Services

The external audit and consultancy fees of the Registrant for the years 2011 and 2010 were as follows:

Fee Type	Year ended December 31, 2012	Year ended December 31, 2011
Audit Fees	₱370,720.00	₱352,800.00
Audit-Related Fees	–	–
Tax Fees	–	–
Consultancy Fees	–	–
Total	₱370,720.00	₱352,800.00

Note: Values for the above table are in Thousand pesos.

As a policy, the Board Audit Committee makes recommendations to the Board of Directors concerning the choice of external auditor and pre—approves audit plans, scope and frequency before the audit is conducted.

Audit services of external auditors for the years 2011 and 2010 were pre—approved by the Board Audit Committee. The Committee had also reviewed the extent and nature of these services to ensure that the independence of the external auditors is preserved.

(B) Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

The accounting firm of Sycip Gorres Velayo & Co. (SGV) has been AEV's Independent Public Accountant for the last 19 years. Mr. Ladislao Z. Avila, Jr. is AEV's audit partner for 2012. He replaced Mr. J. Carlitos G. Cruz who served as audit partner from 2009 to 2010. AEV complies with the requirements of Section 3(b)(iv) of SRC Rule 68 on the rotation of external auditors or signing partners. SGV representatives will be present during the Annual Stockholders' Meeting and will be given the opportunity to make a statement if they so desire. They are also expected to respond to appropriate questions, if needed.

There was no event in the past 19 years where AEV and SGV or the handling partner had any disagreement with regard to any matter relating to accounting principles or practices, financial statement disclosure or auditing scope or procedure.

In its regular meeting on January 30, 2013, the AEV Board Corporate Governance Committee approved the inclusion in the agenda of the 2013 Annual Stockholders' Meeting, a proposal to delegate to the Board of Directors the authority to appoint the Company's external auditors for 2013. The proposal is intended to give the Audit Committee sufficient time to evaluate the different auditing firms that have submitted engagement proposals to act as AEV's external auditor for 2013. As a matter of policy, the Board Audit Committee makes recommendations to the Board of Directors concerning the choice of external auditor.

PART III – CORPORATE GOVERNANCE

AEV has a Manual of Corporate Governance (the Manual) and Code of Ethics and Business Conduct (the Code) to guide the attainment of its corporate goals and strategies. To ensure compliance, copies of the Manual and the Code were disseminated to the Board of Directors, management and employees of AEV. Company-wide orientations on the Manual and the Code were conducted as well.

AEV has in place a performance evaluation system for corporate governance. It also participated, and intends to participate in, the annual Corporate Governance Scorecard Survey of the SEC, PSE and the Institute of Corporate Directors (ICD) to benchmark its corporate governance practices against best practices. The Compliance Officer regularly monitors and evaluates compliance by the Board of Directors, management and employees of the Manual and existing laws and regulations. Together with the Human Resources Department, the Compliance Officer also ensures the implementation of AEV's rule against conflict of interests and the misuse of inside and proprietary information throughout the organization. The Compliance Officer regularly reports to the Board Governance Committee and the Board Audit Committee the Company's compliance status with existing laws and regulations, as well as the Board's and employees' compliance with internal governance policies.

Corporate governance is further fostered by the Board's active role in reviewing and approving corporate goals and strategies set by management as well as in monitoring and evaluating management performance in meeting such corporate goals. The different Board committees, which report regularly to the Board, are crucial to maintaining Board oversight in key management areas.

The Board of Directors regularly reviews the Manual to ensure that the same remains relevant and is responsive to the needs of the organization.

Board Attendance

The Board's primary objectives are to improve shareholder returns, to develop responsible long-term investors, and to achieve disciplined and sustainable growth.

In 2012, the Board held eight regular and special meetings. Below is a summary of the attendance of the Directors:

Directors	Regular and Special Meetings 2012							
	3-Feb regular	1-Mar special	28-Mar regular	21-May regular	3-Aug regular	27-Sept regular	9&10-Nov special board strategy	28-Nov regular
Jon Ramon Aboitiz	✓	✓	✓	✓	✓	✓	✓	✓
Erramon I. Aboitiz	✓	✓	✓	✓	✓	✓	✓	✓
Roberto E. Aboitiz	✓	✓	✓	✓	✓	✓	✓	✓
Enrique M. Aboitiz, Jr.	✓	✓	✓	✓	✓	✓	✓	×
Justo A. Ortiz	✓	✓	✓	✓	×	✓	✓	✓
Antonio R. Moraza	✓	✓	✓	×	✓	✓	✓	✓
Roberto R. Romulo	✓	✓	×	✓	NA	NA	NA	NA
Justice Jose C. Vitug	✓	✓	✓	✓	✓	✓	✓	✓
Stephen CuUnjieng	✓	✓	✓	✓	✓	✓	✓	×
Raphael P.M. Lotilla *(appointed on May 21, 2012)*	NA	NA	NA	NA	✓	✓	✓	✓
Total No. of Directors Present	9	9	8	8	8	9	9	7
Percentage No. of Directors Present in Each Meeting	100%	100%	88.89%	88.89%	88.89%	100%	100%	77.78%

Corporate Governance Initiatives

During its regular meeting on February 11, 2009, the AEV Board of Directors approved the creation of additional Board committees and the consolidation of existing ones. The reorganization aims to (a) enhance the role of the Board of Directors in governance, (b) better represent and protect the interests of all stakeholders of the Company, (c) ensure compliance with regulatory standards and provide appropriate information and updates.

In the Amended Manual on Corporate Governance submitted to the SEC on September 24, 2009, the Investor Relations Committee was dissolved and the Board Nominations and Compensation Committee merged with the Board Corporate Governance Committee. It is now called the Board Corporate Governance Committee.

On a regular meeting held on May 17, 2010, the Board approved an amendment to the Company's Amended Manual on Corporate Governance consisting of the folding in of the responsibility of the Board Strategy Committee. As decided by the Board, the functions of the Board Strategy Committee are now subsumed under the functions of the Board of Directors.

The mandate as well as the composition of each Board committee are described below:

- The Board Corporate Governance Committee shall represent the Board in discharging its responsibility relating to issues around the Group's governance principles and guidelines, nomination of persons into Board and Group senior leadership roles and the various compensation matters. Independent Directors comprise majority of the voting members of the Board Corporate Governance Committee.

  Chairman: Jon Ramon Aboitiz; Members: Roberto E. Aboitiz, Jose C. Vitug, Raphael P. M. Lotilla, Stephen CuUnjieng; Ex-Officio Members: M. Jasmine S. Oporto, Xavier Jose Aboitiz

- The Board Audit Committee shall represent the Board in discharging its responsibility related to audit matters for the Group. Independent Directors comprise majority of the voting members of the Board Audit Committee.

  Chairman: Joce C. Vitug, Members: Raphael P. M. Lotilla, Stephen CuUnjieng, Roberto E. Aboitiz, Justo A. Ortiz; Ex-Officio Members: Stephen G. Paradies, Susan V. Valdez

- The Board Risk Management Committee shall represent the Board in discharging its responsibility relating to risk management related matters around the Group.

  Chairman: Enrique M. Aboitiz, Jr.; Members: Justo A. Ortiz, Jon Ramon Aboitiz, Stephen CuUnjieng; Ex-Officio Members: Stephen G. Paradies, Susan V. Valdez