

COVER SHEET

C E 0 2 5 3 6

S.E.C. Registration Number

A B O I T I Z E Q U I T Y V E N T U R E S , I N C .

(Company's Full Name)

3 2 N D S T R E E T , B O N I F A C I O G L O B A L
C I T Y , T A G U I G C I T Y , M E T R O M A N I L A ,
P H I L I P P I N E S

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

M. JASMINE S. OPORTO

Contact Person

(02) 793-2729

Company Telephone Number

1 2 3 1

Month Day

Fiscal Year

2nd Quarterly Report

1 7 - Q

FORM TYPE

0 5 2 0

Month Day

Annual Meeting

Secondary License Type, if Applicable

S E C

Dept. Requiring this Doc

Amended Articles Number/Section

9,714

Total No. of Stockholders

X

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES
REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER

1. For the quarterly period ended June 30, 2013
2. Commission identification number CE02536 3. BIR Tax Identification No. 003-828-269-V
4. Exact name of issuer as specified in its charter ABOITIZ EQUITY VENTURES, INC.

5. Province, country or other jurisdiction of incorporation or organization Philippines

6. Industry Classification Code: (SEC Use Only)

7. Address of issuer's principal office Postal Code
32nd Street, Bonifacio Global City, Taguig City, Metro Manila, Philippines 1634

8. Issuer's telephone number, including area code
(02) 793-2800

9. Former name, former address and former fiscal year, if changed since last report
Gov. Manuel A. Cuenco Avenue, Kasambagan, Cebu City, Philippines

10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

Title of each Class	Number of shares of common stock outstanding and amount of debt outstanding
<u>Common stock, P1.00 par value</u>	<u>5,521,871,821</u>
<u>Total debt</u>	<u>P68,132,540,000</u>

11. Are any or all of the securities listed on a Stock Exchange?

Yes [] No []

If yes, state the name of such Stock Exchange and the class/es of securities listed therein:

Philippine Stock Exchange Common

12. Indicate by check mark whether the registrant:

- (a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve

(12) months (or for such shorter period the registrant was required to file such reports)

Yes [] No []

(b) has been subject to such filing requirements for the past ninety (90) days.

Yes [] No []

PART I--FINANCIAL INFORMATION

Item 1. Financial Statements.

Please refer to the financial statements and schedules attached herewith.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

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

Top Five Key Performance Indicators

Management uses the following indicators to evaluate the performance of the registrant and its subsidiaries:

1. EQUITY IN NET EARNINGS OF INVESTEES

Equity in net earnings (losses) of investees represents the group's share in the undistributed earnings or losses of its associates 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.

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

	JAN-JUN 2013	JAN-JUN 2012
EQUITY IN NET EARNINGS OF INVESTEES	5,322,894	7,110,756
EBITDA	19,733,003	20,054,160
CASH FLOW GENERATED:		
Net cash provided by operating activities	12,913,365	14,049,135
Net cash provided by (used in) investing activities	1,151,670	809,005
Net cash used in financing activities	(32,137,291)	(13,815,436)
Net Increase (Decrease) in Cash & Cash Equivalents	(18,072,255)	1,042,705
Cash & Cash Equivalents, Beginning	33,730,531	29,543,492
Cash & Cash Equivalents, End	15,676,079	30,531,371
	JUNE 30, 2013	DEC 31/2012
CURRENT RATIO**	2.09	2.57
DEBT-TO-EQUITY RATIO	0.75	0.96

***In the SEC Form 17-C filed by AEV last August 2, 2013, current ratio as of June 30, 2013 was reported at 2.2x. An advance to a contractor amounting to ₱2.24 billion was initially recorded by Power Group as part of Current Assets. Upon further review of the nature of the advance, the group decided to reclassify it under Non-Current Assets. This adjustment resulted in the decrease of current ration from 2.20x to 2.09x.*

All the KPI values were within management's expectation during the period under review.

Management teams of the different businesses continued to effectively handle their respective operations and financial requirements. As a result, profitability had been sustained and financial position remained strong and liquid.

Despite the 25% decline in their income contribution to the Group, associates continued to generate substantial earnings and enhance the consolidated bottomline. Consolidated EBITDA translated into additional cash inflows coming from subsidiaries' operations and from dividend payments of associates. The internally-generated funds were then used to finance capital expenditures, prepay debt and distribute cash dividends to stockholders.

With the substantial long-term debt prepayment during the current period, debt-to-equity ratio improved to 0.75x (versus end-2012's 0.96x), while current ratio stood at 2.09x.

Review of 1st Semester 2013 Operations versus 1st Semester 2012

Results of Operations

For the first semester of 2013, AEV and its subsidiaries posted a consolidated net income of ₱11.91 billion, a 1% YoY increase. This translates to an earnings per share of ₱2.16. In terms of income contribution, power group still accounted for the bulk at 67%, followed by the banking, food and real estate groups at 26%, 6% and 1%, respectively.

The Group generated a non-recurring net gain of ₱217 million (versus ₱508 million in 1H2012), which comprised the following: 1.) ₱983 million share of power group's net foreign exchange losses from the revaluation of dollar-denominated loans and placements; 2.) ₱1.27 billion gain from the sale of City Savings Bank, Inc. (CSB or CitySavings) shares by AEV and Pilmico Foods Corporation (Pilmico or PFC); and 3.) ₱71 million share of power group's one-time write-off of the corresponding unamortized borrowing costs upon pretermination of certain long-term loans. Stripping out these one-off items, the Group's core net income for the current period amounted to ₱11.7 billion, up 3.5% YoY.

Business Segments

The individual performance of the major business segments is discussed as follows:

Power

Aboitiz Power Corporation (AP or AboitizPower) ended the semester with an income contribution of ₱7.31 billion, a 22% decrease from last year's ₱9.36 billion.

AP's generation group reported a 29% YoY dip in earnings contribution to AEV, from ₱8.71 billion to ₱6.20 billion, attributed to the decrease in ancillary sales and average selling prices. The decline in ancillary service revenue of certain power associates was mainly due to the lower acceptance rate by the National Grid Corporation of the Philippines (NGCP). As compared to 2012 levels, average selling prices decreased by 11% resulting from the 19% drop in average selling rates of electricity sold to the spot market. Likewise, average selling prices under bilateral contracts decreased by 10% YoY in line with the generation companies' shift into de-risked capacity-based contracts. The decline in selling prices negatively affected the revenues of both generation subsidiaries and associates.

Generation group's attributable net generation for the semester grew by 5% YoY, from 5,096 gigawatthours (GWh) to 5,360 GWh due to increase in demand brought about by the hotter weather during the summer months. Spot market sales grew by 69% YoY from 589 GWh to 996 GWh. This growth more than offset the 3% YoY decrease in power sales through bilateral contracts resulting from the conversion of a number of expiring power supply agreements from energy-based to capacity-based type contracts. On a capacity basis, the group's attributable sales decreased by 6% YoY to 1,465 MW, at the back of lower sales for ancillary services.

Meanwhile, AP's distribution group registered a 15% YoY rise in earnings contribution to AEV, from ₱1.09 billion to ₱1.25 billion. Driving this growth was the 6% and 4% YoY expansion in the power consumption of residential and commercial customers, respectively. Approved rate adjustments under PBR, and lower systems loss as a result of the initiatives implemented during the current period, also enhanced the group's profit margins.

Banking

Income contribution from this industry group grew by 42%, from ₱1.96 billion to ₱2.77 billion. With Union Bank of the Philippines' (UBP or UnionBank) purchase of CSB and the resulting consolidation of CSB into UBP, the banking group is now comprised of only UBP.

UBP's full-semester 2013 net income was higher at ₱6.19 billion (vs ₱4.07 billion in 1H2012) mainly due to the 56% YoY increase (₱8.7 billion vs ₱5.6 billion) in non-interest income on the back of hefty trading gains and growth in fee-based revenue. This improvement was boosted by the 11% growth to ₱4.1 billion in net interest income, due largely to the YoY expansion in the average level of earning assets. The over-all increase in revenue was partially offset by the 23% rise to ₱5.7 billion in operating expenses.

Food

Income contribution from PFC and its subsidiaries amounted to ₱631 million, up 21% YoY, mainly attributed to the increase in profit margins of its swine and feeds businesses. The group reported a rise in sales due to increase in both sales volume and average selling prices of these two businesses.

Real Estate

The fresh income contribution of the newly-acquired real estate subsidiary, Aboitiz Land, Inc. (AboitizLand), amounted to ₱111 million. Revenues of ₱612 million mainly came from the residential segment which generated 68% of the sales. Meanwhile, the industrial segment contributed 29% to total revenues, with commercial and property management segments accounting for the remaining 3%.

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

For the period ended June 30, 2013, consolidated net income allocable to the equity holders of AEV registered a 1% growth, reaching ₱11.91 billion from the ₱11.81 billion posted in the same period last year.

Operating profit for the current period amounted to ₱12.12 billion, a 12% increase YoY, mainly attributed to the performance of the power group.

Power subsidiaries reported a 15% YoY improvement in operating margins resulting from the corresponding ₱3.01 billion reduction in costs and expenses which surpassed the ₱1.57 billion decline in revenues. The decline in consolidated costs and expenses was mainly due to lower fuel costs. Meanwhile, the decrease in revenues was substantially due to the drop in average selling prices of the generation subsidiaries. This was attributed to soft spot market prices brought about by lower electricity demand, and the shift into de-risked capacity-based contracts.

The improvement in operating profit was complemented by the decrease in net interest expense and income tax provision, but was partially offset by the decline in equity earnings in associates and other income. The 13% YoY drop in net interest expense (₱3.05 billion vs ₱3.50 billion in 1H2012) was mainly attributed to lower level of debt resulting from the pre-termination of long-term loans during the second half of 2012 and the first half of 2013.

Share in net earnings of associates dropped by 25% YoY (₱5.32 billion vs ₱7.11 billion in 1H2012) principally due to the decline in income contribution of power associates. SN Aboitiz Power-

Magat, Inc. (SNAP–Magat) and SN Aboitiz Power–Benguet, Inc. (SNAP–Benguet) reported sharp decrease in ancillary service revenue at the back of lower acceptance rate by the NGCP. Said decrease was partially made up by the increase in the group's share of UBP's income.

Other income declined by 80% YoY (P264 million vs P1.33 billion in 1H2012) mainly due to foreign exchange (FX) losses (P1.34 billion losses vs P965 million gains in 1H2012), resulting from the restatement of the dollar-denominated debt of the power group under a depreciating peso scenario as of 1st semester-end 2013, vis-à-vis an appreciating peso scenario as of end of June, 2012. This decrease was partially countered by the P1.27 billion gain generated from the sale of CSB shares by AEV and Pilmico during the period in review.

The 65% decrease in provision for income tax (P291 million vs P828 million in 1H2012) was mainly due to the deferred tax benefits recognized on the unrealized foreign exchange losses recorded by the power group.

The 21% YoY decline in net income attributable to non-controlling interests was largely due to the decrease in power group's net income, 23% of which belongs to minority shareholders.

AEV's consolidated comprehensive income attributable to equity holders decreased by 18%, from P11.05 billion in 1H2012 to P9.05 billion in 1H2013. This was mainly due to the 331% increase (P3 billion vs P696 million in 1H2012) in AEV's share of the unrealized fair valuation losses on the AFS investments of its banking associate.

Changes in Registrant's Resources, Liabilities and Shareholders Equity

Assets

Compared to year-end 2012 level, consolidated assets decreased 13% to P193.9 billion as of June 30, 2013, due to the following:

- a. Cash & Cash Equivalents decreased by 53% (P15.68 billion vs P33.73 billion in December 2012) mainly due to substantial funds used in prepaying long-term loans and distributing cash dividends during the semester in review.
- b. Trade and Other Receivables, inclusive of non-current portion, decreased by 51% (P12.07 billion vs P24.64 billion in December 2012) mainly due to the de-consolidation of CSB's loans receivable amounting to P13.33 billion. Before AEV and Pilmico's sale of their investment in CSB to UBP, CSB was treated as a subsidiary whose accounts were consolidated into the Group's financial statements. As a result of this sale to UBP, an associate, CSB is now also classified as an associate whose accounts were de-consolidated from the Group's financial statements starting 1st quarter of 2013.
- c. Investments in and Advances to Associates decreased by P1.4 billion (P47.05 billion vs P48.45 billion in December 2012) mainly due to the following: 1.) recognition of P3 billion share of a banking associate's fair valuation losses on its AFS investments; b.) collection of P2.81 billion cash dividends from associates; and c.) elimination of P1.03 billion gain on the sale of CSB (i.e., elimination was booked as a decrease in the carrying value of UBP investment). Said decrease was partially countered by the recording of the P5.32 billion share in earnings of associates.
- d. Available-for-Sale (AFS) Investments decreased by 19% (P60 million vs P74 million in December 2012) mainly due to the recognition of fair valuation losses on majority of the shares resulting from the decline in market prices.

- e. Pension Asset decreased by 15% (P191 million vs P225 million in December 2012) due to accrual of defined benefit expense during the current period.
- f. Goodwill decreased by 39% or P644 million (P996 million vs P1.64 billion in December 2012) due to the de-consolidation of CSB's accounts from the Group's financial statements. The December 31, 2012 carrying value of the investment in CSB included a P644 million goodwill which had to be de-consolidated upon sale of said investment in 2013.

The above decreases were tempered by the following increases:

- a. Derivative asset increased by P19.5 million (P22.1 million vs P2.6 million in December 2012) due to the mark-to-market gains recognized by a power subsidiary on its interest rate swap contract during the current period.
- b. Other Current Assets increased by 16% (P2.88 billion vs P2.48 billion in December 2012) due to the build-up of input VAT resulting from the ongoing rehabilitation works by the power group and other capital expenditures of the AEV group.
- c. Gross of depreciation expense, the resulting P4.66 billion increase in Property Plant and Equipment (PPE) and Land and Improvements (LI) was mainly due to the following: 1.) rehabilitation of geothermal power plant and power barges; 2.) on-going construction of Davao coal and Tudaya hydro power plants; and 3.) various capital expenditures of power and food groups.
- d. Deferred Income Tax Assets increased by 75% (P469 million vs P268 million in December 2012) mainly due to the corresponding deferred tax benefit on the recognition of foreign exchange losses by the power group during the current period.
- e. Other Noncurrent Assets increased by 12% (P6.225 billion vs P5.57 billion in December 2012) mainly due to the build-up of input VAT by the power group resulting from the ongoing construction of its coal power plant.

Liabilities

Consolidated short-term bank loans decreased by 22% (P5.11 billion vs P6.59 billion in December 2012), and long-term liabilities likewise declined by 20% (P63.31 billion vs P78.74 billion in December 2012). The decrease in short-term loans was mainly due to the repayments made by the Company. The P15.43 billion drop in long-term debt was due to the following: 1.) pretermination of P9.1 billion AEV, AP and Pilmico fixed-rate notes, and of P3.0 billion Hedcor Sibulan, Inc. long-term loan; 2.) de-consolidation of CSB's P4.2 billion long-term loans; and 3.) amortization payments amounting to P100 million on existing loans and on a payable to a preferred shareholder of a subsidiary. Said decrease was partially offset by the P1 billion increase in power group's finance lease obligation resulting from the restatement of the foreign-denominated portion of the debt under a depreciating peso scenario.

Trade and other payables and deposit liabilities, inclusive of noncurrent portion, were lower by 45%, from P20.02 billion to P11.03 billion, mainly due to the de-consolidation of CSB's deposit liabilities and accounts payable amounting to P5.43 billion and P3.50 billion, respectively.

Derivative liabilities decreased by 100%, from P29 million to nil, due to the mark-to-market gains recognized by a power subsidiary on its interest rate swap contract.

Pension liability increased by 56%, from P16 million to P25 million, on account of accrual of defined benefit expense during the current period.

Deferred income tax liabilities declined by 22%, from ₱1.15 billion to ₱903 million, mainly due to the reversal of some deferred tax provision resulting from the unrealized foreign exchange losses booked during period in review.

Equity

Equity attributable to equity holders of the parent declined by 2% from year-end 2012 level of ₱91.0 billion to ₱89.5 billion, mainly due to the ₱2.8 billion share in a banking associate's unrealized fair valuation losses on its AFS investments. This was partially countered by the following: a.) ₱871 million increase in Retained Earnings resulting from the ₱11.9 billion net income recorded during the current period, reduced by the ₱1 billion cash dividends paid; and b.) ₱386 million increase in current translation adjustments recorded by investees using US dollars as functional currency.

Material Changes in Liquidity and Cash Reserves of Registrant

For the period ended June 30, 2013, consolidated net income allocable to the equity holders of AEV registered a 1% growth, reaching ₱11.91 billion from the ₱11.81 billion posted in the same period last year.

Operating profit for the current period amounted to ₱12.12 billion, a 12% increase YoY, mainly attributed to the performance of the power group.

Power subsidiaries reported a 15% YoY improvement in operating margins resulting from the corresponding ₱3.01 billion reduction in costs and expenses which surpassed the ₱1.57 billion decline in revenues. The decline in consolidated costs and expenses was mainly due to lower fuel costs. Meanwhile, the decrease in revenues was substantially due to the drop in average selling prices of the generation subsidiaries. This was attributed to soft spot market prices brought about by lower electricity demand, and the shift into de-risked capacity-based contracts.

The improvement in operating profit was complemented by the decrease in net interest expense and income tax provision, but was partially offset by the decline in equity earnings in associates and other income. The 13% YoY drop in net interest expense (₱3.05 billion vs ₱3.50 billion in 1H2012) was mainly attributed to lower level of debt resulting from the pre-termination of long-term loans during the second half of 2012 and the first half of 2013.

Share in net earnings of associates dropped by 25% YoY (₱5.32 billion vs ₱7.11 billion in 1H2012) principally due to the decline in income contribution of power associates. SNAP-Magat and SNAP-Benguet reported sharp decrease in ancillary service revenue at the back of lower acceptance rate by the NGCP. Said decrease was partially made up by the increase in the group's share of UBP's income.

Other income declined by 80% YoY (₱264 million vs ₱1.33 billion in 1H2012) mainly due to foreign exchange (FX) losses (₱1.34 billion losses vs ₱965 million gains in 1H2012), resulting from the restatement of the dollar-denominated debt of the power group under a depreciating peso scenario as of 1st semester-end 2013, vis-à-vis an appreciating peso scenario as of end of June 2012. This decrease was partially countered by the ₱1.27 billion gain generated from the sale of CSB shares by AEV and Pilmico during the period in review.

The 65% decrease in provision for income tax (₱291 million vs ₱828 million in 1H2012) was mainly due to the deferred tax benefits recognized on the unrealized foreign exchange losses recorded by the power group.

The 21% YoY decline in net income attributable to non-controlling interests was largely due to the decrease in power group's net income, 23% of which belongs to minority shareholders.

AEV's consolidated comprehensive income attributable to equity holders decreased by 18%, from ₱11.05 billion in 1H2012 to ₱9.05 billion in 1H2013. This was mainly due to the 331% increase (₱3 billion vs ₱696 million in 1H2012) in AEV's share of the unrealized fair valuation losses on the AFS investments of its banking associate.

Financial Ratios

Backed by strong operating and investing cash inflows, liquidity was adequately preserved. Cash and cash equivalents stood at ₱15.68 billion as of June 30, 2013 while current liabilities dipped by 32%, keeping current ratio at the same high level of 2.09:1. Debt-to-equity improved to 0.75:1 (versus year-end 2012's 0.97:1) while net debt-to-equity ratio was at 0.47x (versus year-end 2012's 0.45x). The improvement in debt-to-equity ratio was mainly due to the substantial decrease in total liabilities which was partially offset by the decline in equity.

Outlook for the Upcoming Year/ Known Trends, Events, Uncertainties which may have Material Impact on Registrant

The Philippines' strong GDP growth, the roll-out of the government's Public-Private Partnership Program, as well as the robustness and liquidity of the country's financial system, provides AEV and its business units opportunities to sustain growth over the long-term. To complement the business units' various initiatives, AEV also formed the AEV Business Development Team, whose key objectives are to scan the market for opportunities, and if deemed acceptable from both a risk and return basis, develop and execute the project.

Nevertheless, several major challenges facing its subsidiary AboitizPower will ultimately impact on the holding company's financial performance in 2013.

New Business Development

AEV seeks to capture opportunities in sectors in which it believes it could further leverage on its core competencies, is scalable, and with strong recurring profits and cash flow. To this end, the Company formed a Business Development Team in late 2011 to evaluate new business opportunities that don't fall squarely into the company's traditional core business areas of power, banking, and food. In 2012, AEV disclosed a couple of initiatives which it hopes will serve as new avenues of growth in the years to come.

1. Production of Liquid Biomethane

AEV signed a Memorandum of Agreement in June 2012 with UK-based Gazasia Ltd. (Gazasia) to jointly develop, construct, and operate plants to produce liquid bio-methane from organic waste. The liquid biomethane will be used as a renewable source of fuel for buses and heavy vehicles.

Gazasia will provide technical expertise, specialized equipment and project management, while AEV will provide the core funding for the project and access to regional markets in the Philippines.

AEV's wholly-owned subsidiary AseaGas Corporation will invest \$47 million for an initial plant with capacity of around 9,000 metric tons of bio-methane per year. Construction on the first site is targeted to commence within the year and completion is targeted in 18 months. Should the pilot project be successful, then operations could be easily scaled up.

2. Davao Bulk Water Supply Project

AEV has agreed to enter into a joint venture with J.V. Angeles Construction Corp. (JVACC) to jointly construct both a hydro electric-powered bulk water treatment facility and conveyance system which will deliver 300 MLD of treated bulk water to the Davao City Water District (DCWD).

AEV, through its affiliate Hedcor, Inc. will provide the technical and operational expertise for the hydro-electric component of the project. On the other hand, JVACC will bring to the partnership its 48 years of experience in construction and development of water-related infrastructure. The final structure of the joint venture company is currently being determined and studied by the parties involved.

Power (Generation Business)

1. Ancillary Services

SN Aboitiz Power (SNAP) a partnership between AboitizPower and SN Power Invest AS (SN Power), is currently providing ancillary services to NGCP under an Ancillary Services Procurement Agreement (ASPA). The ASPA for Magat expired last November 5, 2012 while Binga's ASPA expired on June 25, 2013. The Company earlier disclosed that its affiliates, SN Aboitiz Power – Magat, Inc. (SNAP-Magat), and SN Aboitiz Power – Benguet, Inc., have respectively signed ASPAs with NGCP for the provision of regulating, contingency, and dispatchable reserves from the Magat and Ambuklao Hydroelectric Power Plants. Another affiliate, Therma Luzon, Inc. (TLI), which runs the Pagbilao Coal Plant, also signed an ASPA with the NGCP covering both firm and non-firm capacities for contingency reserve. The ASPA of Magat and Ambuklao shall be valid for three years once the approval of the Energy Regulatory Commission (ERC) for the contract has been secured. On the other hand, TLI's ASPA is valid for a period of five years from the date of approval by the ERC. A provisional authority from the ERC has been obtained recently, paving the way for the implementation of the new ASPAs for the Magat, Ambuklao and Pagbilao plants starting July 26, 2013.

AboitizPower believes that the implementation of the new ASPAs will result in a significant reduction in the Company's ancillary revenues due to the restructuring of the pricing mechanism for ancillary services, which is currently linked to spot market rates. On the other hand, the addition of the Ambuklao and Pagbilao plants as licensed ancillary service providers will help offset the expected decline in ancillary revenue.

2. Conversion of AP Renewables, Inc.'s (APRI) existing steam contract to a Geothermal Resource Sales Contract

On May 26, 2013, APRI's current steam supply contract with Chevron shifted to a Geothermal Resource Sales Contract (GRSC). The change is due to an existing provision under the government's existing contract with Chevron when the Tiwi-Makban facilities were bidded out under the former's privatization program.

The shift to the GRSC will result in a change in the determination of the cost that Chevron can charge to APRI for the steam supply. Consequently, APRI's annual steam cost will be significantly higher and will adversely impact both top-line sales and operating margins.

As of the moment, AboitizPower is in talks with Chevron regarding the possibility of replacing GRSC with a revenue-sharing scheme to maximize plant utilization.

3. Increase in Attributable Generating Capacity

Notwithstanding the challenges over the short-term, AboitizPower has built the necessary foundation to sustain its growth trajectory over the long term. Over the next several years, AboitizPower looks to expanding its portfolio of generation assets by implementing the following projects.

- Rehabilitation of the Binga Hydro Power Plant

In 2011, SNAP commenced the programmed rehabilitation of the 100 MW Binga hydropower plant, which is consisted of four units with a capacity of 25 MW each. The program involves the increase of each unit's capacity by 5 MW. Rehabilitation of the first, second, and third units were completed in December 2011, July 2012 and January 2013, respectively. Works on the fourth unit has been completed last July 2013. Full completion will result to Binga's total net sellable capacity reaching 120 MW. AboitizPower has an effective stake of 50% in this facility.

- Greenfield and Brownfield developments

600 MW (net) Coal-fired Power Plant in Subic. This is a project by Redondo Peninsula Energy, Inc. (RP Energy), a joint venture among Meralco PowerGen Corporation (MPGC), Aboitiz subsidiary Therma Power, Inc. (TPI) and Taiwan Cogeneration International Corporation (TCIC). The project involves the construction and operation of a 2x300 MW (net) circulating-fluidized-bed (CFB) coal-fired power plant located within the Subic Bay Freeport Zone. On November 15, 2012, RP Energy was issued an amended Environmental Compliance Certificate to cover two high-efficiency 300-MW (net) units with main steam reheat systems. Site preparation is substantially completed. The EPC contract has been awarded to Hyundai with Foster Wheeler and Toshiba as major subcontractors/suppliers of the CFB boilers and turbines, respectively. Hyundai has not been issued a notice to proceed with the works, however, because of the filing of a petition for a Writ of Kalikasan and environmental protection order. The petition was denied, but the court's decision is the subject of a petition for review to the Supreme Court that may require the balance of 2013 to resolve. Thus, commercial operation of the power plant now is estimated to begin in early 2017. AboitizPower, through TPI will have an equity interest of 25% in RP Energy.

300 MW Coal-fired Power Plant in Davao. AboitizPower, through 100%-owned subsidiary Therma South, Inc. (TSI), is putting up a 2x150 MW coal-fired power plant in Davao, which is the biggest load center in the island of Mindanao. The project broke ground in 2012. The EPC contract for the power block was awarded to Formosa Heavy Industries (FHI) with FHI supplying the CFB boilers and Fuji as major subcontractor/supplier of the turbines. The EPC contract for the balance of plant equipment and their integration with the power block was awarded to a consortium of Black & Veatch Corporation and Leighton Contractors (Philippines), Inc. The first generating unit (150 MW) is expected to be completed 34 months after (or March 2015), with the second unit (150 MW) to follow in 3 months (or June 2015).

400 MW (net) Coal-fired Power Plant in Pagbilao, Quezon. On September 27, 2011, AboitizPower signed a Memorandum of Understanding with Marubeni Corporation (Marubeni) to formalize their intention to jointly develop, construct and operate a coal-fired power plant with a capacity of approximately 400 MW (net). The proposed location will be within the premises of the existing 735 MW (net) Pagbilao Units I and II Coal Fired Thermal Power Plant in Quezon province. The terms and conditions of the joint investment will be finalized in a definitive shareholder agreement to be agreed upon by the parties. Marubeni and Tokyo Electric are part-owners of TeaM Energy Corporation (TeaM Energy), which owns and operates the Pagbilao Units I and II under a build-operate-transfer

contract with the National Power Corporation (NPC). On the other hand, AboitizPower, through wholly owned subsidiary TLI, is the Independent Power Producer Administrator of the Energy Conversion Agreement between TeaM Energy and NPC under an IPP Administration Agreement with the Power Sector Assets and Liabilities Management Corporation (PSALM), which manages the assets and IPP contracts of NPC. Commercial operations of the first generating unit are targeted within the year 2017.

300-MW (net) Coal-Fired Project in Toledo City, Cebu. AboitizPower, through 100%-owned subsidiary, Therma Visayas, Inc. (TVI), is developing a 2 x 150-MW (net) coal-fired power project in Toledo City. The project site was acquired in December 2011. The Environmental Compliance Certificate for the project was issued in May 2013.

150 MW Coal-fired Power Plant in Misamis Oriental. On June 28, 2010, AboitizPower and its partners in STEAG State Power, Inc., owner of the 232 MW coal plant located at the Phividec Industrial Estate in Villanueva, Misamis Oriental, firmed up their collective intention to develop a third unit of approximately 120 MW capacity adjacent to the existing facility. AboitizPower and its partners agreed to maintain their shareholdings in the same proportions in the new corporation to be established for the planned additional capacity. Certain essential facilities, such as the jetty, coal handling facilities and stockyards and the 138-kV interconnection with the Mindanao Grid are to be shared with the existing facilities. Majority control of SPI has since changed, so the development of a third unit is being reevaluated.

7 MW Tudaya 1 Hydro Power Plant Project. Hedcor Sibulan, Inc. (Hedcor Sibulan) started the construction of Tudaya 1 which is located upstream of the existing Sibulan A pondage in the third quarter of 2012. Almost 50% complete, it is scheduled to be finished in the first quarter of 2014. The energy to be produced by Tudaya 1 will be sold to Davao Light & Power Company, Inc. (Davao Light) through the power supply agreement signed in 2007.

6.6 MW Tudaya 2 Hydro Power Plant Project. AboitizPower's wholly owned subsidiary Hedcor Tudaya, Inc. (Hedcor Tudaya) has started the construction of Tudaya 2 located downstream of the existing Sibulan B. The project which commenced construction in the third quarter of 2012 is already 90% complete. The project is estimated to be completed by the first quarter of 2014.

14 MW Sabangan Hydro Power Plant Project. This involves the construction and operation of a hydropower plant facility in Mt. Province, a province located in Northern Luzon. This project will be undertaken by a wholly owned subsidiary of AboitizPower, Hedcor Sabangan, Inc. The project was granted all the permits and licenses in the first quarter of 2013. The construction which will take approximately 24 months has commenced in May 2013.

12 MW Hedcor Tamugan Hydro Power Plant Project. In 2010, AboitizPower's wholly owned subsidiary, Hedcor Tamugan, Inc. (HTI) has reached an agreement with the Davao City Water District on the use of the Tamugan river. Originally planned as a 27.5 MW run-of-river facility, HTI submitted a new proposal, which involves the construction of a 12 MW hydropower plant. HTI is waiting for the Davao City council to approve the project. Once approval and permits are secured, the two-year construction period will commence.

Other Greenfield and Brownfield developments. AboitizPower, together with its subsidiaries and associate company, is conducting feasibility studies for potential Greenfield and Brownfield projects.

- SNAP is in the process of evaluating several hydropower plant projects. A Brownfield project is being evaluated for its Magat hydropower plant, which

involves the construction of a pumped storage facility that could potentially increase its capacity by at least 90 MW. SNAP is likewise evaluating several Greenfield hydropower plant projects that have at least 70 MW of potential capacity each.

- Hedcor is conducting feasibility studies for potential hydropower projects located in Luzon, Visayas, and Mindanao. Based on current findings, Hedcor sees the potential of building plants with capacities ranging from 5 MW to 50 MW. When the projects pass the evaluation stage and once permits are secured, the two-year construction period for the hydropower plant facilities will commence.

4. Participation in the Government's Privatization Program for its Power Assets

AboitizPower continues to closely evaluate the investment viability of the remaining power generation assets that PSALM intends to auction off.

AboitizPower is also keen on participating in PSALM's public auction for the Independent Power Producer (IPP) Administrator contracts, which involves the transfer of the management and control of total energy output of power plants under contract with NPC to the IPP administrators.

Power (Distribution Business)

AboitizPower remains optimistic that it will realize modest growth on its existing distribution utilities. It continually seeks efficiency improvements in its operations to maintain healthy margins.

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 4-year regulatory period is set by reference to projected revenues which are reviewed and approved by the ERC and used by the ERC to determine a distribution utility's efficiency factor. For each year during the regulatory period, a 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 the ERC, such as the average duration of power outages, the average time of restoration to customers and the average time to respond to customer calls, with utilities being rewarded or penalized depending on their ability to meet these performance targets.

Cotabato Light & Power Company (Cotabato Light) was supposed to start with its Third Regulatory Period on April 1, 2013. The reset process, however, is potentially delayed due to the absence of the Position Paper, the document covering the issues at hand and the information requirements for the upcoming reset. This is a result of the ERC's direction of adopting a new set of procurement process for its Regulatory Reset Experts which has not been finalized. For the meantime, Cotabato Light shall file an annual rate adjustment application for Regulatory Year 2014. The filing is targeted to be done this August 2013.

Visayan Electric Company, Inc. and Davao Light recently received approvals for the annual rate adjustment application for the Fourth Regulatory Year (July 1, 2013 to June 30, 2014). The new rates have been implemented in the July 2013 billings.

For Subic Enerzone Corporation (SEZ) and San Fernando Electric Light and Power Co., Inc.'s (SFELAPCO) Second Regulatory Year covering October 1, 2012 to September 30, 2013, SEZ was able to implement the new rate schedule starting February 2013 while SFELAPCO implemented beginning April 2013. The filing for the Third Regulatory Year is scheduled this August 2013.

Market and Industry Developments

Open Access and Retail Competition (Open Access)

Per EPIRA, the conditions for the commencement of the Open Access and Retail Competition are as follows:

- (a) Establishment of the WESM;
- (b) Approval of unbundled transmission and distribution wheeling charges;
- (c) Initial implementation of the cross subsidy removal scheme;
- (d) Privatization of at least 70% of the total capacity of generating assets of NPC in Luzon and Visayas; and
- (e) Transfer of the management and control of at least 70% of the total energy output of power plants under contract with NPC to the IPP administrators.

Under Open Access and Retail Competition, an eligible contestable customer, which is defined as an end-user with a monthly average peak demand of at least 1 MW for the preceding 12 months, will have the option to source their electricity from eligible suppliers that have secured a RES license from the ERC. Eligible suppliers shall include the following:

- Generation companies that own, operate or control 30% or less of the installed generating capacity in a grid and/or 25% or less of the national installed capacity
- NPC-Independent Power Producers with respect to capacity which is not covered by contracts
- IPP Administrators with respect to the uncontracted energy which is subject to their administration and management
- Retail Electricity Suppliers (RES) duly licensed by the ERC

The implementation of Open Access presents a big opportunity for AboitizPower, as it has two wholly owned subsidiaries (i.e. Aboitiz Energy Solutions, Inc. and AdventEnergy, Inc.) that are licensed Electricity Retail Suppliers, which can enter into contracts with the eligible contestable customers. Moreover, AboitizPower's generation assets that have uncontracted capacity will be able to have direct access to eligible contestable customers through AboitizPower's licensed RES.

In June 2011, ERC declared December 26, 2011 as the Open Access Date to mark the commencement of the full operations of the competitive retail electricity market in Luzon and Visayas. However, after careful deliberation, the ERC acknowledged that not all the necessary rules, systems and infrastructures required for the implementation of the Open Access and Retail Competition have been put in place to meet the contemplated timetable for implementation. In October 2011, the ERC announced the deferment of the Open Access Date. In September 2012, the ERC declared the start of Open Access on December 26, 2012. Commercial transactions under an interim development system have been implemented starting June 26, 2013.

Financial Services

UnionBank's initiatives on strengthening its customer franchise will continue to be at the forefront as it prioritizes customer satisfaction through enhanced retail focus, superior innovation and product customization, and stronger sales management approach. UnionBank will continue to invest in technology, cultivate partnerships and rationalize branch network expansion in strategic areas to maximize growth channels with respect to both deposits and loan accounts.

UnionBank will continue to focus on improving the performance of its earning assets portfolio, with loan asset acquisition in the retail, middle-market and corporate sectors. The bank will implement a disciplined asset allocation built on good governance and effective risk management to ensure momentum of recurrent income stream. At the same time, UnionBank is focusing on improving its deposit liabilities mix by targeting low-cost funds (i.e. CASA).

Likewise, UnionBank will continue to enhance operating efficiencies through cost containment efforts and improvements in its business processes and systems to align with international standards and best practices, and increase in manpower productivity with the help of functional and developmental trainings as well as appropriate matching of job, skills and capabilities.

CitySavings, the newly acquired subsidiary thrift bank of UnionBank, will continue with its unique focus as the preferred Teachers' Bank in the Philippines, particularly expanding its customer franchise in areas outside of its present coverage. It will continuously enhance its products and services to strengthen its market position in its present niche and tap other civil servant market segments.

The combined unique strengths of UnionBank and CitySavings' management team as well as its attained technological and financial capabilities will catapult both to greater heights towards elevating the lives of its stakeholders and the communities it serves.

Food Manufacturing

For the Farm's business, Pilmico's goal is to increase its sow capacity by 30% by 2014, with 70% of the finishing farms owned and operated by the company. In support of this initiative, construction of a new nursery farm has been completed. Additionally, it will continue to expand the existing breeder farm and increase the capacity of the growing-finishing farms. For Feeds, the 2nd Iligan Feedmill Plant is planned for completion on January 2015. This will double Iligan Feedmill's capacity and will allow Pilmico to absorb growth targets in the next 10 years.

Aside from the expansion and improvement of the company's facilities in Iligan and Tarlac, and farms in Luzon, projects to ensure sustainability and reduce the company's carbon footprint are being eyed. A biogas project for two farms is projected to produce 300,000 kWh annually, whereas the construction of biomass boilers will reduce fuel cost in steam production.

Property

AboitizLand sees its Residential Business Unit as its main revenue driver, as the company launched 2 new residential projects so far in 2013. The first launch was for Priveya Hills Phase 2 in April 2013. Priveya Hills Phase 2 is an expansion of the company's highly successful high end lot-only development. Almiya, a new house and lot project, was launched in June 2013.

On the commercial side, average occupancy levels increased to 86% as of June 30, 2013. The company is also working towards the opening of The Outlets at Pueblo Verde by December 2013. The company believes that The Outlets will complement and add value to our existing commercial spaces in Pueblo Verde, and will be 100% occupied when it opens.

AboitizLand is strategically expanding its operations. In June 2013, AboitizLand made a purchase offer for Lima Land, which owns and operates a 485-hectare industrial township development in Batangas. This will be the company's first major investment venture out of Cebu. The company has also entered into talks of a joint venture with Ayala Land for the acquisition and development of strategic properties in Cebu.

AboitizLand is optimistic on its bid for the Mactan Airport and is intensely focusing on it. The company sees its partnership with Ayala Corporation and ADC & HAS Airports, Inc. as a strong one, and hopes this exercise will serve as an opening for the group to consider other PPP projects in the future.

PART II--OTHER INFORMATION

There are no significant information on the company which requires disclosure herein and/or were not included in SEC Form 17-C.

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
AT JUNE 30, 2013 AND DECEMBER 31, 2012
(Amounts in Thousands)

	UNAUDITED JUN 2013	RESTATED AUDITED DEC 2012	RESTATED AUDITED JAN 2012
ASSETS			
Current Assets			
Cash and cash equivalents	15,676,079	33,730,531	29,543,492
Trade and other receivables - net	11,930,043	24,436,347	22,024,385
Inventories - net	5,873,726	5,821,033	4,932,659
Derivative asset	22,122	2,631	-
Other current assets	2,885,387	2,482,311	2,220,068
Total Current Assets	36,387,357	66,472,853	58,720,604
Noncurrent Assets			
Investments in and advances to associates	47,053,095	48,450,452	48,456,523
Property, plant, and equipment - net	93,147,417	90,228,776	82,608,589
Intangible asset - service concession right	3,792,133	3,685,417	4,162,768
Land and improvements	1,343,998	1,584,203	-
Investment properties - net	4,054,628	4,012,665	341,381
Trade Receivables - net of current portion	141,029	207,160	-
Available-for-sale (AFS) investments	60,517	74,539	74,569
Net pension asset	191,465	225,019	137,701
Deferred income tax assets	468,554	268,333	321,572
Goodwill	996,005	1,639,518	1,639,518
Other noncurrent assets - net	6,223,641	5,569,979	4,222,586
Total Noncurrent Assets	157,472,482	155,946,060	141,965,208
TOTAL ASSETS	193,859,839	222,418,912	200,685,812
LIABILITIES AND EQUITY			
Current Liabilities			
Bank loans	5,113,048	6,594,043	5,301,008
Trade and other payables	10,590,726	14,143,696	12,667,610
Income tax payable	216,556	214,560	222,895
Current portion of long-term debt	711,255	4,072,757	1,604,750
Current portion of obligations on Power Distribution System	40,000	40,000	40,000
Current portion of obligations under finance lease	725,471	725,471	-
Current portion of payable to preferred shareholder of a subsidiary	23,303	20,705	16,902
Derivative liabilities	-	29,173	7,580
Total Current Liabilities	17,420,359	25,840,405	19,860,745
Noncurrent Liabilities			
Obligations under finance lease - net of current portion	54,677,072	53,654,843	52,714,959
Long-term debt - net of current portion	6,878,642	19,967,827	26,077,970
Deposit liabilities of CSB		5,431,967	4,472,252
Obligations on Power Distribution System - net of current portion	247,354	230,843	237,046
Payable to preferred shareholder of a subsidiary	3,749	25,363	46,068
Customers' deposits	2,568,466	2,493,421	2,170,028
Trade Payables - net of current	444,522	444,522	-
Net pension liability	238,621	229,597	260,277
Deferred income tax liability	903,023	1,154,097	378,759
Total Noncurrent Liabilities	65,961,449	83,632,480	86,357,359
Total Liabilities	83,381,808	109,472,885	106,218,105
Equity Attributable to Equity Holders of the Parent			
Capital stock	5,694,600	5,694,600	5,694,600
Additional paid-in capital	6,110,957	6,110,957	6,110,957
Net unrealized gain (loss) on AFS investments	(417)	4,852	9,638
Unrealized Actuarial Losses	(375,890)	(375,890)	(358,654)
Cumulative translation adjustments	192,470	(132,763)	(43,705)
Share in cumulative translation adjustments of associates	(587,388)	(648,552)	(417,661)
Share in Unrealized Actuarial Losses of Associates	(394,485)	(394,485)	(342,548)
Share in net unrealized gain (loss) on AFS investments and underwriting accounts of an associate	(1,927,831)	850,631	1,116,924
Gain on dilution	5,376,176	5,376,176	5,376,176
Acquisition of non-controlling interest	(1,165,931)	(1,165,931)	(527,203)
Excess of book value over acquisition cost of an acquired subsidiary	469,540	469,540	-
Retained earnings	77,363,516	76,492,084	61,257,752
Treasury stock at cost	(1,295,163)	(1,295,163)	(1,295,163)
	89,460,156	90,986,056	76,581,112
Non-controlling Interests	21,017,876	21,959,972	17,886,595
Total Equity	110,478,031	112,946,028	94,467,707
TOTAL LIABILITIES AND EQUITY	193,859,839	222,418,912	200,685,812

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES
CONSOLIDATED INCOME STATEMENTS
FOR THE PERIODS ENDED JUNE 30, 2013 AND 2012
(Amounts in Thousands)
(UNAUDITED)

	JAN-JUN/13	JAN-JUN/12	APR-JUN/13	APR-JUN/12
REVENUES	38,815,013	40,344,654	21,022,675	20,765,755
COSTS AND EXPENSES	26,690,388	29,550,900	14,243,267	15,429,273
GROSS PROFIT	12,124,625	10,793,753	6,779,408	5,336,483
OTHER INCOME (CHARGES)				
Share in net earnings of associates	5,322,894	7,110,756	2,559,919	3,864,204
Interest income	288,331	439,095	108,911	238,005
Interest expense	(3,336,758)	(3,941,744)	(1,749,963)	(1,993,975)
Other income	264,568	1,332,959	(1,361,909)	597,730
	2,539,035	4,941,066	(443,042)	2,705,964
INCOME BEFORE INCOME TAX	14,663,659	15,734,819	6,336,366	8,042,446
PROVISION FOR INCOME TAX	290,907	827,651	(17,843)	401,646
NET INCOME	14,372,752	14,907,168	6,354,209	7,640,800
ATTRIBUTABLE TO:				
EQUITY HOLDERS OF THE PARENT	11,915,176	11,810,207	5,066,586	5,955,483
NON-CONTROLLING INTERESTS	2,457,576	3,096,962	1,287,623	1,685,317
	14,372,752	14,907,168	6,354,209	7,640,800
Earnings Per Common Share				
Basic, for income for the period attributable to ordinary holders of the parent	2.158	2.139	0.918	1.079

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE PERIODS ENDED JUNE 30, 2013 AND 2012
(Amounts in Thousands)
(UNAUDITED)

	JAN-JUN/13	JAN-JUN/12	APR-JUN/13	APR-JUN/12
Profit for the period attributable to:				
Equity holders of the parent	11,915,176	11,810,207	11,915,176	11,810,207
Non-controlling interests	2,457,576	3,096,962	2,457,576	3,096,962
Profit for the period	14,372,752	14,907,168	14,372,752	14,907,168
Other comprehensive income:				
Net unrealized valuation gains (losses) on AFS investments	(7,167)	1,859	(7,167)	1,859
Movement in cumulative translation adjustments of associates	349,072	(103,464)	106,072	(103,464)
Share in movement in net unrealized valuation losses on AFS investments of associates	(2,778,461)	(696,389)	(3,003,461)	(696,389)
Share in movement in cumulative translation adjustments of associates	79,607	(18,830)	79,607	(18,830)
Other comprehensive loss for the period, net of tax	(2,356,949)	(816,824)	(2,824,949)	(816,824)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	12,015,803	14,090,344	11,547,803	14,090,344
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the parent	9,517,843	11,048,271	9,049,843	11,048,271
Non-controlling interests	2,497,960	3,042,073	2,497,960	3,042,073
	12,015,803	14,090,344	11,547,803	14,090,344

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE PERIODS ENDED JUNE 30, 2013 AND 2012
(Amounts in Thousands)
(UNAUDITED)

	JAN-JUN/13	JAN-JUN/12	APR-JUN/13	APR-JUN/12
CASH FLOWS FROM OPERATING ACTIVITIES:				
Income before income tax	14,663,659	15,734,819	6,336,366	8,042,446
Adjustments for:				
Share in net earnings of associates	(5,322,894)	(7,110,756)	(2,559,919)	(3,864,202)
Depreciation and amortization	1,966,464	1,828,243	1,007,327	905,950
Interest income	(288,331)	(439,095)	(108,911)	(238,005)
Interest expense and dividends on redeemable preferred shares	3,336,758	3,941,744	1,749,963	1,993,975
Amortization of computer softwares and other intangibles	10,730	12,001	4,039	6,292
Dividend income	(315)	(473)	(315)	(79)
Provision for impairment loss on receivables	6,630	70,556	2,900	39,310
Unrealized fair valuation losses on derivatives	(315)	(736)	(315)	(994)
Provision for retirement benefits		6,597		3,298
Unrealized foreign exchange loss (gain)	1,346,218	(1,007,277)	1,498,004	(507,721)
Loss (gain) on sale of investments in shares of stock	(1,272,143)	(39,297)	1	(12,210)
Loss on sale of available for sale investments		1,259		
Gain on sale of property, plant & equipment	(34,525)	(7,245)	(28,830)	(6,147)
Operating income before working capital changes	14,411,937	12,990,341	7,900,309	6,361,914
Changes in:				
Increase in operating current assets	(1,423,966)	(819,610)	(93,563)	(1,113,657)
Increase in operating current liabilities	440,057	2,435,084	470,289	1,368,186
Cash provided by operations	13,428,027	14,605,814	8,277,035	6,616,443
Income and final taxes paid	(514,663)	(556,680)	(303,307)	(500,707)
Net cash provided by operating activities	12,913,365	14,049,135	7,973,727	6,115,736
CASH FLOWS FROM INVESTING ACTIVITIES:				
Dividends received	2,815,390	5,056,410	2,185,383	4,418,791
Interest received	357,466	502,234	109,590	229,062
Additions to investments	(428,865)	(78,968)	(428,865)	(77,472)
Collection of advances to associates	374,891	1,923	374,891	656
Acquisitions of property, plant and equipment - net	(5,130,034)	(3,988,906)	(3,479,375)	(2,797,597)
Acquisitions of land and improvements	240,205		240,541	
Disposals of available for sale investments	8,752	1,737	4,432	6,345
Disposal (acquisition) of subsidiaries, net of cash acquired (disposed)	3,418,631	(933,702)		
Proceeds from sale of investments in shares of stock		330,719		12,210
Decrease (increase) in intangible assets	54,845	(8,226)	51,192	5,635
Increase in other assets	(559,610)	(74,215)	(1,019,153)	(212,055)
Net cash provided by (used in) investing activities	1,151,671	809,005	(1,961,363)	1,585,576
CASH FLOWS FROM FINANCING ACTIVITIES:				
Settlements of bank loans	(1,480,995)	(372,846)	(3,256,410)	1,256,520
Payments of long-term debt	(12,380,395)	(819,047)	(1,472,303)	(1,466,885)
Payments of finance lease obligation	(3,314,582)	(546,085)	(1,662,933)	(272,625)
Payments of payable to preferred shareholders of a subsidiary	(31,070)	(24,520)		(5,176)
Interest and dividends on redeemable preferred shares paid	(633,356)	(1,066,055)	(295,642)	(509,613)
Increase (decrease) in derivative liabilities/ Decrease (increase) in derivative assets	(48,349)	(6,844)	(42,489)	587
Proceeds from issuance of capital stock				
Cash dividends paid to equity holders of the parent	(11,043,744)	(8,724,557)	(11,043,744)	(8,724,557)
Cash dividends and other accounts paid to non-controlling interest	(3,204,801)	(2,255,482)	(2,830,035)	(2,255,771)
Net cash used in financing activities	(32,137,291)	(13,815,436)	(20,603,555)	(11,977,521)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(18,072,255)	1,042,704	(14,591,191)	(4,276,209)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH & CASH EQUIVALENTS	17,804	(54,825)	25,949	4,731
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	33,730,531	29,543,492	30,241,321	34,802,848
CASH AND SHORT-TERM INVESTMENTS AT END OF PERIOD	15,676,079	30,531,371	15,676,079	30,531,371

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE PERIODS ENDED JUNE 30, 2013 AND DECEMBER 31, 2012

	Attributable to owners of the parent															Non-controlling Interests	Total
	Share Common	Capital Preferred	Additional Paid-in Capital	Net Unrealized Valuation Gains (Losses) on AFS Investments	Cumulative Translation Adjustments	Share in Cumulative Translation Adjustments of Associates	Share in Net Unrealized Gains (Losses) on AFS Investments & Underwriting Accounts of an Associate	Net Unrealized Actuarial Gains (Losses)	Share in Net Unrealized Actuarial Gains (Losses) of Associates	Excess of book value over acquisition cost of an acquired subsidiary	Gain on Dilution	Acquisition of Non-controlling Interest	Retained Earnings	Treasury Stock	Total		
Balances at December 31, 2012	5,694,600	-	6,110,957	4,852	(132,763)	(648,552)	850,631	-	-	469,539,7797	5,376,176	(1,165,931)	76,257,409	(1,295,163)	91,521,756	21,981,510	113,503,266
Effects of adoption of amended PAS 19								(375,890)	(394,485)				234,675		(535,699)	(21,538)	(557,238)
Balances at December 31, 2012, as restated	5,694,600	-	6,110,957	4,852	(132,763)	(648,552)	850,631	(375,890)	(394,485)	469,540	5,376,176	(1,165,931)	76,492,084	(1,295,163)	90,986,056	21,959,972	112,946,028
Changes in equity for Jan-Jun 2013:																	
Net income for the year													11,915,176		11,915,176	2,457,576	14,372,752
Other comprehensive income				(5,269)	325,234	61,164	(2,778,461)								(2,397,333)	40,384	(2,356,949)
Total comprehensive income for the year				(5,269)	325,234	61,164	(2,778,461)						11,915,176		9,517,843	2,497,960	12,015,803
Changes in minority interest																(235,255)	(235,255)
Cash dividends													(11,043,744)		(11,043,744)	(1,043,744)	(11,043,744)
Cash dividends paid to minority interests																(3,204,801)	(3,204,801)
Balances at June 30, 2013	5,694,600	-	6,110,957	(417)	192,471	(587,388)	(1,927,831)	(375,890)	(394,485)	469,540	5,376,176	(1,165,931)	77,363,517	(1,295,163)	89,460,156	21,017,876	110,478,032

	Attributable to owners of the parent															Non-controlling Interests	Total
	Share Common	Capital Preferred	Additional Paid-in Capital	Net Unrealized Valuation Gains (Losses) on AFS Investments	Cumulative Translation Adjustments	Share in Cumulative Translation Adjustments of Associates	Share in Net Unrealized Gains (Losses) on AFS Investments & Underwriting Accounts of an Associate	Net Unrealized Actuarial Gains (Losses)	Share in Net Unrealized Actuarial Gains (Losses) of Associates	Excess of book value over acquisition cost of an acquired subsidiary	Gain on Dilution	Acquisition of Non-controlling Interest	Retained Earnings	Treasury Stock	Total		
Balances at December 31, 2011	5,694,600	-	6,110,957	9,638	(43,705)	(417,661)	1,116,924				5,376,176	(527,203)	61,053,321	(1,295,163)	77,077,883	17,899,843	94,977,727
Effects of adoption of amended PAS 19								(358,654)	(342,548)				204,431		(496,771)	(13,248)	(510,020)
Balances at December 31, 2011, as restated	5,694,600	-	6,110,957	9,638	(43,705)	(417,661)	1,116,924	(358,654)	(342,548)	-	5,376,176	(527,203)	61,257,752	(1,295,163)	76,581,112	17,886,595	94,467,707
Changes in equity for Jan-Dec 2012:																	
Net income for the year													23,958,889		23,958,889	6,175,926	30,134,814
Other comprehensive income				(4,786)	(89,058)	(230,890)	(266,293)	(17,235)	(51,937)						(660,200)	(95,930)	(756,130)
Total comprehensive income for the year				(4,786)	(89,058)	(230,890)	(266,293)	(17,235)	(51,937)				23,958,889		23,298,689	6,079,995	29,378,684
Excess of acquisition cost over carrying value of non-controlling interests												(638,727)			(638,727)	1,115	(637,613)
Changes in minority interest																704,807	704,807
Acquisition of a subsidiary										469,540					469,540		469,540
Cash dividends													(8,724,557)		(8,724,557)		(8,724,557)
Cash dividends paid to minority interests																(2,712,541)	(2,712,541)
Balances at December 31, 2012	5,694,600	-	6,110,957	4,852	(132,763)	(648,552)	850,631	(375,890)	(394,485)	469,540	5,376,176	(1,165,931)	76,492,084	(1,295,163)	90,986,056	21,959,972	112,946,028

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE PERIODS ENDED JUNE 30, 2012

	Attributable to owners of the parent													Total	Non-controlling Interests	Total
	Share Capital Common	Share Capital Preferred	Additional Paid-in Capital	Net Unrealized Gains (Losses) on AFS Investments	Cumulative Translation Adjustments	Share in Cumulative Translation Adjustments of Associates	Share in Net Unrealized Gains (Losses) on AFS Investments & Underwriting Accounts of an Associate	Net Unrealized Actuarial Gains (Losses)	Share in Net Unrealized Actuarial Gains (Losses) of Associates	Gain on Dilution	Acquisition of Non-controlling Interest	Retained Earnings	Treasury Stock			
Balances at December 31, 2011	5,694,600	-	6,110,957	9,638	(43,705)	(417,661)	1,116,924			5,376,176	(527,203)	61,053,321	(1,295,163)	77,077,883	17,899,843	94,977,727
Effects of adoption of amended PAS 19								(358,654)	(342,548)			204,431		(496,771)	(13,248)	(510,020)
Balances at December 31, 2011, as restated	5,694,600	-	6,110,957	9,638	(43,705)	(417,661)	1,116,924	(358,654)	(342,548)	5,376,176	(527,203)	61,257,752	(1,295,163)	76,581,112	17,886,595	94,467,707
Changes in equity for Jan-Jun 2012:																
Net income for the year												11,810,207		11,810,207	3,096,962	14,907,168
Other comprehensive income				(7,091)	(80,056)	19,118	(693,907)							(761,935)	(54,889)	(816,824)
Total comprehensive income for the year	-	-	-	(7,091)	(80,056)	19,118	(693,907)	-	-	-	-	11,810,207	-	11,048,271	3,042,073	14,090,344
Acquisition of minority interest											(638,727)			(638,727)	1,115	(637,613)
Gain on Dilution														-		-
Changes in minority interest														-	(280,453)	(280,453)
Cash dividends												(8,724,557)		(8,724,557)		(8,724,557)
Cash dividends paid to minority interests														-	(2,255,482)	(2,255,482)
Balances at June 30, 2012	5,694,600	-	6,110,957	2,547	(123,761)	(398,543)	423,017	(358,654)	(342,548)	5,376,176	(1,165,931)	64,343,402	(1,295,163)	78,266,098	18,393,848	96,659,946

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES
FINANCIAL STATEMENT SCHEDULES AND DISCLOSURES
AT JUNE 30, 2013 AND JUNE 30, 2012
(peso amounts in thousands)

A. COMPONENTS OF OTHER COMPREHENSIVE INCOME

	JAN-JUN/13		JAN-JUN/12	
Available-for-sale financial assets:				
Net unrealized valuation gains (losses) arising during the period	(7,167)		1,859	
Less: Reclassification adjustments for losses included in profit or loss	<u>-</u>	<u>(7,167)</u>	<u>-</u>	<u>1,859</u>
Exchange differences in translating foreign-denominated transactions		349,072		(103,464)
Share in movement in net unrealized valuation losses on AFS investments of an associate		(2,778,461)		(696,389)
Share in movement in cumulative translation adjustments of associates		79,607		(18,830)
Other comprehensive loss		(2,356,949)		(816,824)
Income tax relating to components of other comprehensive income		-		-
Other comprehensive loss for the period		(2,356,949)		(816,824)

(0)

B. TAX EFFECTS RELATING TO EACH COMPONENT OF OTHER COMPREHENSIVE INCOME

	JAN-JUN/13			JAN-JUN/12		
	Before-Tax Amount	Tax (Expense) Benefit	Net-of-Tax Amount	Before-Tax Amount	Tax (Expense) Benefit	Net-of-Tax Amount
Available-for-sale financial assets	(7,167)	-	(7,167)	1,859	-	1,859
Exchange differences in translating foreign-denominated transactions	349,072	-	349,072	(103,464)	-	(103,464)
Share in movement in net unrealized valuation losses on AFS investments of an associate	(2,778,461)	-	(2,778,461)	(696,389)	-	(696,389)
Share in movement in cumulative translation adjustments of associates	79,607	-	79,607	(18,830)	-	(18,830)
Other comprehensive loss for the period	(2,356,949)	-	(2,356,949)	(816,824)	-	(816,824)

C. INVESTMENTS AND ADVANCES

	% OWNERSHIP		
	2013	JUN 2013	DEC 2012
Investments in shares of stock			
At equity			
Acquisition cost:			
Union Bank of the Philippines	44.82%	7,099,765	7,099,765
Accuria, Inc.	49.54%	719,739	719,739
Western Mindanao Power Corporation	20.00%	79,099	79,099
Cebu International Container Terminal, Inc.	20.00%	240,125	240,125
Hijos de Escaño, Inc.	46.73%	858,070	858,070
San Fernando Electric Light & Power Co., Inc.	20.29%	180,864	180,864
Pampanga Energy Ventures, Inc.	42.84%	209,465	209,465
Southern Philippines Power Corporation	20.00%	99,166	99,166
Visayan Electric Co., Inc.	55.25%	665,181	662,456
Manila Oslo Renewable Enterprise, Inc.	83.33%	9,290,416	9,290,416
East Asia Utilities Corporation	50.00%	180,616	180,616
STEAG State Power Inc.	34.00%	4,400,611	4,400,611
Redondo Peninsula Energy Corporation	25.00%	431,140	5,000
Cebu Energy Development Corp.	44.00%	2,438,621	2,438,621
South Western Cement Corporation	20.00%	28,995	28,995
Cordillera Hydro Corporation	35.00%	88	88
CSB Land, Inc.	0.00%	-	2,000
Hapag-Lloyd Philippines, Inc.	15.00%	1,800	1,800
Jebsens People Solutions AS	50.00%	3,600	3,600
JAIB, Inc.	49.00%	1,884	1,884
Balance at end of period		26,929,247	26,502,382
Accumulated share in net earnings:			
Balance, beginning of year		20,520,580	20,267,842
Share in net earnings for the period		5,322,894	13,312,982
Disposals during the period			(16,658)
Eliminated gain on sale of a subsidiary to an associate (sale of CSB to UBP in 2013)		(1,033,205)	
Accumulated equity of associates owned by disposed subsidiaries		(91)	
Cash dividends received and receivable		(2,815,075)	(13,043,586)
Balance, end of period		21,995,103	20,520,580
Gain on dilution		1,014,136	1,014,136
Share in net unrealized gains (losses) on available-for-sale investments of an associate		(2,140,079)	863,382
Share in unrealized actuarial losses of associates		(394,485)	(394,485)
Share in cumulative translation adjustments of associates		(767,982)	(847,589)
		46,635,941	47,658,407
Allowance for impairment losses		(28,995)	(28,995)
Investments, at equity		46,606,946	47,629,411
Advances to investees		446,150	821,041
		47,053,095	48,450,452

D. ACCOUNTS PAYABLE & ACCRUED EXPENSES

Trade	4,297,747
Others	6,292,979
TOTAL	10,590,726

E. SHORT-TERM LOANS

	Effective Interest Rate	JUN 2013	Effective Interest Rate
Financial institutions - unsecured:			
Peso loans	2.75% - 4.00%	4,860,328	2.75% - 4.00%
US dollar loans	4.0% - 4.13%	252,720	4.0% - 4.13%
		5,113,048	

F. LONG-TERM LOANS

	Effective Interest Rate	JUN 2013	Effective Interest Rate
Company:			
Financial institutions - unsecured			
Peso denominated loans	5.23%	1,194,000	5.23% - 8.25%
Non-financial institutions		-	
		1,194,000	
Subsidiaries:			
AP and subsidiaries:			
AP Parent			
Financial and non-institutions - unsecured			
Fixed rate notes		-	6.17%
CPPC			
Financial institutions - unsecured	3.84% - 4.65%	106,619	3.84% - 4.65%
HEDCOR, INC.			
Financial institution - secured	8.36%	387,600	8.36%
HEDCOR SIBULAN, INC.			
Financial institutions - secured		-	8.52%
SEZC			
Financial institution - secured	5.61% - 6.06%	508,500	5.61% - 6.06%
LHC			
Financial institution - secured	2.00% - 3.51%	2,049,840	2.00% - 3.51%
		3,052,559	
Less deferred financing costs		14,876	
		3,037,683	
PILMICO and subsidiary:			
PILMICO			
Financial institutions - secured	5.65%	1,400,000	4.97% - 7.10%
PANC			
Financial institution - secured	6.47%	600,000	6.47%
		2,000,000	
Less deferred financing costs		9,235	
		1,990,765	
CITY SAVINGS BANK			
Financial institutions		-	5.69% - 7.27%
Non-financial institutions		-	4.75% - 8.5%
		-	
Less deferred financing costs		-	
		-	
Aboitizland and subsidiaries:			
Financial institutions:			
Peso loans - secured	6.89%	225,000	6.89%
Peso loan - unsecured	7.21% - 7.68%	992,000	7.21% - 7.68%
	90-day LIBOR plus 1%		90-day LIBOR plus 1%
Dollar loan - secured	1.31% - 1.59%	150,449	1.31% - 1.59%
		1,367,449	
Less deferred financing costs		0	
		1,367,449	
Total		7,589,897	
Less: Current portion		711,255	
		6,878,642	

G. DEBT SECURITIES

As of June 30, 2013, there are no outstanding debt securities issued by the Group.

H. EARNINGS PER SHARE

Earnings per common share amounts were computed as follows:

	JUN 2013	JUN 2012
a. Net income attributable to equity holders of the parent	11,915,176	11,810,207
b. Average number of outstanding shares	5,521,871,821	5,521,871,821
c. Earnings per share (a/b)	2.158	2.139

I. BUSINESS SEGMENT INFORMATION

Financial information on the operations of the business segment is summarized as follows:

	Power		Financial Services		Food Manufacturing		Real Estate		Parent Company and Others		Eliminations		Consolidated	
	Jan-Jun 2013	Jan-Jun 2012	Jan-Jun 2013	Jan-Jun 2012	Jan-Jun 2013	Jan-Jun 2012	Jan-Jun 2013	Jan-Jun 2012	Jan-Jun 2013	Jan-Jun 2012	Jan-Jun 2013	Jan-Jun 2012	Jan-Jun 2013	Jan-Jun 2012
REVENUES	29,698,435	31,268,588	-	1,049,578	8,115,031	7,563,367	626,743	-	374,804	463,121	-	-	38,815,013	40,344,654
RESULT														
Segment results	11,225,920	9,782,928	-	277,793	885,152	699,419	150,390	-	(136,837)	33,614	-	-	12,124,625	10,793,753
Unallocated corporate income	(1,076,882)	1,255,508	-	11,601	829,676	753	139	-	511,634	65,097	-	-	264,568	1,332,959
INCOME FROM OPERATIONS													12,389,193	12,126,712
Interest Expense	(3,067,930)	(3,709,066)	-	-	(116,819)	(73,851)	(22,424)	-	(129,585)	(158,827)	-	-	(3,336,758)	(3,941,744)
Interest Income	253,881	392,177	-	-	4,014	3,057	8,041	-	22,395	43,861	-	-	288,331	439,095
Share in net earnings of associates	2,534,834	5,339,075	2,773,652	1,761,393	-	79,333	-	-	8,864,678	10,082,552	(8,850,269)	(10,151,597)	5,322,894	7,110,756
Provision for Income tax	(125,148)	(613,040)	-	(91,061)	(155,827)	(107,133)	(5,714)	-	(4,218)	(16,417)	-	-	(290,907)	(827,651)
NET INCOME													14,372,752	14,907,168
OTHER INFORMATION	Jun 2013	Restated Dec 2012	Jun 2013	Restated Dec 2012	Jun 2013	Restated Dec 2012	Jun 2013	Restated Dec 2012	Jun 2013	Restated Dec 2012	Jun 2013	Restated Dec 2012	Jun 2013	Restated Dec 2012
Segment assets	26,558,668	42,008,832	-	15,228,507	5,982,057	5,117,847	2,071,934	-	1,775,353	5,481,490	(656)	(1,363,823)	36,387,357	66,472,853
Investments and advances	26,798,807	25,939,318	20,348,342	22,619,597	-	1,339,171	-	-	69,799,315	72,636,153	(69,893,369)	(74,083,787)	47,053,095	48,450,452
Unallocated corporate assets	98,751,441	95,312,325	(0)	369,347	3,259,654	3,121,822	5,618,000	-	2,790,292	8,048,601	0	643,513	110,419,387	107,495,608
Consolidated total assets													193,859,839	222,418,913
Segment liabilities	70,974,527	79,635,763	-	13,158,252	4,722,367	5,820,336	2,385,010	-	3,916,735	10,973,809	24,970	(1,713,529)	82,023,608	107,874,631
Unallocated corporate liabilities	974,442	999,633	-	68,455	135,517	20,872	172,477	-	75,764	509,294	-	-	1,358,200	1,598,254
Consolidated total liabilities													83,381,808	109,472,885
	Jan-Jun 2013	Jan-Jun 2012	Jan-Jun 2013	Jan-Jun 2012	Jan-Jun 2013	Jan-Jun 2012	Jan-Jun 2013	Jan-Jun 2012	Jan-Jun 2013	Jan-Jun 2012	Jan-Jun 2013	Jan-Jun 2012	Jan-Jun 2013	Jan-Jun 2012
Depreciation	1,749,858	1,616,599	-	26,046	145,155	123,522	4,224	-	67,227	62,076	-	-	1,966,464	1,828,243

J. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash and cash equivalents, AFS investments, bank loans, long-term debt, obligations under finance lease and non-convertible, cumulative, redeemable preferred shares. The main purpose of these financial instruments is to raise finances for the Group's operations and its investments in existing subsidiaries and associates and in new projects. The Group has other financial assets and liabilities such as trade and other receivables and trade and other payables and customer deposits which arise directly from operations.

The main risks arising from the Group's financial instruments are interest rate risk resulting from movements in interest rates that may have an impact on outstanding long-term 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. The Board of Directors reviews and agrees policies for managing each of these risks and they are summarized below.

Interest rate risk. The Group's exposure to market risk for changes in interest rates relates primarily to its long-term debt obligations. To manage this risk, the Group determines the mix of its debt portfolio as a function of the level of current interest rates, the required tenor of the loan, and the general use of the proceeds of its various fund raising activities. As of June 30, 2013, 30.45% of the Group's long-term debt had floating interest rates ranging from 1.31% to 4.65%, and 69.55% are with fixed rates ranging from 5.23% to 8.36%. As of December 31, 2012, 10.18% of the Group's long-term debt had floating interest rates ranging from 1.31% to 4.65%, and 89.82% are with fixed rates ranging from 4.75% to 8.52%.

The following table set out the carrying amount, by maturity, of the Group's financial instruments that are exposed to interest rate risk:

As of June 30, 2013

	< 1 year	1 - 5 years	> 5 years	Total
Floating rate - long-term debt	344,219	1,323,574	624,240	2,292,033
Fixed rate - long-term debt	367,036	3,431,328	1,499,500	5,297,864
Payable to preferred shareholders of a subsidiary - floating	23,303	3,749	-	27,052
	734,558	4,758,651	2,123,740	7,616,949

As of December 31, 2012

	< 1 year	1 - 5 years	> 5 years	Total
Floating rate - long-term debt	453,634	940,584	1,011,062	2,405,280
Fixed rate - long-term debt	3,619,123	12,387,893	5,628,288	21,635,304
Payable to preferred shareholders of a subsidiary - floating	20,705	25,363	-	46,068
	4,093,462	13,353,840	6,639,350	24,086,652

Interest on financial instruments classified as floating rate is repriced at intervals of less than one year. Interest on financial instruments classified as fixed rate is fixed until the maturity of the instrument. The other financial instruments of the Group that are not included in the above tables are non-interest bearing and are therefore not subject to interest rate risk.

Interest expenses recognized during the comparative periods are as follows:

	JUN 2013	JUN 2012
Long term debt	453,517	919,103
Bank loans	88,525	83,796
Customers' deposits	19,754	1,118
Obligations under finance lease	2,744,745	2,910,756
Long-term obligation on PDS	16,511	16,898
Payable to preferred shareholder of a subsidiary	12,052	7,084
Advances from related parties	1,654	2,989
	3,336,758	3,941,744

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings) as of June 30, 2013 and 2012:

	Increase/decrease in basis points	Effect on income before tax
Jun 2013	200	(11,564)
	(100)	5,782
Jun 2012	100	(12,852)
	(100)	6,426

Foreign exchange risk. The foreign exchange risk of the Group pertains significantly to its foreign currency denominated borrowings, including obligations under finance lease. To mitigate the risk of incurring foreign exchange losses, foreign currency holdings are matched against the potential need for foreign currency in financing equity investments and new projects. As of June 30, 2013 and December 31, 2012, foreign currency denominated borrowings account for 41.70% and 33.90%, respectively, of total consolidated borrowings.

	JUNE 30, 2013		DECEMBER 31, 2012	
	US Dollar	Peso Equivalent ¹	US Dollar	Peso Equivalent ²
Current Financial Assets				
Cash and cash equivalents	25,133	1,085,746	17,120	702,765
Trade and other receivables	12,036	519,948	14,875	610,607
Total Financial Assets	37,169	1,605,694	31,994	1,313,372
	US Dollar	Peso Equivalent	US Dollar	Peso Equivalent
Current Financial Liabilities				
Bank loans	5,850	252,720	3,850	158,043
Trade and other payables	20,146	870,303	17,491	718,015
Long-term debt	50,933	2,200,293	53,972.12	2,215,555.60
Obligations under finance lease	601,276	25,975,123	645,025	26,478,276
Total Financial Liabilities	678,205	29,298,439	720,338	29,569,890
Net foreign currency denominated assets (liabilities)	(641,036)	(27,692,745)	(688,344)	(28,256,518)

¹USD1 = 43.20

²USD1 = 41.05

The following table demonstrates the sensitivity to a reasonably possible change in the US dollar exchange rates, with all other variables held constant, of the Group's profit before tax as of June 30, 2013.

	Increase (decrease) in US dollar rate	Effect on income before income tax
US dollar denominated accounts	5%	(1,384,637)
US dollar denominated accounts	-5%	1,384,637

The increase in US dollar rate represents the depreciation of the Philippine peso while the decrease in US dollar rate represents appreciation of the Philippine peso.

There is no other impact on the Group's equity other than those already affecting the consolidated statement of income.

Equity price risk. Equity price risk is the risk that the fair value of traded equity instruments decrease as the result of the changes in the levels of equity indices and the value of the individual stocks.

As of June 30, 2013 and 2012, the Group's exposure to equity price risk is minimal.

Credit risk. For its cash investments, AFS investments and receivables, the Group's credit risk pertains to possible default by the counterparty, with a maximum exposure equal to the carrying amount of these assets. With respect to cash and AFS investments, the risk is mitigated by the short-term and or liquid nature of its cash investments mainly in bank deposits and placements, which are placed with financial institutions of high credit standing. With respect to receivables, credit risk is controlled by the application of credit approval, limit and monitoring procedures. It is the Group's policy to enter into transactions with a diversity of credit-worthy parties to mitigate any significant concentration of credit risk. The Group ensures that sales are made to customers with appropriate credit history and has internal mechanism to monitor the granting of credit and management of credit exposures. The Group has no significant concentration risk to a counterparty or group of counterparties.

Liquidity risk. Liquidity risk is the risk that an entity in the Group will be unable to meet its obligations as they become due. The Group manages liquidity risk by effectively managing its working capital, capital expenditure and cash flows, making use of a centralized treasury function to manage pooled business unit cash investments and borrowing requirements. Currently the Group is maintaining a positive cash position, conserving the Group's cash resources through renewed focus on working capital improvement and capital reprioritization. The Group meets its financing requirements through a mixture of cash generated from its operations and short-term and long-term borrowings. Adequate banking facilities and reserve borrowing capacities are maintained. The Group is in compliance with all of the financial covenants per its loan agreements, none of which is expected to present a material restriction on funding or its investment policy in the near future. The Group has sufficient undrawn borrowing facilities, which could be utilized to settle obligations.

In managing its long-term financial requirements, the policy of the Group, is that not more than 25% of long term borrowings should mature in any twelve-month period. As of June 30, 2013 and December 31, 2012, the portion of the total long-term debt that will mature in less than one year is 2.23% and 6.28%, respectively. For its short-term funding, the policy of the Group is to ensure that there are sufficient working capital inflows to match repayments of short-term debt.

Cash and cash equivalents and trade and other receivables, which are all short-term in nature, have balances of P15,676,079 and P12,071,072 as of June 30, 2013 and P31,850,914 and P11,110,227 as of December 31, 2012, respectively. These financial assets will be used to fund short-term and operational liquidity needs of the Group.

The following table analyses the financial liabilities of the Group into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity. The amounts disclosed in the table are the contractual undiscounted cash flows (amounts in thousands):

	Total Carrying Value	Contractual undiscounted principal payments				
		Total	On demand	Less than 1 year	1 to 5 years	> 5 years
Financial Liabilities						
<i>Operating</i>						
Trade and other payables	8,743,133	8,302,816	1,532	8,301,284	-	-
Customers' deposits	2,568,466	2,525,081	-	-	26,771	2,498,310
<i>Financing</i>						
Bank loans	5,113,048	5,113,048	-	5,113,048	-	-
Long-term debt	7,589,897	7,589,897	-	712,005	4,754,152	2,123,740
Obligations under finance lease	55,402,543	103,614,144	-	6,219,840	32,368,704	65,025,600
Obligations on power distribution system	287,354	287,354	-	40,000	200,000	47,354
<i>Others</i>						
Derivative liabilities	-	-	-	-	-	-
Payable to preferred shareholder of a subsidiary	27,052	27,052	-	27,052	-	-
Total	79,731,493	127,459,392	1,532	20,413,229	37,349,627	69,695,004

Capital management. Capital includes equity attributable to the equity holders of the parent. The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes during the periods ended June 30, 2013 and December 31, 2012.

Certain entities within the Group that are registered with the BOI are required to raise minimum amount of capital in order to avail of their registration incentives. As of June 30, 2013 and December 31, 2012, these entities have complied with this requirement as applicable.

The Group monitors capital using a gearing ratio, which is net debt divided by equity plus net debt. The Group's policy is to keep the gearing ratio at 70% or below at the consolidated level. The Group determines net debt as the sum of interest-bearing short-term and long-term obligations (comprised of long-term debt, obligations under finance lease, redeemable preferred shares and payable to preferred shareholders of a subsidiary) less cash and short-term deposits and temporary advances to related parties.

Gearing ratios of the Group as of June 30, 2013 and December 31, 2012 are as follows:

	<u>JUN 2013</u>	<u>DEC 2012</u>
Bank Loans	5,113,048	6,594,043
Long - term debt	63,019,492	78,466,966
Cash and cash equivalents	<u>(15,676,079)</u>	<u>(33,730,531)</u>
Net Debt (a)	52,456,461	51,330,478
Equity attributable to equity holders of the parent	<u>110,478,031</u>	<u>112,946,028</u>
Equity and Net Debt (b)	<u>162,934,492</u>	<u>164,276,506</u>
Gearing Ratio (a/b)	<u>32.19%</u>	<u>31.25%</u>

K. FINANCIAL INSTRUMENTS

Set out below is a comparison by category of carrying amounts and fair values of all of the Group's financial instruments that are carried in the financial statements at other than fair values.

	<u>JUNE 30, 2013</u>		<u>DECEMBER 31, 2012</u>	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets				
Cash				
Cash and cash equivalents	15,676,079	15,676,079	33,730,531	33,730,531
Loans and receivables				
Trade and other receivables	12,071,072	12,071,072	24,643,507	24,643,507
	<u>27,747,151</u>	<u>27,747,151</u>	58,374,038	58,374,038
AFS				
AFS investments	60,517	60,517	74,539	74,539
Derivative Asset	22,122	22,122	2,631	2,631
Total	<u>27,829,790</u>	<u>27,829,790</u>	58,451,208	58,451,208

	JUNE 30, 2013		DECEMBER 31, 2012	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial liabilities				
Other financial liabilities				
Bank loans	5,113,048	5,113,048	6,594,043	6,594,043
Trade and other payables	8,743,133	8,743,133	11,650,381	11,650,381
Derivative liability			29,173	29,173
Deposit liabilities - net of current portion			5,431,967	5,404,211
Customers' deposits	2,568,466	2,568,466	2,493,421	2,493,421
Obligations on power distribution system	287,354	449,232	270,843	422,133
Obligations under finance leases				
Fixed rate	55,402,543	68,048,932	54,380,314	62,918,287
Long-term debt				
Fixed rate	5,297,864	5,765,640	21,635,304	22,457,829
Floating rate	2,292,033	2,292,033	2,405,280	2,405,280
Payable to preferred shareholder of a subsidiary (floating rate)	27,052	27,052	46,068	46,068
Total	79,731,493	93,007,536	104,936,794	114,420,826

As of June 30, 2013 and December 31, 2012, the group does not have any investment in foreign securities nor has it issued any traded foreign-denominated debt securities.

Fair Value of Financial Instruments

Fair value is defined as the amount for which an asset could be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction. Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models, as appropriate. A financial instrument is regarded as quoted in an active market if quoted prices are readily available from an exchange, dealer, broker, pricing services or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis. For a financial instrument with an active market, the quoted market price is used as its fair value. On the other hand, if transactions are no longer regularly occurring even if prices might be available, and the only observed transactions are forced transactions or distressed sales, then the market is considered inactive. For a financial instrument with an inactive market, its fair value is determined using a valuation technique (e.g., discounted cash flow approach) that incorporates all factors that market participants would consider in setting a price.

The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

Cash and cash equivalents, trade and other receivables and trade and other payables

The carrying amounts of cash and cash equivalents, trade and other receivables and trade and other payables approximate fair value due to the relatively short-term maturity of these financial instruments.

Fixed-rate borrowings

The fair value of fixed rate interest bearing loans is based on the discounted value of future cash flows using the applicable rates for similar types of loans.

Variable-rate borrowings and Obligations under finance lease

Where the repricing of the variable-rate interest bearing loan is frequent (i.e., three-month repricing), the carrying value approximates the fair value. Otherwise, the fair value is determined by discounting the principal plus the known interest payment using current market rates.

Customers' deposits

The fair value of bill deposits approximates the carrying values as these deposits earn interest at the prevailing market interest rate in accordance with regulatory guidelines. The timing and related amounts of future cash flows relating to transformer and lines and poles deposits cannot be reasonably and reliably estimated for purposes of establishing their fair values using an alternative valuation technique.

Redeemable preferred shares

The fair values of the redeemable preferred shares are based on the discounted value of future cash flows using the applicable rates for similar types of borrowings.

AFS investments

The fair values of AFS investments are based on quoted market prices. The publicly-traded equity securities which are owned by the group are all actively traded in the stock market.

Obligations under Power Distribution System

The fair value of long term obligation on power distribution system is calculated by discounting expected future cash flows at prevailing market rates.

Derivative asset and liabilities

The fair value is calculated by reference to prevailing interest rate differential and spot exchange rate as of valuation date, taking into account its remaining term to maturity. The Group enters into derivative financial instruments with financial institutions with investment grade credit ratings. Derivative valued using a valuation technique with market observable inputs pertains to a foreign exchange forward contract. The most applied valuation technique is forward pricing. The model incorporates various inputs including the credit quality of counterparty and foreign exchange spot and forward rates.

Fair Value Hierarchy

The Group uses the following hierarchy for determining the fair value of financial instruments by valuation

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data

As of June 30, 2013 and December 31, 2012, the Group held the following financial instruments that are measured

JUNE 30, 2013

	Total	Level 1	Level 2	Level 3
AFS investments	11,659	11,659	-	-
Derivative asset	22,122	-	22,122	-
Derivative liability				-
	33,781	11,659	22,122	-

DECEMBER 31, 2012

	Total	Level 1	Level 2	Level 3
AFS investments	10,843	10,843	0	-
Derivative asset	2,631	0	2631	-
Derivative liability	29,173	0	29,173	-
	42,647	10,843	31,804	-

During the periods ended June 30, 2013 and December 31, 2012, there were no transfers between level 1 and level 2 fair value measurements and transfers into and out of level 3 fair value measurement.

Derivative financial instruments

The Group enters into non-deliverable short-term forward contracts with counterparty banks to manage foreign currency risks associated with foreign currency-denominated liabilities and purchases.

As of June 30, 2013 and December 31, 2012, the Group recognized derivative liability relating to these contracts amounting to nil and P7.6 million, respectively.

The movements in fair value changes of all derivative instruments for the year ended June 30, 2013 and December 31, 2012 are as follows:

	JUN 2013	DEC 2012
At beginning of period	(26,542)	(7,580)
Net changes in fair value of derivatives designated as accounting hedges	29,173	(32,112)
Net changes in fair value of derivatives not designated as accounting hedges	315	292
Fair value of settled instruments	19,176	12,858
At end of period	22,122	(26,542)

The gain amounting to nil in 2013 and P0.3 million in 2012 from the net fair value changes relating to the forward contracts are included as "Foreign exchange gains - net" under "Other income - net". The changes in the fair value of the interest rate swap designated as a cash flow hedge were deferred in equity under "Cumulative translation adjustment."

L. DISCLOSURES

1. Basis of Preparation, Statement of Compliance and Changes in Accounting Policies

Basis of Preparation

The consolidated financial statements of the Group are prepared on a historical cost basis, except for derivative financial instruments, AFS investments and investment properties which are measured at fair value, and agricultural produce and biological assets which are measured at fair value less estimated point-of-sale costs. The consolidated financial statements are presented in Philippine peso and all values are rounded to the nearest thousands, except for earnings per share and exchange rates and as otherwise indicated.

Statement of Compliance

The consolidated financial statements of the Group are prepared in compliance with Philippine Financial Reporting Standards (PFRS).

Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year except for the new and revised PFRS and Philippine Interpretations which the Group has adopted starting January 1, 2013. Except as otherwise indicated, adoption of the following new and amended PFRS and Philippine Interpretations did not have any significant impact to the Group's consolidated financial statements:

- PAS 1, Financial Statement Presentation (Amendment) - Presentation of Items of Other Comprehensive Income (OCI)
The amendments to PAS 1 change the grouping of items presented in OCI. Items that can be reclassified (or "recycled") to profit or loss at a future point in time (for example, upon derecognition or settlement) will be presented separately from items that will never be recycled. The amendments affect presentation only and have no impact on the Group's financial position or performance..
- PAS 19, Employee Benefits (Revised)
Amendments to PAS 19 include the following requirements:
(a) actuarial gains and losses are recognized immediately in OCI; this change removes the corridor method and eliminates the ability for entities to recognize all changes in the defined benefit obligation and in plan assets in profit or loss; and
(b) expected return on plan assets recognized in profit or loss is calculated based on the rate used to discount the defined benefit obligation.

With the retroactive application of the above amendments, the Group restated its previous years' consolidated financial statements to effect the following adjustments:

	DECEMBER 31, 2012	JANUARY 31, 2012
Increase (decrease) in:		
Balance sheet		
Net pension liability	213,445	223,185
Net pension asset	(59,683)	(52,569)
Deferred income tax liabilities	(5,462)	(19,229)
Deferred income tax asset	67,338	52,908
Investments in Associates	(356,910)	(306,403)
Other comprehensive income	(770,374)	(701,202)
Retained earnings	234,675	204,431
Noncontrolling Interests	(21,538)	(13,248)

The consolidated statements of income and of comprehensive income for the period ended June 30, 2012 are not restated since 2012 remeasurements of defined benefit obligation and plan assets would have been done at year end 2012, and impact to interim profit or loss resulting from the revised manner of computing net benefit expense or income is very immaterial.

- PAS 27, Separate Financial Statements (as revised in 2011)

As a consequence of the new PFRS 10, Consolidated Financial Statement and PFRS 12, Disclosure of Interests in Other Entities, what remains of PAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate parent company financial statements.

- PAS 28, Investments in Associates and Joint Ventures (as revised in 2011)

As a consequence of the new PFRS 11, Joint Arrangements and PFRS 12, PAS 28 has been renamed PAS 28, Investments in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in addition to associates.

- PFRS 7, Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities

These amendments require an entity to disclose information about rights of set-off and related arrangements (such as collateral agreements). The new disclosures are required for all recognized financial instruments that are set off in accordance with PAS 32. These disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or 'similar agreement', irrespective of whether they are set-off in accordance with PAS 32. The amendments affect disclosures only and have no impact on the Group's financial position or performance.

- PFRS 10, Consolidated Financial Statements

PFRS 10 replaces the portion of PAS 27 that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC-12, Consolidation - Special Purpose Entities. PFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by PFRS 10 will require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in PAS 27.

- PFRS 11, Joint Arrangements

PFRS 11 replaces PAS 31, Interests in Joint Ventures and SIC-13, Jointly-controlled Entities - Non-monetary Contributions by Venturers. PFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method.

- PFRS 12, Disclosure of Interests with Other Entities

PFRS 12 includes all of the disclosures related to consolidated financial statements that were previously in PAS 27, as well as all of the disclosures that were previously included in PAS 31 and PAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required.

- PFRS 13, Fair Value Measurement

PFRS 13 establishes a single source of guidance under PFRSs for all fair value measurements. PFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under PFRS when fair value is required or permitted. This standard is applied prospectively as of the beginning of the annual period in which it is initially applied. Its disclosure requirements need not be applied in comparative information provided for periods before initial application of PFRS 13.

New Accounting Standards and Amendments to Existing Standards Effective Subsequent to June 30, 2013

- **PAS 32, Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities (Amendments)**
The amendments clarify the meaning of “currently has a legally enforceable right to set-off” and also clarify the application of PAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments affect presentation only and have no impact on the Group’s financial position or performance. The amendments to PAS 32 are to be retrospectively applied for annual periods beginning on or after January 1, 2014.

- **PFRS 9, Financial Instruments**
PFRS 9, as issued, reflects the first phase on the replacement of PAS 39 and applies to the classification and measurement of financial assets and liabilities as defined in PAS 39, Financial Instruments: Recognition and Measurement. Work on impairment of financial instruments and hedge accounting is still ongoing, with a view to replacing PAS 39 in its entirety. PFRS 9 requires all financial assets to be measured at fair value at initial recognition. A debt financial asset may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if it is held within a business model that has the objective to hold the assets to collect the contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. All other debt instruments are subsequently measured at fair value through profit or loss. All equity financial assets are measured at fair value either through other comprehensive income (OCI) or profit or loss. Equity financial assets held for trading must be measured at fair value through profit or loss. For FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability’s credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward into PFRS 9, including the embedded derivative separation rules and the criteria for using the FVO. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Group’s financial assets, but will potentially have no impact on the classification and measurement of financial liabilities.

After evaluating the impact of PFRS 9 and considering that it will not have any significant effect on the Group's operating results or financial condition, management has decided not to early adopt the said standard. It will be implemented only when it becomes effective on January 1, 2015. Thus, the interim consolidated financial statements do not reflect the impact of the said standard.

2. Seasonality of Interim Operations

Operations of hydropower plants are generally affected by climatic seasonality. Seasonality and location have a direct effect on the level of precipitation. In Luzon where rainy and summer seasons are more pronounced, higher rainfall is normally experienced in the months of June to September. As such, the hydropower plants located in Luzon operate at their maximum capacity during this period. In contrast, the hydropower plants in Mindanao experience a well distributed rainfall throughout the year, with a slightly better precipitation during the months of December to April. This provides continuous water flow and thus makes it favorable to all ‘run-of-river’ hydropower plants’ operations.

Any unexpected change in the seasonal aspects will have no material effect on the Group's financial condition or results of operations. During and as of the end of the current interim period, no seasonal aspect had any material effect on the Group’s results of operations or financial condition.

3. Material Events and Changes

a. AEV Dividend Declaration

On March 5, 2013, the BOD of the Company approved the declarations of a regular cash dividend of P1.44 a share (P7.95 billion) and a special cash dividend of P0.56 a share (P3.09 billion) to all stockholders of record as of March 19, 2013, payable on April 15, 2013.

b. Sale of City Savings Bank (CSB) Shares

AEV and PILMICO, a wholly-owned subsidiary of the Company, own 99.54% of CSB. On January 8, 2013, the BOD of AEV approved the offer from Union Bank of the Philippines (UBP) to purchase its 59.54% shareholdings in CSB. Likewise, the BOD of PILMICO also accepted the offer of UBP to acquire its 40% interest. This acquisition by UBP was payable in cash, and subject to the required Monetary Board approval from the BSP.

Upon securing the Monetary Board approval on March 22, 2013, the parties signed the Deeds of Absolute Sale setting forth the final terms and conditions of the sale, including the total consideration of P5.73 billion.

c. Joint Venture with ALI

On April 24, 2013, Aboitiz Land, Inc., the newly-acquired subsidiary of AEV, entered into an agreement with Ayala Land, Inc. to form a 50-50 joint venture company for the acquisition and development of parcels of land located within the Province of Cebu.

d. Joint Venture with JVACC

On May 28, 2013, the Company has agreed to enter into a joint venture with J.V. Angeles Construction Company (JVACC) for the supply of treated bulk water to the Davao City Water District (DCWD). The proposed venture includes the construction of both a hydro electric-powered bulk water treatment facility and the conveyance system needed to deliver treated bulk water to numerous DCWD delivery points.

JVACC has tapped Hedcor, Inc. (Hedcor), an affiliate of AEV, to provide the necessary technical and operational expertise for the hydro-electric components of the project.

JVACC is one of the leading contractors in the Philippines with over 48 years of experience in the construction and development of water-related infrastructure.

e. Offer to Purchase 60% of Lima Land, Inc.

On June 25, 2013, Aboitiz Land, Inc. offered to purchase 60% of Lima Land, Inc. , a subsidiary of Alsons Land Corporation, that owns the Lima Technology Center located in Malvar, Batangas and Lipa City. The offer to purchase is subject to the requisite due diligence review and the completion of a definitive share purchase agreement.

Except for the above developments and as disclosed in some other portions of this report, no other significant event occurred that would have a material impact on the registrant and its subsidiaries, and no other known trend, event or uncertainty came about that had or were reasonably expected to have a material favorable or unfavorable impact on revenues or income from continuing operations, since the end of the most recently completed fiscal year. There were also no significant elements of income or loss that did not arise from the continuing operations of the registrant and its subsidiaries. Likewise, during and as of the end of the current interim period, there were no other unusual items (due to their nature, size or incidents) that affected liabilities, assets, equity, net income, or cash flows.

Other than those disclosed above, no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships with unconsolidated entities or other persons entities or other persons were created during the interim period. There were also no events that would trigger substantial direct or contingent financial obligations or cause any default or acceleration of an existing obligation.

Likewise, there were no other material changes made in such items as: accounting principles & practices, estimates inherent in the preparation of financial statements, status of long-term contracts, changes in the composition of the issuer, and reporting entity resulting from business combinations or dispositions.

Lastly, there were no changes in estimates of amounts reported in prior interim period and financial year that would have a material effect in the current interim period.

4. Events After the Reporting Period

On August 2, 2013, the BOD of the Company appointed Sycip, Gorres Velayo & Company as AEV's external auditor for the year 2013.

5. Material Adjustments

Except for the adjustments related to the retroactive application of revised PAS 19 (Employee Benefits), there were no other material, non-recurring adjustments made during the period that would require appropriate disclosures. All other adjustments are of a normal recurring nature.

6. Contingencies

The Group is a party to certain proceedings and legal cases with other parties in the normal course of business. The ultimate outcome of these proceedings and legal cases cannot be presently determined. Management, in consultation with its legal counsels, believes that it has substantial legal and factual bases for its positions and is currently of the opinion that the likely outcome of these proceedings and legal cases will not have a material adverse effect on the Group's financial position and operating results. It is possible, however, that the future results of operations could be materially affected by changes in estimates or in the effectiveness of the strategies relating to these proceedings and legal cases.

AP obtained standby letters of credit (SBLC) and is acting as surety for the benefit of certain subsidiaries and associates in connection with loans and credit accommodations.

M. SCHEDULE OF RELEVANT FINANCIAL RATIOS

		RESTATED	
	FORMULA	DEC 2012	JUN 2013
LIQUIDITY RATIOS			
Current ratio **	$\frac{\text{Current assets}}{\text{Current liabilities}}$	2.57	2.09
Acid test ratio	$\frac{\text{Cash + Marketable Securities + Accounts Receivable+ Other Liquid Assets}}{\text{Current liabilities}}$	2.25	1.58
SOLVENCY RATIOS			
Debt to equity ratio	$\frac{\text{Total liabilities}}{\text{Total equity}}$	0.97	0.75
Asset to equity ratio	$\frac{\text{Total assets}}{\text{Total equity}}$	1.97	1.75
Net debt to equity ratio	$\frac{\text{Debt - cash \& cash equivalents}}{\text{Total equity}}$	0.45	0.47
Gearing ratio	$\frac{\text{Debt - cash \& cash equivalents}}{\text{Total equity + (Debt - cash \& cash equivalents)}}$	31.25%	32.19%
Interest coverage ratio	$\frac{\text{EBIT}}{\text{Interest expense}}$	5.88	5.81
PROFITABILITY RATIOS			
Operating Margin	$\frac{\text{Operating Profit}}{\text{Total revenues}}$	28.3%	31.2%
Return on Equity	$\frac{\text{Net income after tax}}{\text{Total equity}}$	not applicable for interim reporting	

** In the SEC Form 17-C filed by AEV last August 2, 2013, current ratio as of June 30, 2013 was reported at 2.2x. An advance to a contractor amounting to P2.24 billion was initially recorded by Power Group as part of Current Assets. Upon further review of the nature of the advance, the group decided to reclassify it under Non-Current Assets. This adjustment resulted in the decrease of current ratio from 2.20x to 2.09x.

ABOITIZ EQUITY VENTURES, INC. & SUBSIDIARIES**AGING OF RECEIVABLES****AS OF : JUN 30/2013**

(amts in P000's)

	30 Days	60 Days	90 Days	Over 90 Days	Total
Trade Receivables					
Transport Services	342,245	13,373	656	3,016	359,290
Power	4,696,942	1,955,122	267,904	1,804,982	8,724,950
Food Manufacturing	1,263,859	29,782	25,855	70,721	1,390,217
Realty	813,029	77,565	13,225	243,185	1,147,004
Holding and Others	172,176	21,878	21,834	28,472	244,360
	7,288,251	2,097,720	329,474	2,150,376	11,865,821
Others	989,878	46,987	105,496	251,790	1,394,151
	8,278,129	2,144,707	434,970	2,402,166	13,259,972
Less Allowance for Doubtful Accounts					1,188,900
					12,071,072

ACCOUNTS RECEIVABLE DESCRIPTION

Type of Receivable	Nature / Description	Period
Trade	uncollected billings to customers for sale of power, goods and services	30 - 60 days
Non-Trade	claims, operating cash advances and advances to suppliers & employees	30 - 120 days

NORMAL OPERATING CYCLE

Power Subsidiaries

Distribution - 60 days

Generation - 65 days

Food Subsidiary - 90 days

Aviation Subsidiary - 60 days

Real Estate Subsidiary - 30 days

Transport Subsidiary - 40 days