COVER SHEET

C	E	O	2	5	3	6				

S.E.C. Registration Number

ABOITIZ EQUITY VENTURES INC.

(Company's Full Name)

ABOITIZ CORPORATE CENTER
GOV. MANUEL A. CUENCO AVE.
KASAMBAGAN, CEBU CITY

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

LEAH I. GERALDEZ
Contact Person

(032) 411-1804
Company Telephone Number

Preliminary Information Statement 2010

1	2		3	1
Month			*Day*	

Fiscal Year

2	0	-	I	S

FORM TYPE

0	5		1	7
Month			*Day*	

Annual Meeting

Secondary License Type, if Applicable

S	E	C

Dept. Requiring this Doc

Amended Articles Number/Section

Total No. of Stockholders

X
Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

S T A M P S

Remarks = pls. Use black ink for scanning purposes

NOTICE AND AGENDA OF ANNUAL MEETING OF STOCKHOLDERS

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

NOTICE is hereby given that the Annual Meeting of the Stockholders of ABOITIZ EQUITY VENTURES, INC. will be held on May 17, 2010 at 4:00 p.m. at the Grand Ballroom of the Cebu City Marriott Hotel, Cebu Business Park, Cebu City.

The Agenda of the meeting is as follows:

1. Call to Order
2. Proof of Notice of Meeting
3. Determination of Quorum
4. Reading and Approval of the Minutes of the Previous Stockholders' Meeting held last May 18, 2009
5. Presentation of the President's Report
6. Approval of the 2009 Annual Report and Financial Statements
7. Delegation of the Authority to Elect the Company's External Auditors for 2010 to the Board of Directors
8. Ratification of the Acts, Resolutions and Proceedings of the Board of Directors, Corporate Officers and Management in 2009 up to May 17, 2010
9. Approval of the Directors' Compensation and Per Diem for 2010
10. Election of the Members of the Board of Directors
11. Other Business
12. Adjournment

Only stockholders of record at the close of business on April 8, 2010 are entitled to notice and to vote at this meeting. Registration will start at 2:00 p.m. and will end at 4:00 p.m. Kindly present any proof of identification, such as driver's license, passport, company I.D. or SSS/GSIS I.D. Aside from personal identification, representatives of corporate stockholders and other entities should also present a duly sworn Secretary's Certificate or a similar document showing his or her authority to represent the corporation or entity.

Should you be unable to attend the meeting, you may want to execute a proxy in favor of a representative. In accordance with the amended By-Laws of the Corporation, proxies must be presented to the Secretary for inspection, validation and record at least seven (7) days prior to the opening of the Stockholders' Meeting. We enclose a proxy form for your convenience.

For those unable to attend the Stockholders' Meeting in Cebu, a Stockholders' Briefing will be conducted in Manila on May 19, 2010, 4:00 p.m., at the Mandarin Ballroom, Mandarin Oriental Hotel, Makati City.

For the Board of Directors.

M. Jasmine S. Oporto

M. JASMINE S. OPORTO
Corporate Secretary

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

1. Check the appropriate box:

   [✓] Preliminary Information Statement
   [ ] Definitive Information Statement

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

3. **Cebu, Philippines**
   Province, country or other jurisdiction of incorporation or organization

4. SEC Identification Number **CEO2536**

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

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

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

8. **17 May 2010, 4 o'clock p.m., Grand Ballroom, Cebu City Marriott Hotel, Cebu Business Park, Cebu City, Cebu**
   Date, time and place of the meeting of security holders

9. Approximate date when the Information Statement is first to be sent or given to security holders **22 April 2010**

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

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

    Authorized Capital Stock: ₱10,000,000,00

Title of Each Class	Par Value	No. of Shares	Authorized Capital Stock
Common	₱1.00	9,600,000,000	₱9,600,000,000.00
Preferred	₱1.00	400,000,00	₱400,000,000.00
Total			₱10,000,000,000.00

No. of Common Shares Outstanding
as of 28 February 2010 5,521,871,821

Amount of Debt Outstanding
as of 31 December 2009 ₱88,617,426,834.00

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

    Yes X No ____

    The common stock of the Corporation is listed on the Philippine Stock Exchange.

INFORMATION REQUIRED IN INFORMATION STATEMENT

A. GENERAL INFORMATION

Item 1. Date, time and place of annual stockholders' meeting

Date of meeting	:	**17 May 2010**
Time of meeting	:	**4 o'clock p.m.**
Place of meeting	:	**Grand Ballroom, Cebu City Marriott Hotel, Cebu Business Park, Cebu City**
Approximate mailing date of this statement	:	**22 April 2010**
Complete mailing address of the principal office of the registrant	:	**Aboitiz Corporate Center Gov. Manuel A. Cuenco Avenue, Kasambagan, Cebu City 6000 Philippines**

Item 2. Dissenter's Right of Appraisal

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

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

If within a period of 60 days from the date the corporate action was approved by the stockholders, the withdrawing stockholder and AEV cannot agree on the fair value of the shares, it shall be determined and appraised by three 3 disinterested persons, one of whom shall be named by the stockholder, another by AEV, and the third by the two 2 thus chosen. The findings of the majority of the appraisers shall be final, and their award shall be paid by AEV within 30 days after such award is made. No payment shall be made to any dissenting stockholder unless AEV has unrestricted retained earnings in its books to cover such payment. Upon payment by AEV of the agreed or awarded price, the stockholder shall forthwith transfer his shares to AEV.

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

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

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

B. CONTROL AND COMPENSATION INFORMATION

Item 4. Voting Securities and Principal Holders Thereof

(a) Class of Voting Shares as of 28 February 2010:

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

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

(b) Record Date: April 8, 2010

All stockholders of record as of April 8, 2010 are entitled to notice and to vote at AEV's Annual Stockholders' Meeting.

(c) Election of Directors and Cumulative Voting Rights

With respect to the election of directors, a stockholder may vote such number of common shares for as many persons as there are directors to be elected. He may also cumulate said shares and give one 1 candidate as many votes as the number of directors to be elected, or distribute the shares on the same principle among as many candidates as he shall see fit, provided, that the total number of votes cast by the stockholder shall not exceed the total number of common shares owned by him as shown in the books of AEV multiplied by the whole number of directors to be elected.

Article 1 Section 5 of the amended By-Laws of AEV provides that voting upon all questions at all meetings of the stockholders shall be by shares of stock and not per capita. Likewise, Section 6 of the same Article states that stockholders may vote at all meetings either in person or by proxy duly given in writing and presented to the Corporate Secretary for inspection, validation and record at least seven 7 days prior to the opening of said meeting. A proxy bearing a signature that is not legally acknowledged shall not be recognized by the Secretary.

Section 1, Article II of the amended By-Laws provides that nominations for election of members of the Board of Directors by stockholders must be received by the Corporate Secretary not later than 15 working days prior to the date of the regular annual stockholders' meeting, except as may be provided by the Board of Directors in appropriate guidelines that it may promulgate from time to time in compliance with law.

No discretionary authority to cumulate votes is solicited.

(d) No proxy solicitation is being made.

(1) Security Ownership of Certain Record and Beneficial Owners and Management

Security Ownership of Certain Record and Beneficial Owners (more than 5%) as of February 28, 2010

Title of Class	Name/Address of Stockholder and Beneficial Owner	Relationship with AEV	Citizenship	No. of Shares and Nature of Ownership (Record or Beneficial)	Percent of Class
Common	**1. Aboitiz & Company, Inc.**[1] Aboitiz Corporate Center Gov. Manuel A. Cuenco Avenue, Kasambagan, Cebu City 6000	Stockholder	Filipino	2,660,600,915 (Record)	48.18%
Common	**2. PCD Nominee Corp.**	Stockholder	Filipino	582,764,332 (Record)	10.55%
Common	**3. Ramon Aboitiz Foundation, Inc.**[2] 35 Lopez Jaena St., Cebu City	Stockholder	Filipino	420,915,863 (Record)	7.62%
Common	**4. PCD Nominee Corp.**	Stockholder	Non-Filipino	403,286,564 (Record)	7.30%

Aboitiz & Company, Inc. (ACO) is a corporation wholly owned by the Aboitiz family. No single stockholder, natural or juridical, owns 5% or more of the shareholdings of ACO.

(2) Security Ownership of Management as of February 28, 2010 (Record and Beneficial)

Name of Beneficial Owner and Position	Title of Class	No. of Shares and Nature of Ownership (Record or Beneficial)		Citizenship	Percentage of Ownership
Jon Ramon Aboitiz Chairman, Board of Directors	Common	4,648	Record	Filipino	0.00%
		118,284,672	Beneficial		2.14%
Erramon I. Aboitiz President and Chief Executive Officer	Common	1,000	Record	Filipino	0.00%
		51,779,484	Beneficial		0.94%
Enrique M. Aboitiz Jr. Director	Common	1,190,025	Record	Filipino	0.02%
Roberto E. Aboitiz Director	Common	2,489,548	Record	Filipino	0.05%
		97,707,844	Beneficial		1.77%
Justo A. Ortiz Director	Common	1	Record	Filipino	0.00%
Mikel A. Aboitiz Senior Vice President/Chief Information Officer/Chief Strategy Officer	Common	1,574,548	Record	Filipino	0.03%
		87,550,734	Beneficial		1.57%
Antonio R, Moraza Director	Common	1,000	Record	Filipino	0.0%
		27,821,343	Beneficial		0.50%
Roberto R. Romulo Independent Director	Common	100	Record	Filipino	0.00%

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

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

Name of Beneficial Owner and Position	Title of Class	No. of Shares and Nature of Ownership (Record or Beneficial)		Citizenship	Percentage of Ownership
Jose C. Vitug Independent Director	Common	100	Record	Filipino	0.00%
		72,020	Beneficial		0.00%
Stephen G. Paradies Senior Vice President/Chief Financial Officer/Corporate Info. Officer	Common	22,380,003	Beneficial	Filipino	0.41%
Juan Antonio E. Bernad Senior Vice President	Common	730,351	Record	Filipino	0.01%
Xavier Jose Aboitiz Senior Vice President – Chief Human Resources Officer	Common	1,998,236	Record	Filipino	0.04%
		8,887,914	Beneficial		0.16%
Gabriel T. Mañalac Senior Vice President – Group Treasurer	Common	10,000	Record	Filipino	0.00%
Luis Miguel Aboitiz First Vice President	Common	20,092,133	Record	Filipino	0.36%
M. Jasmine S. Oporto First Vice President – Chief Legal Officer/Corporate Secretary/Compliance Officer	Common	2,000	Record	Filipino	0.00%
Horacio C. Elicano First Vice President and Chief Technology Officer	Common	2,000	Record	Filipino	0.00%
Sebastian R. Lacson First Vice President – Chief Reputation Officer	N/A	1,200	Record	Filipino	0.00%
Rolando C. Cabrera First Vice President – Chief Risk Management Officer	N/A	0	N/A	Filipino	0.00%
Patrick B. Reyes First Vice President – Corporate Finance	N/A	0	N/A	Filipino	0000%
Melinda R. Bathan Vice President – Controller	Common	12,829	Record	Filipino	0.00%
Narcisa S. Lim Vice President – Human Resources	Common	2,520	Record	Filipino	0.00%
Joseph Trillana T. Gonzales Vice President – Legal	Common	7,000	Record	Filipino	0.00%
Caroline G. Ballesteros Assistant Vice President – Branding & Corporate Communications	N/A	0	N/A	Filipino	0.00%
Stella Olive A. Sucalit Assistant Vice President – Talent Management	N/A	0	N/A	Filipino	0.00%
Carmela N. Franco Assistant Vice President – Investor Relations	Common	4,680	Record	Filipino	0.00%
Leah I. Geraldez Assistant Vice President – Legal/Assistant Corporate Secretary	Common	5,000	Record	Filipino	0.00%
Julie Ann T. Diongzon Assistant Vice President – Treasury	N/A	0	N/A	Filipino	0.00%
Iris Louise R. Dorado Assistant Vice President – Audit	N/A	0	N/A	Filipino	0.00%
Ma. Kristina V. Rivera Assistant Vice President – Human Resources	N/A	0	N/A	Filipino	0.00%
Geraldine Polanco-Onganon Assistant Vice President – Human Resources	N/A	0	N/A	Filipino	0.00%
Christopher M. Camba Assistant Vice President – Human Resources	N/A	0	N/A	Filipino	0.00%

Name of Beneficial Owner and Position	Title of Class	No. of Shares and Nature of Ownership (Record or Beneficial)		Citizenship	Percentage of Ownership
Riella Mae Christa R. Baguio Assistant Vice President – Corporate Finance	N/A	0	N/A	Filipino	0.00%
Ronaldo S. Ramos Assistant Vice President – Business Risk Management	N/A	0	N/A	Filipino	0.00%
Edgar Z. Dapiton Assistant Vice President – Insurance Risk Management	N.A	0	N/A	Filipino	0.00%
TOTAL		442,612,933			8.02%

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

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

(4) Changes in Control

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

Item 5. Directors and Executive Officers

(a) (1) Directors for 2009-2010

Below is a list of AEV's directors for 2009-2010 with their corresponding positions and offices held for the past five years. The directors assumed their directorship during AEV's annual stockholders' meeting in 2009, for a term of one year.

JON RAMON ABOITIZ, Chairman – Board of Directors, Board Corporate Governance Committee and Board Strategy Committee

Mr. Jon Ramon Aboitiz, 61 years old, Filipino, has served as Chairman of AEV since January 2009. He was President and Chief Executive Officer of the Company from 1994 until January 2009. He is also Chairman of the Board of Directors of Aboitiz and Company, Inc., Aboitiz Jebsen Bulk Transport Corporation and Aboitiz Transport System (ATSC) Corporation; Vice Chairman of the Board of Directors of Union Bank of the Philippines and Aboitiz Power Corporation; Director of Davao Light & Power Company, Inc., Cotabato Light & Power Company, City Savings Bank, Therma Luzon, Inc., San Fernando Electric and Power Co., Inc. and Cotabato Ice Plant, Inc.; President of Aboitiz Foundation, Inc. and Trustee of the Ramon Aboitiz Foundation, Inc. He graduated with a degree of Bachelor of Science in Commerce major in Management from the University of Santa Clara, California, U.S.A.

ERRAMON I. ABOITIZ, Director and President/Chief Executive Officer, Member – Board Corporate Governance Committee, Board Strategy Committee and Board Risk Management Committee

Mr. Erramon I. Aboitiz, 53 years old, Filipino, has served as President and Chief Executive Officer of AEV since January 2009. He has been a Director of AEV since 1994 and was its Executive Vice President and Chief Operating Officer from 1994 to January 2009. He is also President and Chief Executive Officer of Aboitiz and Company, Inc., and Aboitiz Power Corporation; Chairman of the Board of Directors of Davao Light & Power Company, Inc., San Fernando Electric Light and Power Company, Inc., City Savings Bank, Cotabato Light & Power Company, Mactan Enerzone Corporation, Subic Enerzone Corporation, SN Aboitiz Power-Magat, Inc., SN Aboitiz Power-Benguet, Inc., Philippine Hydropower Corporation, Manila-Oslo Renewable Enterprise, Inc., Therma Marine, Inc., Visayan Electric Co., Inc., Therma Power, Inc., , Aboitiz Energy Solutions, Inc., Aboitiz Land, Inc. and Abovant Holdings, Inc.; Chairman/President and Chief Executive Officer of Cebu Praedia Development Corporation; Chairman and Chief Executive Officer of Balamban Enerzone Corporation; Chairman and Trustee of Aboitiz Foundation, Inc.; Director of AP Renewables, Inc., Aboitiz Land Inc., Union Bank of the Philippines, Southern Philippines Power Corporation, Aboitiz Energy Solutions, Inc., Pilmico

Animal Nutrition Corporation, Pilmico Foods Corporation, AEV Aviation, Inc., Aboitiz Transport System (ATSC) Corp., Hijos De F. Escano, Inc. STEAG State Power, Inc.; and President of Therma Luzon, Inc. He received a Bachelor of Science degree in Business Administration, major in Accounting and Finance from Gonzaga University, Spokane, U.S.A.

ROBERTO E. ABOITIZ, Director, Member – Board Strategy Committee and Board Audit Committee

Mr. Roberto E. Aboitiz, 60 years old, Filipino, has been a Director of AEV since 1994. He served as Chairman of AEV from 2005 until January 2009. He is concurrently a Director and Senior Vice President of Aboitiz and Company, Inc.; Chairman and Chief Executive Officer of Aboitiz Construction Group, Inc.; Chairman of the Board of Directors of Cebu Industrial Park Developers, Inc. and Cebu Industrial Park Services, Inc.; Chairman and President of AEV Aviation Inc.; Director of City Savings Bank, Cotabato Light & Power Company, Davao Light & Power Company, Inc., Tsuneishi Heavy Industries (Cebu), Inc., Metaphil International, Inc., Aboitiz Transport System (ATSC) Corp. and Visayan Electric Company, Inc. and Trustee of Aboitiz Foundation, Inc. He graduated from Ateneo de Manila University with a Bachelor of Arts degree in Behavioral Science.

ENRIQUE M. ABOITIZ, JR., Director, Chairman – Board Risk Management Committee, Member – Board Strategy Committee

Mr. Enrique M. Aboitiz, Jr., 56 years old, Filipino, has served as Director of AEV since 1994. He is also Director and Senior Vice President of Aboitiz and Company, Inc; Director and President/Chief Executive Officer of Aboitiz Transport System (ATSC) Corporation; Director and President of Aboitiz Jebsen Bulk Transport Corporation, and EMS Crew Management Philippines, Inc.; Chairman and President of Jebsens Maritime, Inc.; Chairman of Aboitiz Power Corporation, Filscan Shipping Inc., General Charterer Inc., Overseas Bulk Transport, Inc., Scanasia Overseas, Inc., Nor-Phil Ocean Shipping, Inc., Aboitiz One, Inc., Aboitiz One Distribution, Inc., Hapag Lloyd Philippines, Inc., Zoom In Packages, Inc. and Viking International Carriers, Inc.; Director of AP Renewables, Inc., Manila-Oslo Renewable Enterprise, Inc. and Aboitiz Project T.S. Corp. He graduated with a degree of Bachelor of Science in Business Administration (Major in Economics) from Gonzaga University, Spokane, Washington, U.S.A.

JUSTO A. ORTIZ, Director, Member – Board Audit Committee and Board Risk Management Committee

Mr. Justo A. Ortiz, 52 years old, Filipino, has served as Director of AEV since 1994. He is also Chairman and Chief Executive Officer of Union Bank of the Philippines and Director of Aboitiz Transport System (ATSC) Corporation. Prior to his stint in UBP, he was Managing Partner for Global Finance and Country Executive for Investment Banking at Citibank N.A. He graduated Magna Cum Laude with a degree in Economics from Ateneo de Manila University and completed his Masteral units in Business Administration in the same university.

ANTONIO R. MORAZA, Director, Member - Board Risk Management Committee

Mr. Antonio R. Moraza, 53 years old, Filipino, has served as Director of AEV since May 2009. He is currently Executive Vice President and Chief Operating Officer - Power Generation Group of Aboitiz Power Corporation. He is also Chairman of the Board of Directors of AP Renewables, Inc., Pilmico Foods Corporation, Pilmico Animal Nutrition Corporation, Cebu Private Power Corporation and East Asia Utilities, Inc.; Chairman and Chief Executive Officer of Hedcor Sibulan, Inc. and Hedcor, Inc.; Vice-Chairman of the Board of Aboitiz Construction Group, Inc., Propriedad Del Norte, Inc. and Aboitiz Land, Inc. He is likewise a Director and Senior Vice President of Aboitiz & Company, Inc.; President and Chief Executive Officer of Abovant Holdings, Inc. and Philippine Hydropower Corporation; President of Manila-Oslo Renewable Enterprise, Inc., SN Aboitiz Power-Benguet, Inc., SN Aboitiz Power-Magat, Inc., Therma Marine, Inc., and Therma Power, Inc.; Director of Tsuneishi Heavy Industries (Cebu) Inc., Visayan Electric Company, Inc., Union Bank of the Philippines, Luzon Hydro Corporation, Southern Philippines Power Corporation, STEAG State Power, Inc., Therma Luzon, Inc., Western Mindanao Power Corporation, Cebu Industrial Park Developers, Inc., Metaphil International, Inc., and Philippine Association of Flour Millers. He holds a degree in Business Management from the Ateneo de Manila University and attended the Asian Institute of Management.

MIKEL A. ABOITIZ, Director, Senior Vice President/Chief Information Officer/Chief Strategy Officer, Member - Board Strategy Committee

Mr. Mikel A. Aboitiz, 55 years old, Filipino has served as Director of AEV since May 2009. He has been Senior Vice President and Chief Information Officer of AEV since 2004. He was recently appointed as Chief Strategy Officer of AEV in February 2009. He is also Senior Vice President - Strategy of Aboitiz and Company, Inc.; President and Chief Executive Officer of City Savings Bank; President and Chief Operating Officer of Cleanergy, Inc.; and Director of Aboitiz Power Corporation, Aboitiz Construction Group, Inc., Aboitiz Land, Inc., Cotabato Light & Power Company, Davao Light & Power Company, Inc., Pilmico Foods Corporation, Pilmico Animal Nutrition Corporation, Metaphil International, Inc., AEV Aviation, Inc., Propriedad Del Norte, Inc., Cebu Praedia Development Corporation, Therma Marine, Inc., and Therma Power, Inc. He has a Bachelor of Science degree in Business Administration from Gonzaga University, Spokane, U.S.A

ROBERTO R. ROMULO, Independent Director, Member – Board Corporate Governance Committee, Board Strategy Committee and Board Audit Committee

Mr. Roberto R. Romulo, 71 years old, Filipino, has served as Independent Director of AEV since 2002. He is the Chairman of Chartis Philippines Insurance Inc. (formerly, Philam Insurance Inc.), PETNET, Inc., and Medilink Network Inc. He also holds various board positions in different Philippine corporations including A. Soriano Corporation, Philippine Long Distance Telephone Co. (PLDT), Equicom Savings Bank, MIH Holdings Ltd. (subsidiary of NASPERS in South Africa), United Industrial Corporation, Singapore Land Ltd. and McLarty Associates (formerly, Kissinger McLarty Associates). He is the Executive Director of President Gloria Macapagal Arroyo's International Board of Advisors. He graduated from Georgetown University in 1960 with a Bachelor of Arts in Political Science and completed his Bachelor of Laws degree in 1964 from Ateneo de Manila University.

JOSE C. VITUG, Independent Director, Chairman - Board Audit Committee, Member – Board Corporate Governance Committee

Justice Jose C. Vitug (ret.), 75 years old, Filipino, has served as Independent Director of AEV since 2005. He is a Senior Professor at the Philippine Judicial Academy and Consultant of the Committee on Revision of the Rules of theSupreme Court of the Philippines; Chairman of the Securities Clearing Corporation of the Philippines and the Angeles University Foundation Medical Center; Director of Clark Electric Distribution Corporation; Trustee of the Mission Communications Foundation, Inc.; Dean of the Angeles University Foundation School of Law and a Graduate Professor of the Graduate School of Law of San Beda College. He finished his law degree, Cum Laude and obtained a Master of Laws and Master of National Security Administration degrees. He was a Fellow of the Commonwealth Judicial Education Institute, Dalhousie University, Halifax, Nova Scotia, Canada.

Nominations for Independent Directors and Procedure for Nomination

The procedure for the nomination and election of the independent directors is in accordance with SRC Rule 38 of the Securities Regulation Code (SRC Rule 38) and AEV's "Guidelines for the Constitution of the Nomination Committee and the Nomination and Election of Independent Directors" (the "Guidelines"). These guidelines were approved by the AEV Board on February 10, 2003 and disclosed to all stockholders. On December 3, 2003, AEV amended Article II Section 2 of its By-laws to adopt SRC Rule 38.

Nominations for independent director were accepted starting January 1, 2010 as provided for in Section 2 of the Guidelines and the table for nominations was closed on February 15, 2010 as provided for in Section 3 of the Guidelines.

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

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

No nominations for independent director shall be accepted at the floor during the stockholders' meeting at which such nominee is to be elected. However, independent directors shall be elected in the stockholders' meeting during which other members of the Board are to be elected.

Mr. Roberto R. Romulo, Ret. Justice Jose C. Vitug and Mr. Stephen CuUnjieng are the nominees for Independent Directors of AEV. They are neither officers nor employees of the Company or any of its affiliates, and do not have any relationship with the Company which would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. Attached as Annexes "A-1", "A-2" and "A-3" are the Certifications of Qualification of the nominees for Independent Directors.

AEV stockholders Maria Sandalo, Jovy Tan and Jose Grego Sitoy have recommended Mr. Roberto R. Romulo, Justice Jose C. Vitug and Mr. Stephen CuUnjieng, respectively, as the Company's independent directors. None of the nominating stockholders have any relation to Mr. Romulo, Justice Vitug nor to Mr. CuUnjieng.

Mr. CuUnjieng, 50 years old, Filipino, has a long and extensive experience in investment banking with a number of major international investment banks. He has led several high profile transactions in the Philippines and Asia and has won seven deals of the year awards since 2005. He is currently Senior Adviser to Evercore Partners and Consultant to Macquarie Capital. He is also Adviser to the Board of SM Investments Corporation as well as Director of Manila North Tollways Corporation.

Nominees for Election as Members of the Board of Directors

As conveyed to the Corporate Secretary, the following will also be nominated as members of the Board of Directors for the ensuing year 2010-2011:

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

Pursuant to Sec. 1 (par. 2), Art. II of the Amended By-Laws of AEV, nominations for members of the Board of Directors must be submitted in writing to the Board of Directors at least five working days before the regular annual stockholders' meeting on May 17, 2010, or not later than May 10, 2010.

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

Officers for 2009-2010

Below is a list of AEV's officers for 2009-2010 with their corresponding positions and offices held for the past five years. Unless otherwise indicated hereunder, the officers assumed their positions during AEV's annual organizational meeting in 2009 for a term of one year.

ERRAMON I. ABOITIZ, President and Chief Executive Officer

Mr. Erramon I. Aboitiz, 53 years old, Filipino, has served as President and Chief Executive Officer of AEV since January 2009. He has been a Director of AEV since 1994 and was its Executive Vice President and Chief Operating Officer from 1994 to January 2009. He is also President and Chief Executive Officer of Aboitiz and Company, Inc., and Aboitiz Power Corporation; Chairman of the Board of Directors of Davao Light & Power Company, Inc., San Fernando Electric Light and Power Company, Inc., City Savings Bank, Cotabato Light & Power Company, Mactan Enerzone Corporation, Subic Enerzone Corporation, SN Aboitiz Power-Magat, Inc., SN Aboitiz Power-Benguet, Inc., Philippine Hydropower Corporation, Manila-Oslo Renewable Enterprise, Inc., Therma Marine, Inc., Visayan Electric Co., Inc., Therma Power, Inc., and Abovant Holdings, Inc.; Chairman/President and Chief Executive Officer of Cebu Praedia Development Corporation; Chairman and Chief Executive Officer of Balamban Enerzone Corporation; Chairman and Trustee of Aboitiz Foundation, Inc.; Director of AP Renewables, Inc., Aboitiz Land Inc., Union Bank of the Philippines, Southern Philippines Power Corporation, Aboitiz Energy Solutions, Inc., Pilmico Animal Nutrition Corporation, Pilmico Foods Corporation, AEV Aviation, Inc., Aboitiz Transport System (ATSC) Corp., Hijos De F. Escano, Inc. STEAG State Power, Inc.; and President of Therma Luzon, Inc. He received a Bachelor of Science degree in Business Administration, major in Accounting and Finance from Gonzaga University, Spokane, U.S.A.

STEPHEN G. PARADIES, Senior Vice President/Chief Financial Officer/Corporate Information Officer/Ex-Officio Member – Board Audit Committee and Board Risk Management Committee

Mr. Stephen G. Paradies, 56 years old, Filipino, has been Senior Vice President/Chief Financial Officer/Corporate Information Officer of AEV since 2004. He was Compliance Officer of AEV until November 2005. From 2002 to 2004, he was Senior Vice President and Chief Audit Executive of AEV. He is also Senior Vice President for Finance and a member of the Board of Advisers of Aboitiz and Company, Inc.; Director and President of Misamis Oriental Land Development Corporation; Director and Senior Vice President/Treasurer of Aboitiz Construction Group, Inc.; Director of Union Bank of the Philippines, Union Properties, Inc., International Container Terminal Services, Inc., Pilmico Foods Corporation and Pilmico Animal Nutrition Corporation, City Savings Bank, Therma Luzon, Inc., and Metaphil International, Inc.; Director and Vice President of AEV Aviation, Inc.; Trustee and Treasurer of Aboitiz Foundation Inc. and Treasurer of Cebu Industrial Park Developers, Inc. and Cebu Industrial Park Services, Inc. He obtained his Bachelor of Science in Business Management from Santa Clara University, California, U.S.A.

MIKEL A. ABOITIZ, Director, Senior Vice President/Chief Information Officer/Chief Strategy Officer, Member - Board Strategy Committee

Mr. Mikel A. Aboitiz, 55 years old, Filipino has served as Director of AEV since May 2009. He has been Senior Vice President and Chief Information Officer of AEV since 2004. He was recently appointed as Chief Strategy Officer of AEV in February 2009. He is also Senior Vice President - Strategy of Aboitiz and Company, Inc.; President and Chief Executive Officer of City Savings Bank; President and Chief Operating Officer of Cleanergy, Inc.; and Director of Aboitiz Power Corporation, Aboitiz Construction Group, Inc., Aboitiz Land, Inc., Cotabato Light & Power Company, Davao Light & Power Company, Inc., Pilmico Foods Corporation, Pilmico Animal Nutrition Corporation, Metaphil International, Inc., AEV Aviation, Inc., Propriedad Del Norte, Inc., Cebu Praedia Development Corporation, Therma Marine, Inc., and Therma Power, Inc. He has a Bachelor of Science degree in Business Administration from Gonzaga University, Spokane, U.S.A.

XAVIER J. ABOITIZ, Senior Vice President /Chief Human Resources Officer/Ex-Officio Member - Board Corporate Governance Committee

Mr. Xavier J. Aboitiz, 50 years old, Filipino, has been Senior Vice President for Human Resources of AEV since 2004. He is also Senior Vice President for Human Resources and a member of the Board of Advisers of Aboitiz & Company, Inc.; Director of CSB Land Inc., Pilmico Foods Corporation, Aboitiz One, Inc., Aboitiz Project T.S. Corporation and Trustee of Aboitiz Foundation Inc. Mr. Aboitiz has worked in various capacities in different companies under the Aboitiz Group of companies since 1983. He took up Business Administration – Finance at Gonzaga University, Spokane, U.S.A.

JUAN ANTONIO E. BERNAD, Senior Vice President

Mr. Juan Antonio E. Bernad, 53 years old, Filipino, was Senior Vice President-Electricity Regulatory Affairs of AEV from 2004 until 2007. From 1995 to 2004 he was Senior Vice President and Chief Financial Officer of AEV. He is currently Senior Vice President of AEV and Executive Vice President - Strategy and Regulation of Aboitiz Power Corporation. He is also Director and Executive Vice President - Regulatory Affairs of Davao Light & Power Company, Inc.; Director and Senior Vice President of Visayan Electric Company, Inc.; Director and Vice President of Cebu Praedia Development Corporation; Director of Union Bank of the Philippines, AP Renewables, Inc., AEV Aviation, Inc. and Cotabato Light & Power Company; Chairman of the Board of Trustees of the Aboitiz & Company, Inc. Retirement Fund and Trustee of Aboitiz Foundation, Inc. He graduated with a degree of Bachelor of Arts in Economics from Ateneo de Manila and took his Masters in Business Administration at The Wharton School, University of Pennsylvania, U.S.A.

GABRIEL T. MAÑALAC, Senior Vice President – Group Treasurer

Mr. Gabriel T. Mañalac, 53 years old, Filipino, has been Senior Vice President – Group Treasurer of AEV since January 2009. He joined AEV as Vice President for Treasury Services/Treasurer in 1998 and was promoted to First Vice President for Treasury Services/Treasurer of AEV in 2004. He is also Vice President/Treasurer of Davao Light & Power Company, Inc.; Treasurer of Cotabato Light & Power Company and First Vice President/Treasurer of Aboitiz Power Corporation. Mr. Mañalac graduated Cum Laude with a degree of Bachelor of Science in Finance and Bachelor of Arts in Economics from De La Salle University. He obtained his Masters of Business Administration in Banking and Finance from the Asian Institute of Management and was awarded the Institute's Scholarship for Merit.

LUIS MIGUEL O. ABOITIZ, First Vice President

Mr. Luis Miguel O. Aboitiz, 45 years old, Filipino, joined AEV as Vice President in 1995 and was promoted to First Vice President in 2004. He is also First Vice President and a member of the Board of Advisers of Aboitiz & Company, Inc.; Senior Vice President – Power Marketing and Trading of Aboitiz Power Corporation; Director and Senior Vice President – Business Development of Hedcor, Inc.; Director and Vice President/Treasurer of Philippine Hydropower Corporation; Director and Vice President of Therma Marine, Inc., and Therma Power, Inc., Director and Vice President – Open Market Operations of Adventenergy, Inc. and Vice President – Open Market Operations of Aboitiz Energy Solutions, Inc.; Director of Davao Light & Power Company, Inc., Pilmico Animal Nutrition Corporation, Pilmico Foods Corporation, ; Manila-Oslo Renewable Enterprise, Inc., SN Aboitiz Power-Magat, Inc., SN Aboitiz Power-Benguet, Inc., Therma Luzon, Inc., AP Renewables, Inc., Hedcor Sibulan, Inc., Misamis Oriental Land Development Corporation, Southern Philippines Power Corporation, Western Mindanao Power Corporation, STEAG State Power, Inc. and Subic Enerzone Corporation. He graduated at Santa Clara University, California, U.S.A. with a degree of Bachelor of Science in Computer Science and Engineering and took his Masters in Business Administration from the University of California at Berkeley, U.S.A.

M. JASMINE S. OPORTO, First Vice President – Chief Legal Officer/Corporate Secretary/Compliance Officer/Ex-Officio Member – Board Corporate Governance Committee

Ms. M. Jasmine S. Oporto, 50 years old, Filipino, has been Corporate Secretary of AEV since 2004 and Compliance Officer since November 2005. She is concurrently First Vice President – Chief Legal Officer of AEV. She is also Vice President for Legal Affairs of Davao Light & Power Company, Inc.; Corporate Secretary of Aboitiz Power Corporation, Visayan Electric Company, Inc., Therma Power, Inc., Hijos de F. Escano, Inc., Cebu Private Power Corporation and Luzon Hydro Corporation and Trustee of the Aboitiz & Company, Inc. Retirement Fund. Prior to joining AEV, she worked in various capacities with the Hong Kong office of Kelley Drye & Warren, LLP, a New York-based law firm and the Singapore-based consulting firm Albi Consulting Pte. Ltd. She obtained her Bachelor of Laws from the University of the Philippines and is a member of both the Philippine and New York bars.

HORACIO C. ELICANO, First Vice President and Chief Technology Officer

Mr. Horacio C. Elicano, 50 years old, Filipino, has been First Vice President and Chief Technology Officer of AEV since January 2009. Before he joined AEV, Mr. Elicano was Managing Director of Catapult Communications. He was also Chief Technology Officer of Paysetter International Inc. from May 2001 to January 2007 and of Chikka Asia Inc. from May 2001 to September 2005. Mr. Elicano is a graduate of B.S. Electrical Engineering from the University of the Philippines.

SEBASTIAN R. LACSON, First Vice President – Chief Reputation Officer/Ex-Officio Member – Board Corporate Governance Committee

Mr. Sebastian R. Lacson, 39 years old, Filipino, has been First Vice President – Chief Reputation Officer since May 2009. Mr. Lacson was previously the Vice President for Administration of AEV affiliate, Visayan Electric

Company Inc. Before joining the Aboitiz Group, he held various positions in the Union Fenosa Group: he was concurrent Corporate Director of Union Fenosa Panama and Technical Secretary to the Chairman of Union Fenosa Central America, and Financial Analyst – Management Control of Union Fenosa Internacional in Madrid, Spain. He was also Country Managing Director of Euro Pacific Holdings, Manila, Philippines, and Finance Manager of Lacson & Lacson Insurance Brokers, Inc., Manila, Philippines. Mr. Lacson graduated from the Ateneo de Manila University with a Bachelor of Arts in Interdisciplinary Studies. He obtained his Masters in Business Administration and Economics at the University of Navarre in Barcelona, Spain.

ROLANDO C. CABRERA, First Vice President – Chief Risk Officer/Ex-Officio Member – Board Audit Committee and Board Risk Management Committee

Mr. Rolando C. Cabrera, 63 years old, Filipino, has been First Vice President – Chief Risk Officer since July 2009. He was Director, Senior Risk Management and Corporate Governance Advisor of KPMG Philippines Manabat Sanagustin & Co. prior to his appointment in AEV. He was formerly the Executive Director and Principal Consultant of RiskWATCH International, Inc., a consulting company which provides risk management, risk assessment, risk treatment, and contingency planning services to various companies from 2001 to 2005, and Business Risk Manager of Fort Bonifacio Development Corporation from 1998 to 2001. He started his career in risk management in 1987 as Risk Manager of San Miguel Corporation. Mr. Cabrera is the Chairman of the Board and Founding Director of Risk & Insurance Management Association of the Philippines (RIMAP). In 1991, he was awarded a Certificate of Merit in the Search for Risk Manager of the Year by CIGNA Europe in conjunction with Post Magazine. Mr. Cabrera graduated Summa Cum Laude from San Beda College and with a Bachelor of Science in Accountancy. He obtained his Masters in Management from the University of the Philippines. Mr. Cabrera is a Certified Public Accountant.

PATRICK B. REYES, First Vice President – Corporate Finance

Mr. Patrick B. Reyes, 34 years old, Filipino, has been First Vice President – Corporate Finance since July 2009. Before joining AEV, Mr. Reyes was President of Qbitron, a company that provides outsourcing services and management consulting to clients in the US and in the Philippines. He was a Senior Partner in The Ripples Group, a management-consulting firm based in Newton, Massachusetts, from 2004 to 2006 and Chief Operating Officer of Citizens Health LLC, a healthcare company based in Boston, Massachusetts from 2002 to 2004. He was also a consultant with the international strategy-consulting firm, Bain & Company, Inc. from 1994 to 2002. Mr. Reyes earned his Bachelor of Science in Management, Summa Cum Laude, from Boston College's Wallace E. Carroll School of Management and his MBA from Harvard University's Graduate School of Business Administration.

MELINDA RIVERA-BATHAN, Vice President – Controller

Ms. Melinda R. Bathan, 50 years old, Filipino, has been Vice President-Controller of AEV since 2004. She was previously Assistant Vice President-Controller of AEV from 1997 until 2004. She is also a Trustee of the Aboitiz & Company, Inc. Retirement Fund. She graduated Summa Cum Laude from St. Theresa's College with a Bachelor of Science degree in Commerce, major in Accounting. She obtained her Masters in Management from the University of the Philippines with honors.

NARCISA S. LIM, Vice President – Human Resources

Ms. Narcisa S. Lim, 46 years old, Filipino, has been Vice President for Human Resources of AEV since August 2008. She was Assistant Vice President for Human Resources of AEV from 2004 to 2008. She is also a Trustee of the Aboitiz & Company, Inc. Retirement Fund. She holds a degree in International Studies from Maryknoll College.

JOSEPH TRILLANA T. GONZALES, Vice President – Legal

Mr. Joseph Trillana T. Gonzales, 43 years old, Filipino, has been Vice President – Legal of AEV since August 2008. He was previously Special Counsel of SyCip Salazar Hernandez & Gatmaitan Law Offices until he joined the Aboitiz Group in May 2007 as Assistant Vice President of the Corporate and Legal Services of Aboitiz & Company, Inc. He is Corporate Secretary of AP Renewables, Inc. and Assistant Corporate Secretary of Aboitiz Power Corporation. He is a graduate of Bachelor of Arts in Economics and Bachelor of Laws from the

University of the Philippines. He also has a Master of Laws degree from the University of Michigan.

CAROLINE G. BALLESTEROS, Assistant Vice President – Branding & Corporate Communications

Ms. Caroline G. Ballesteros, 47 years old, Filipino, has been Assistant Vice President for Branding and Corporate Communications since August 2005. Before joining the Corporation, she was Corporate Communications Officer – VISMIN at Etelecare Global Solutions and TV Host and News Anchor of ABS-CBN, Cebu Regional Station. She graduated Summa Cum Laude, Bachelor of Science in Commerce, major in Accounting from the University of San Jose-Recoletos, Cebu City.

STELLA OLIVE A. SUCALIT, Assistant Vice President – Talent Management

Ms. Stella Sucalit, 47 years old, Filipino, has been Assistant Vice President-Talent Management since January 2010. She was previously Assistant Vice President for Corporate Finance of AEV from 2004 until January 2010. She obtained her Bachelor of Science degree in Business Administration and Accountancy from the University of the Philippines.

CARMELA I. FRANCO, Assistant Vice President – Investor Relations

Ms. Carmela N. Franco, 38 years old, Filipino, has been Assistant Vice President for Investor Relations of AEV since 2008. Prior to her stint with AEV, she was connected with San Miguel Corporation as Investor Relations Officer of its Corporate Finance Group and later as Senior Project Analyst of its Corporate Planning Group. She was a Trader, Associate and Credit Analyst of Capital One Equities Corporation & Multinational Investment Bancorporation from 1992 to 1994 and was formerly an Investment Analyst of ING Barings (Phils), Inc. & Kim Eng Securities (Phils), Inc. from 1994 to 1997. She was also an Investment Officer of Standard Chartered Bank from 1998 to 2000 and went on to serve as Project Analyst of Newgate Management, Inc. from 2000 to August 2002. She is a graduate of Bachelor of Science in Business Economics (Cum Laude) from the University of the Philippines.

LEAH I. GERALDEZ, Assistant Vice President – Legal/Assistant Corporate Secretary

Ms. Leah I. Geraldez, 40 years old, Filipino, has been Assistant Vice President – Legal of AEV since August 2008 and Assistant Corporate Secretary of AEV since 2006. She is also Corporate Secretary of Aboitiz & Company, Inc., City Savings Bank, Balamban Enerzone Corporation, Mactan Enerzone Corporation, Aboitiz Land, Inc., Cebu Industrial Park Developers, Inc., Cebu Industrial Park Services, Inc., Cebu Praedia Development Corporation, AEV Aviation, Inc., Hedcor, Inc., Hedcor Benguet, Inc., Hedcor Sibulan, Inc., Hedcor Tamugan, Inc., Manila-Oslo Renewable Enterprise, Inc., Misamis Oriental Land Development Corporation, Philippine Hydropower Corporation, Pilmico Foods Corporation, Tsuneishi Heavy Industries (Cebu), Inc., SN Aboitiz Power-Benguet, Inc., and Aboitiz Foundation, Inc. She earned her Bachelor of Arts in Anthropology and Bachelor of Laws from the University of San Carlos.

JULIE ANN T. DIONGZON, Assistant Vice President – Treasury

Ms. Julie Ann T. Diongzon, 40 years old, Filipino, has been Assistant Vice President for Treasury of AEV since January 2009. A graduate of B.S. Commerce from the University of San Carlos, Ms. Diongzon has been with the Aboitiz Group for more than 18 years, holding various accounting and finance positions.

IRIS LOUISE R. DORADO, Assistant Vice President – Audit

Ms. Iris Louise R. Dorado, 29 years old, Filipino, has been Assistant Vice President for Audit since January 2009. Ms. Dorado joined the Aboitiz Group in 2007 as Corporate Audit Manager of Aboitiz & Company, Inc. Before she joined the Aboitiz Group, Ms. Dorado was Region Finance Officer of Monterey Foods Corp. from 2005 to 2007 and Senior Internal Auditor of San Miguel Corporation from 2002 to 2005. A graduate of B.S. Accountancy from the University of San Carlos (Magna Cum Laude), she is a Certified Public Accountant (Philippine Institute of Certified Public Accountants), a Certified Internal Auditor (The Institute of Internal Auditors, Inc. – U.S.A) and a Certified QA Validator (The Institute of Internal Auditors, Inc. – Philippines).

MA. KRISTINA V. RIVERA, Assistant Vice President – Human Resources

Ms. Ma. Kristina V. Rivera, 39 years old, Filipino, has been Assistant Vice President for Human Resources of AEV since January 2009. Ms. Rivera has 15 years experience in human resources management with diverse background in human resource strategic planning, implementation and administration. Before she joined the Aboitiz Group in 2003, Ms. Rivera was with PNOC-Energy Development Corporation. She holds Bachelor of Science and Masters degrees in Psychology from the University of the Philippines.

GERALDINE POLANCO-ONGANON, Assistant Vice President – Human Resources

Ms. Geraldine Polanco-Onganon, 39 years old, Filipino, has been Assistant Vice President for Human Resources seconded to the Food Group of AEV since January 2009. Ms. Polanco-Onganon has been with the Aboitiz Group for more than 15 years, holding various positions in human resources in different Aboitiz companies. Before she was seconded to FBMA Marine, Inc. as Assistant Vice President – Human Resources in 2005, she was Manager for Human Resources of Aboitiz & Company, Inc. from 2001 to 2005. Ms. Polanco-Onganon is a graduate of A.B. Behavioral Science from the University of Santo Tomas.

CHRISTOPHER M. CAMBA, Assistant Vice President – Human Resources

Mr. Christopher M. Camba, 31 years old, Filipino, has been Assistant Vice President for Human Resources of AEV since January 2009. Mr. Camba joined the Aboitiz Group in 2001 as Corporate Auditor of Aboitiz & Company, Inc. He was assigned to the Human Resources Department of Aboitiz & Company, Inc. in 2004, where he was seconded as Human Resources Manager of Aboitiz Construction Group, Inc. He is a graduate of B.S. Accountancy from the University of San Carlos.

RIELLA MAE CHRISTA D. BAGUIO, Assistant Vice President – Corporate Finance

Ms. Riella Mae Christa D. Baguio, 32 years old, Filipino, has been with the Aboitiz Group for more than ten years holding various accounting positions. She was Accounting Manager of various companies including Aboitiz and Company, Inc. and Aboitiz Equity Ventures, Inc. from 2005 until her promotion to Assistant Vice President – Corporate Finance in 2010. Ms. Baguio is a graduate of Bachelor of Science in Accountancy (Magna Cum Laude) from the University of San Carlos and obtained her Masters in Management major in Business Management from the University of the Philippines – Visayas, Cebu.

RONALDO S. RAMOS, Assistant Vice President – Business Risk Management

Mr. Ronaldo S. Ramos, 31 years old, Filipino, has extensive experience in risk management, audit, internal controls and information security. Before he joined Aboitiz Equity Ventures, Inc., Mr. Ramos was Senior Manager – Risk Advisory Services of KPMG Philippines – Manabat Sanagustin & Co. He was also Operations Auditor of Petron Corporation from August 2002 to March 2006 and Audit and Business Advisory Services of SGV & Co., an affiliate of Ersnt & Young Global, from December 1999 to August 2002. Mr. Ramos is a graduate of Bachelor of Science in Accountancy from De La Salle University.

EDGAR Z. DAPITON, Assistant Vice President – Insurance Risk Management

Mr. Edgar Z. Dapiton, 51 years old, Filipino, joined Aboitiz Equity Ventures, Inc. as Assistant Vice President – Insurance Risk Management in January 2010. Prior to joining AEV, Mr. Dapiton was a consultant for Swiss Reinsurance Company (Swiss Reinsurance) of Zurich, Switzerland. He was also Regional Risk Manager of the Philippine Branch of Swiss Reinsurance for Business Continuity Management (BCM) for Southeast Asia in 1996 to 2003. From 1995 to 1996, he was Head of Risk Management and Underwriting of Citytrust Banking Corporation seconded to the Citytrust Insurance Brokers. Mr. Dapiton is a graduate of Civil Engineering from Mapua Institue of Technology.

Period in which the Directors and Executive Officers Should Serve

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

Terms of Office of a Director

Pursuant to the Company By-laws, the directors are elected at each annual stockholders' meeting by stockholders entitled to vote. Each director holds office until the next annual election and until his successor is duly elected unless he resigns, dies or removed prior to such election.

The directors, who must be stockholders of AEV, are elected annually by the stockholders during the annual stockholders' meeting, where at least a majority of the outstanding capital stock should be present in person or by proxy. The Directors shall serve for a term of one year and until the election and qualification of their successors.

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

(2) Significant Employees

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

(3) Family Relationships

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

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

(4) Involvement in Certain Legal Proceedings

People of the Philippines vs. Renato Francisco et. al.
(c/o Fuller O' Brien Paint Company, Inc., Reliance St., Mandaluyong City)
Criminal Case No. 35-5784
MTC Branch 66, Makati City
July 19, 2007

On July 23, 2008, the Metropolitan Trial Court (MTC) of Makati issued an order finding probable cause to hold the alleged directors/stockholders of Fuller O'Brien Paint Company, Inc. (Fuller O'Brien), including Erramon I. Aboitiz, for violation of PD No. 1752 or the Pag-Ibig Fund Law, as amended.

On September 1, 2008, warrants of arrest were issued by the MTC against the accused, including Mr. Aboitiz. Mr. Aboitiz through his counsel filed an Omnibus Motion before the MTC asking for: (1) the reconsideration of the order dated July 23, 2008 finding probable cause against him; (2) the recall/holding in abeyance of the warrant of arrest; and (3) the conduct of preliminary investigation/ reinvestigation.

The Home Development Mutual Fund (HDMF) failed to file its comment or opposition to the Omnibus Motion within the period given to it by the MTC. On September 30, 2008, the MTC issued an order granting the Omnibus Motion filed by Mr. Aboitiz. Consequently, the warrant of arrest issued against him was recalled. The Office of the City Prosecutor of Makati was also directed to conduct a preliminary investigation of the case as regards Mr. Aboitiz.

On October 24, 2008 Mr. Aboitiz filed his counter-affidavit with the Office of the City Prosecutor, maintaining that he should be excluded from the charges filed against the directors of Fuller O'Brien on the ground that he was no longer a director of Fuller O'Brien during the period when the alleged violations of the Pag-Ibig Fund have occurred.

On August 20, 2009, HDMF filed its Reply-Affidavit alleging that respondents' allegations are factually and legally untenable. On August 27, 2009, Mr. Aboitiz submitted his ex-parte manifestation stating that HDMF failed to rebut the documents attached to his counter-affidavit showing that he was neither an officer nor a member of the board from May 2001 up to the present. The case is now submitted for resolution.

To the knowledge and/or information of AEV, other than as disclosed above, none of its nominees for election as directors, its present members of the Board of Directors or its executive officers, is presently or during the last five years, been involved in any legal proceeding in any court or government agency in the Philippines or elsewhere which would put to question their ability and integrity to serve AEV and its stockholders. To the knowledge and/or information of AEV, the above-said persons have not been convicted by final judgment of any offense punishable by the laws of the Republic of the Philippines or by the laws of any other nation or country.

(5) Certain Relationships and Related Transactions

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

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

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

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

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

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

Parent Company

The parent and the ultimate parent of AEV is Aboitiz & Company, Inc.

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

No director has resigned or declined to stand for re-election to the Board of Directors since the date of AEV's last annual meeting because of a disagreement with AEV on matters relating to its operations, policies and practices.

Item 6. Compensation of Directors and Executive Officers

(1) Summary of Compensation Table

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

Directors and Executive Officers	Period	Salary	Bonus	Other Compensation
Top Highly-Compensated Executives: **Jon Ramon Aboitiz** - Chief Executive Officer in 2008/Chairman of the Board in 2009 **Erramon I. Aboitiz** - Chief Executive Officer in 2008/Chief Executive Officer in 2009 **Roberto E. Aboitiz** - Chairman of the Board in 2008/Director in 2009 **Stephen G. Paradies** - SVP/Chief Financial Officer **Xavier Jose Aboitiz** - SVP/Chief Human Resources Officer **Patrick B. Reyes** - First Vice President **All above named officers as a group**	Actual 2009	₱21,579,363	₱1,685,000	₱8,109,395
	Actual 2008	₱22,051,500	₱1,846,000	₱6,120,536
	Projected 2010	₱26,098,500	₱1,905,000	₱8,980,713
All other directors and officers as a group unnamed	Actual 2009	₱17,979,577	₱1,393,500	₱9,973,948
	Actual 2008	₱3,983,713	₱261,000	₱5,638,621
	Projected 2010	₱24,570,950	₱1,793,500	₱11,123,745

Except for the regular company retirement plan, which by its very nature will be received by the officers concerned only upon retirement from AEV, the above-mentioned officers do not receive any other compensation in the form of warrants, options, and/or profit-sharing.

There is no compensatory plan or arrangement between AEV and any executive in case of resignation or any other termination of employment or from a change-in-control of the Company.

(2) Compensation of Directors

(i) Standard Arrangements

In 2009 all of AEV's directors received a monthly allowance of ₱80,000 except for the Chairman of the Board who received a monthly allowance of ₱120,000. In addition, each director and the Chairman of the Board received a per diem for every Board or Committee meeting attended as follows:

Type of Meeting	Directors	Chairman of the Board
Board Meeting	₱50,000	₱75,000
Committee Meeting	₱30,000	₱30,000

For 2010 it is proposed that all of AEV's directors shall receive a monthly allowance of ₱80,000, except for the Chairman of the Board who shall receive a monthly allowance of ₱-₱120,000 In addition, each director and the Chairman of the Board shall receive a per diem for every Board or Committee meeting attended as follows:

Type of Meeting	Directors	Chairman of the Board
Board Meeting	₱60.000	₱90,000
Committee Meeting	₱50,000	₱60,000

The proposed monthly allowance and per diem of the AEV directors for 2010 will be submitted for the approval of the stockholders during the 2010 Annual Stockholders' Meeting.

(ii) Other Arrangements

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

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

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

(4) Warrants and Options Outstanding

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

Item 7. Independent Public Accountant

The accounting firm of Sycip, Gorres, Velayo & Company (SGV) has been AEV's Independent Public Accountant for the last 16 years, and will be recommended to the stockholders for election, approval and ratification. Mr. Ladislao Z. Avila, Jr. has served as audit partner of AEV such since 1994. AEV shall comply with the requirements of Sec. 3(b)(iv) of SRC Rule 68 on the rotation of external auditors or signing partners. Representatives of SGV will be present during the annual meeting and will be given the opportunity to make a statement if they so desire. They are also expected to respond to appropriate questions if needed.

There was no event in the past 16 years where AEV and SGV or the handling partner had any disagreement with regard to any matter relating to accounting principles or practices, financial statement disclosure or auditing scope or procedure.

In its regular meeting last March 3, 2010, the Audit Committee of AEV approved a resolution to submit for the approval of the stockholders during the Annual Stockholders' Meeting a proposal to delegate to the Board of Directors the authority to appoint the Company's external auditors for 2010. The proposal is intended to give the Audit Committee sufficient time to evaluate the different auditing firms who have submitted engagement proposals to act as AEV's external auditor for 2010.

Item 8. Compensation Plans

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

C. ISSUANCE AND EXCHANGE OF SECURITIES

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

None.

Item 10. Modification or Exchange of Securities

None.

Item 11. Financial and Other Information

None.

Item 12. Mergers, Consolidations, Acquisitions and Similar Matters

None.

Item 13. Acquisition or Disposition of Property

None.

Item 14. Restatement of Accounts

None.

D. OTHER MATTERS

Item 15. Action with Respect to Reports

1. Approval of the Minutes of the 2009 Annual Meeting of Stockholders (with summary of the Minutes attached as Annex "B")

2. Approval of the Annual Report of Management for the year ending December 31, 2009

Item 16. Matters Not Required to be Submitted

There is no act of management and the Board of Directors in the preceding year that needs the approval of the stockholders.

Ratification of acts of management and of the Board of Directors referred to in the Notice of the Annual Meeting refers only to acts done in the ordinary course of business and operation of AEV, some of which have been duly disclosed to the Securities and Exchange Commission (SEC) and the Philippine Stock Exchange (PSE) in accordance with law. Ratification is being sought in the interest of transparency and as a matter of customary practice or procedure undertaken at every annual meeting of AEV stockholders.

A summary of the board resolutions approved during the period from February 11, 2009 to March 10, 2010 is provided as follows:

Regular Board Meeting, February 11, 2009

1. Authority of Management to negotiate for the purchase of the interests of the Jebsen Group of Norway within the parameters of the findings of the valuation
2. Proposed amendments to the Articles of Incorporation and By-Laws for submission to the stockholders' approval during the Annual Stockholders' Meeting
3. Renewal of the delegated authority to the Board to amend /repeal the By-Laws or adopt new Company By-Laws
4. Delegation of authority to the Nomination and Compensation Committee to pre-screen and shortlist candidates for Board directors
5. Setting of record date for stockholders entitled to vote during the 2009 Annual Stockholders' Meeting

Special Board Meeting, April 8, 2009

1. Approval of the 2008 Audited Financial Statements

Special Board Meeting, April 15, 2009

1. Approval of Board Committee mandates and composition
2. Approval of the appointment of Mr. Roberto R. Romulo as member of the Board Strategy and Corporate Governance Committees
3. Authority of any one of Stephen G. Paradies, Xavier J. Aboitiz, Luis Miguel Aboitiz, Iker M. Aboitiz and Melissa A. Elizalde, in behalf of the Company to purchase, sell or deal in any manner, motor vehicles of all types
4. Authority of the Company to buy and sell securities

Regular Board Meeting, May 18, 2009

1. Authority of the Company to subscribe one million shares of Pilmico Foods Corporation
2. Availment of institutional products of Union Bank of the Philippines
3. Designation of Mr. Sabin M. Aboitiz as additional signatory of accounts maintained at Banco de Oro Universal Bank
4. Designation of Mr. Sabin M. Aboitiz as additional signatory of accounts maintained at Union Bank of the Philippines

Regular Board Meeting, July 17, 2009

1. Delegation to the Board Audit Committee the authority to review proposal of prospective external auditors for the Company
2. Delegation to the Board Audit Committee the authority to approve and release periodic financial report
3. Approval of the Insider Trading Policy
4. Appointment of Mr. Rolando C. Cabrera as First Vice President/Chief Financial Management Officer
5. Appointment of Mr. Patrick B. Reyes as First Vice President for Corporate Finance
6. Authority to avail of credit facilities with Metropolitan Bank and Trust Company
7. Designation of Mr. Antonio R. Moraza as additional signatory for and in behalf of the Company for accounts maintained in various banks
8. Authority to enter into a Contract of Lease with Skyrise Realty & Development Corporation
9. Authority of the Company to borrow up to ₱1 billion in long-term loan from various banks and financial institutions to refinance existing debts

Regular Board Meeting, September 16, 2009

1. Approval of the incorporation of a captive market insurance company based in Singapore
2. Approval of the Amended Manual on Corporate Governance
3. Approval of the Institute of Corporate Directors (ICD) Corporate Governance Scorecard 2009
4. Approval of the merger of the Corporate Governance Committee with the Board Nomination and Compensation Committee as provided for in the Manual on Corporate Governance
5. Approval of the Amended AEV Internal Audit Charter
6. Ratification of the authority of the Company to extend interest-free stockholders' advances to AEV Aviation, Inc. in the amount of ₱10 million
7. Ratification of the authority of the Company to extend interest-bearing temporary advances to Mactan Enerzone Corporation in the amount of ₱20 million
8. Ratification of the authority of the Company to extend interest-bearing temporary advances to Balamban Enerzone Corporation in the amount of ₱20 million
9. Authority of the Company to avail of long term loans and derivative transactions with the Hongkong and Shanghai Banking Corporation Limited up to the amount of US$30 million or its equivalent in Philippine peso

Regular Board Meeting, November 19, 2009

1. Ratification of the authority of the Company to extend interest-bearing temporary advances to Hedcor, Inc. in the amount of ₱90 million
2. Authority of the Company to borrow funds for on-lending to City Savings Bank in an amount not exceeding ₱2 billion
3. Authority of Stephen G. Paradies, M. Jasmine S. Oporto, Melinda R. Bathan and Leah I. Geraldez to transact with the Philippine Depository & Trust Corporation (PDTC)

Regular Board Meeting, January 13, 2010

1. Authority of the Company to borrow up to ₱1 billion in long-term loan from various banks and financial institutions to refinance existing debts
2. Authority of the Company to avail of long-term loans and derivative transactions with the Hongkong and Shanghai Banking Corporation Limited up to the amount of US$30 million or its equivalent in

Philippine peso

3. Authority of the Company to borrow funds for on-lending to City Savings Bank in an amount not exceeding ₱2 billion

Regular Board Meeting, March 10, 2010

1. Authority of the Company to borrow up to ₱2 billion in long-term loan from various banks and financial institutions to refinance existing debts (fresh authority)
2. Authority of the Company to avail of long-term loans and derivative transactions with the Hongkong and Shanghai Banking Corporation Limited up to the amount of US$30 million or its equivalent in Philippine Peso (fresh authority)
3. Authority of Mr. Horacio C. Elicano to sign in behalf of the Company the Migration Memorandum of Agreement between the AEV and Alliance End To End Solutions, Inc.
4. Authority of the Company's stock transfer Agent, Securities Transfer Services, Inc. (STSI) to issue uncertificated shares

Item 17. Amendment of Charter, Bylaws or Other Documents.

None.

Item 18. Other Proposed Action

The compensation and per diem of the Directors for 2010 will be submitted for the approval of the stockholders. For 2010 it is proposed that all of AEV's directors shall receive a monthly allowance of ₱80,000, except for the Chairman of the Board who shall receive a monthly allowance of ₱120,000. In addition, each director and the Chairman of the Board shall receive a per diem for every Board or Committee meeting attended as follows:

Type of Meeting	Directors	Chairman of the Board
Board Meeting	₱60,000	₱90,000
Committee Meeting	₱50,000	₱60,000

Item 19. Voting Procedures

(a) Vote Required for Election

Article 1 Section 4 of the AEV By-Laws states that a quorum for any meeting of stockholders shall consist of the majority of the outstanding capital stock of AEV, and that a majority of such quorum shall decide any question in the meeting except those matters in which the Corporation Code requires a greater proportion of affirmative votes.

Regarding the election of members to the Board of Directors, nominees who receive the highest number of votes shall be declared elected pursuant to Section 24 of the Corporation Code of the Philippines. Likewise, the nominee for AEV's external auditor who receives the highest number of votes shall be declared elected.[3]

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

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

[3] A proposal to delegate to the Board of Directors the authority to appoint the External Auditor of the Company for 2010 will be submitted for the approval of the stockholders.

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

(a) Vote such number of shares for as many person(s) as there are directors to be elected;

(b) Cumulate such shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his shares;

(c) Distribute his shares on the same principle as option (b) among as many candidates as he shall see fit, provided, that the total number of votes cast by him shall not exceed the number of shares owned by him multiplied by the whole number of directors to be elected.

The method of counting the votes of shareholders shall be in accordance with the general provisions of the Corporation Code of the Philippines. The counting of votes shall be done by representatives from the Office of the Corporate Secretary, all of whom shall serve as members of the Election Committee.

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

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

Investor Relations Office
Abolitiz Equity Ventures, Inc.
Aboitiz Corporate Center
Gov. Manuel A. Cuenco Avenue,
Kasambagan Cebu City

Attention: Ms. Carmela N. Franco

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

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Cebu on March 23, 2010.

ABOITIZ EQUITY VENTURES, INC.
By

M. Jasmine S. Oporto

M. JASMINE S. OPORTO
Corporate Secretary

PART I – BUSINESS AND GENERAL INFORMATION

Item 1. Business

(1) Business Development

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

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

(2) Business of Issuer

(i) Products

AEV's core businesses, conducted through its various subsidiaries and affiliates, can be grouped into five main categories as follows: (a) power distribution and generation, (b) financial services, (c) food manufacturing, (d) transport, and (e) portfolio investments (parent company/others). (Please see Annex "C" hereof for AEV's corporate structure.)

The companies under these categories are as follows: (refer to Annex "C")

Based on the SEC parameters of what constitutes a significant subsidiary under Item XX of Annex "B" (SRC Rule 12), the following are AEV's significant subsidiaries: Aboitiz Power Corporation and subsidiaries, Aboitiz Transport System (ATSC) Corporation (hereinafter ATS) and subsidiaries, and Pilmico Foods Corporation and subsidiary.

POWER GENERATION AND DISTRIBUTION

Aboitiz Power Corporation (AP)

Incorporated in 1998 AP is a publicly listed holding company that, through its subsidiaries and affiliates, is a leader in the Philippine power industry and has interests in a number of privately-owned generation companies and distribution utilities. AEV owns 76.4% of the outstanding capital stock of AP as of February 28, 2010,

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

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

In response to the Philippines' pressing need for adequate power supply, the Aboitiz Group became involved in power generation, becoming a pioneer and industry leader in hydroelectric energy. In 1978, the Aboitiz

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

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

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

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

- An effective 54.7% ownership interest in VECO, which is second-largest privately-owned distribution utility in the Philippines in terms of customers and annual GWh sales and is the largest distribution utility in the Visayas region;
- A 99.9% equity interest in each of DLP and CLP. DLP is the third-largest privately-owned distribution utility in the Philippines in terms of customers and annual GWh sales;
- An effective 64.3% ownership interest in Subic Enerzone Corporation (SEZ), which manages the power Distribution System of the Subic Bay Metropolitan Authority (SBMA); and
- An effective 43.8% ownership interest in San Fernando Electric Light and Power Company (SFELAPCO), which holds the franchise to distribute electricity in the city of San Fernando, Pampanga, in Central Luzon, and its surrounding areas.

In February 2007 AP entered into a Memorandum of Agreement with Taiwan Cogeneration International Corporation (Taiwan Cogen) to collaborate in the building and operation of an independent coal-fired power plant in the Subic Bay Freeport Zone (SBFZ). In May 2007 Redondo Peninsula Energy, Inc. (RP Energy) was incorporated as the project company that will undertake the Subic Coal Project.

On April 20, 2007, AP acquired 50% of the outstanding capital stock of East Asia Utilities Corporation (EAUC) from El Paso Philippines Energy Company, Inc. EAUC operates a Bunker C-fired plant with a capacity of 50 MW within the MEPZ 1 in Mactan Island, Cebu. On the same date, the Company also acquired from EAUC 60% of the outstanding common shares of Cebu Private Power Corporation (CPPC). CPPC operates a 70 MW Bunker C-fired plant in Cebu City.

On June 8, 2007, as part of the reorganization of the power-related assets of the Aboitiz Group, AP agreed to acquire from its affiliate, Aboitiz Land, Inc. (AboitizLand) a 100% interest in Mactan Enerzone Corporation (MEZ), which owns and operates the power distribution system in the Mactan Export Processing Zone II (MEPZ II) in Mactan Island in Cebu, and a 60% interest in Balamban Enerzone Corporation (BEZ), which owns and operates the power distribution system in the West Cebu Industrial Park-Special Economic Zone (WCIP-SEZ) in Balamban town in the western part of Cebu. The AP also consolidated its ownership interest in SEZ by acquiring the combined 25% interest in SEZ held by AEV, SFELAPCO, Okeelanta Corporation (Okeelanta) and

Pampanga Sugar Development Corporation (PASUDECO). These acquisitions were made through a share swap agreement which involved the issuance of a total of 170,940,307 common shares of AP issued at the initial public offering price of ₱5.80 per share in exchange for the foregoing equity interests in MEZ, BEZ and SEZ.

In August 2007, AP, together with Vivant Energy Corporation (Vivant) of the Garcia Group, signed a Memorandum of Agreement with Global Power for the construction and operation of a 3x82 MW coal-fired power plant in Toledo City, Cebu. The AP together with the Garcia Group formed Abovant. AP owns 60.0% of Abovant. The project, which is being undertaken by Cebu Energy Development Corporation (CEDC), a joint venture company among Global Power, Formosa Heavy Industries and Abovant broke ground last January 2008 and is expected to be completed by the second half of 2010. AP has an effective participation of 26.4% in the project.

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

On November 28, 2007, SN Aboitiz Power - Benguet, Inc. (SNAP-Benguet) (formerly SN Aboitiz Power Hydro, Inc.), a consortium between AP and SN Power, submitted the highest bid for the Ambuklao-Binga Hydroelectric Power Complex consisting of the 75 MW Ambuklao Hydroelectric Power Plant located at Bokod, Benguet and the 100 MW Binga Hydroelectric Power Plant located at Itogon, Benguet. The price offered amounted to US$325 million. PSALM issued the Notice of Award to SNAP-Benguet on December 19, 2007.

On December 17, 2007, AP entered into an agreement to buy the 20% equity of Team Philippines in SEZ for ₱92 million. Together with the 35% equity in SEZ of AP's subsidiary DLP, this acquisition brings AP's total equity in SEZ to 100%.

On March 7, 2008, AP bought the 40% equity ownership of Tsuneishi Holdings (Cebu), Inc. (Tsuneishi) in BEZ for approximately ₱178 million. The acquisition brought AP's total equity in BEZ to 100%.

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

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

AP, through its wholly owned subsidiary, Therma Marine, Inc. (Therma Marine), assumed ownership over Power Barge (PB) 118 and PB 117 last February 6, 2010 and March 1, 2010, respectively, after acquiring the two power barges from PSALM for US$30 million through a negotiated bid concluded last July 31, 2009. Each of the barge mounted diesel powered generation plants has a generating capacity of 100 MW. PB 117 and PB 118 are moored at Nasipit, Agusan del Norte and Barangay San Roque, Maco, Compostela Valley, respectively.

Ownership in AP was opened to the public through an initial public offering of its common shares in July 2007. Its common shares were officially listed in the PSE on July 16, 2007.

The AP is in the process of implementing a corporate reorganization that will put all its renewable energy assets under Philippine Hydropower Corporation (PHC), which will be renamed Aboitiz Renewables, Inc., and all its non-renewable generation assets under Therma Power, Inc. (TPI).
From a small power distribution network in Ormoc in the 1930s, the Aboitiz Group's direct and active

involvement in the power sector has continuously developed. With investments in power generation and distribution companies throughout the Philippines, the Aboitiz Group is considered one of the leading Filipino-owned companies in the power industry.

Philippine Hydropower Corporation

AP, one of the leading providers of renewable energy in the country, holds all its investments in renewable energy through its wholly owned subsidiary, PHC. PHC owns equity interests in the following generation companies:

- 100% equity interest in APRI which owns the Tiwi-MakBan geothermal facilities.
- 100% equity interest in HEDCOR, which operates 15 mini-hydroelectric plants (plants with less than 10 megawatts (MW) in installed capacity) in Benguet province in Northern Luzon and in Davao City in Southeastern Mindanao with a total installed capacity of 38.2 MW.
- 50.0% equity interest in Luzon Hydro Corporation (LHC), which operates the 70 MW Bakun AC hydroelectric plant in Ilocos Sur province in Northern Luzon.
- 50.0% effective interest in SNAP-Magat, which operates the 360 MW Magat hydroelectric plant in Isabela in Northern Luzon.
- 50.0% effective interest in SNAP-Benguet, which operates the 175 MW Ambuklao-Binga Hydroelectric Power Plant Complex in Northern Luzon.
- 100% equity interest in Hedcor Sibulan, Inc. (Hedcor Sibulan), which is currently constructing the 42.5 MW Sibulan hydropower project in Santa Cruz, Davao del Sur.
- 100% equity interest in Hedcor Tamugan, Inc. (Hedcor Tamugan), which will build the 27.5 MW Tamugan hydropower project in Davao City.

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

AP Renewables, Inc

APRI, a wholly owned subsidiary of AP, owns and operates the 289 MW Tiwi Geothermal Power Plant located at Tiwi, Albay and the 458.53 MW Makiling-Banahaw (MakBan) Geothermal Power Plant located at Laguna and Batangas Provinces (collectively the "Tiwi-MakBan geothermal complex"). While the aggregate installed capacity of Tiwi-MakBan is 767 MW, its dependable capacity is only 462 MW due to limitations in steam supply. APRI assumed ownership of the Tiwi-MakBan geothermal complex from PSALM on May 26, 2009.

Among the rights and obligations assigned to APRI under the Asset Purchase Agreement (APA) with PSALM are transition supply contracts with various expiring terms and covering an estimate of 480 MW capacity at combined peak. Included among the supply contracts assigned, while not a transition supply contract, is the obligation to supply 9.63% of the monthly load of the Manila Electric Company (Meralco). Rates for the transition supply contracts were pegged to NPC Time-of-Use Rates at an annual simple average of ₱3.8966/kWh. The Energy Regulatory Commission (ERC) on February 16, 2009 provisionally authorized the NPC to increase its basic rates by an average of ₱0.4682/kWh for Luzon. With the adjustment, NPC's new annual average rates is ₱4.16/kWh for Luzon, effective NPC's February 26 to March 25, 2009 billing period.

The APA likewise requires APRI to rehabilitate Units 5 and 6 of the MakBan Geothermal Power Plant at its own cost and expense, which must be accomplished and completed within four years from Closing Date. APRI is currently in the process of developing a rehabilitation and refurbishment plan. Based on initial estimates, the rehabilitation and refurbishment costs could reach US$140-150 million over a period of four years. This rehabilitation and refurbishment plan is expected to improve the geothermal plants' operating capacities.

SN Aboitiz Power-Magat Inc.

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

The Magat Plant, which is located at the border of Isabela and Ifugao provinces in Northern Luzon, was completed in 1983. As a hydroelectric facility that can be started up in a short period of time, the Magat Plant is ideally suited to act as a peaking plant with opportunities to capture the significant upside potential that can arise during periods of high demand.

The Magat Plant has the ability to store water equivalent to one month of generating capacity, allowing for the generation and sale of electricity at the peak hours of the day, which command premium prices. Magat's source of upside, water as a source of fuel and the ability to store it, is also its source of limited downside. This hydroelectric asset has minimal marginal costs granting it competitive advantage in terms of economic dispatch order versus other fuel-fired power plants that have significant marginal cash costs. SNAP-Magat sells most of the electricity generated by the Magat Plant through the Wholesale Electricity Spot Market (WESM). It is also a provider of much needed ancillary services to the Luzon grid.

SNAP-Magat obtained Board of Investments (BOI) approval of its application as new operator of the 360 MW Magat plant with a pioneer status, which entitles it to an income tax holiday.

A portion of the land underlying the Magat plant is in the name of National Irrigation Administration (NIA). This portion is being leased by SNAP-Magat from NIA under terms and conditions provided under the O&M Agreement. On March 23, 2007, President Arroyo issued a presidential proclamation reserving and granting NPC ownership over certain parcels of public land in Isabela province and instructing the Department of Environment and Natural Resources (DENR) to issue a special patent over the untitled public land on which a portion of the Magat plant is situated. This portion of land, which was titled in 2007, was eventually bought by SNAP-Magat.

In September 2007 SNAP-Magat obtained a US$380 million loan from a consortium of international and domestic financial institutions which include the International Finance Corporation, Nordic Investment Bank, Banco de Oro – EPCI, Inc., Bank of the Philippine Islands, China Banking Corporation, Development Bank of the Philippines, The Hong Kong and Shanghai Banking Corporation Limited, Philippine National Bank and Security Bank Corporation. The US$380 million loan consists of a dollar tranche of up to US$152 million, and a peso tranche of up to ₱10.1 billion. The financing agreement was hailed as the region's first-ever project finance debt granted to a merchant power plant. It won Project Finance International's Power Deal of the Year and Asset's Best Project Finance Award as well as Best Privatization Award.

The loan was used to partially finance the deferred balance of the purchase price of the Magat Plant under the Asset Purchase Agreement with PSALM. Part of the loan proceeds was also used to refinance SNAP-Magat's US$159 million loan from AEV and its advances from its shareholders used to acquire the Magat Plant.

After 25 years of operations without any major rehabilitation works done on the generating units and considering the age and results of technical assessments, SNAP-Magat has embarked into a four-year refurbishment program for all major plant equipment starting 2009 to 2013. The main objective is to put back the lost efficiency and address operational difficulties due to obsolescence. The project will preserve the remaining life and the continuance of its availability for the next 25 years.

SN Aboitiz-Benguet, Inc.

On November 28, 2007, SNAP-Benguet, also a consortium between PHC and SN Power, submitted the highest bid to PSALM for the Ambuklao-Binga Hydroelectric Power Complex, which consists of the 75 MW Ambuklao Hydroelectric Power Plant (Ambuklao Plant) located in Bokod, Benguet and the 100 MW Binga Hydroelectric Power Plant (Binga Plant) located in Itogon, Benguet. The price offered amounted to US$325 million.

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

SNAP-Benguet obtained BOI approval of its application as new operator of the Ambuklao and Binga plants with a pioneer status which entitles it to an income tax holiday commencing from date of registration.

Ambuklao Plant has been under preservation since 1999 due to damage from the 1990 earthquake. Rehabilitation of the Ambuklao Plant commenced in late 2008 and is expected to be completed by end of 2010. The refurbishment of the Binga Plant is also scheduled to commence in 2010. The projects are expected to increase the capacity of the Ambuklao Plant to 105 MW and of the Binga Plant to 120MW.

Hedcor, Inc.

HEDCOR was originally incorporated on October 10, 1986 by ACO as the Baguio-Benguet Power Development Corporation. PHC acquired its 100% ownership interest in HEDCOR in 1998. In 2005, PHC consolidated all of its mini-hydroelectric generation assets, including those developed by HEDC and NORMIN, in HEDCOR. HEDCOR currently owns, operates and/or manages 15 mini–hydro plants of the run–of–river type in Northern Luzon and Davao City in Southeastern Mindanao with a combined installed capacity of 38.2 MW. All the electricity generated from HEDCOR's mini-hydro plants are taken up by the NPC, APRI, DLP and Philex Mining Corporation (Philex) and Benguet Electric Cooperative (BENECO) pursuant to power purchase agreements with the said offtakers.

During the full years 2008 and 2009, Hedcor's mini-hydroelectric plants generated a total of 170.4 GWh and [•] GWh of electricity, respectively.

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

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

Luzon Hydro Corporation

LHC is PHC's joint venture company with Pacific Hydro Pty Ltd of Australia, a privately-owned Australian company that specializes in developing and operating power projects that use renewable energy sources, principally water and wind power.

LHC operates and manages the 70 MW Bakun AC hydro project, which is located within the 13,213 hectare watershed area of the Bakun River in Ilocos Sur province in Northern Luzon. The project is a run–of–river power plant which taps the flow of the neighboring Bakun River to provide the plant with its generating power. The US$150 million project was constructed and is being operated under the government's build–operate–transfer scheme. Energy produced by the plant is delivered and taken up by NPC pursuant to a power purchase agreement (the Bakun PPA) and dispersed to NPC's Luzon Power Grid. Under the terms of the Bakun PPA, all of the electricity generated by the Bakun plant will be purchased by NPC for a period of 25 years from February 2001. The Bakun PPA also requires LHC to transfer the Bakun plant to NPC in February 2026, free from liens and without the payment of any compensation by NPC.

PSALM recently conducted a competitive bid for the appointment of the IPP Administrator of the 70 MW contracted capacity of the Bakun plant.

Hedcor Sibulan, Inc.

Hedcor Sibulan, a wholly owned subsidiary of PHC, is the project company of the Sibulan hydropower project.

The project, which started construction in June 25, 2007, entails the construction of two run-of-river hydropower generating facilities tapping the Sibulan and Baroring rivers in Sibulan, Santa Cruz, Davao del Sur. The total project cost is approximately ₱5.1 billion, which includes capital expenditures needed to construct access roads and transmission facilities. The Sibulan project is expected to be completed and commercially operational by the end of the first quarter of 2010.

Hedcor Sibulan is part of a consortium that won the competitive bidding for the 12-year power supply agreement to supply 400,000,000 kWh per annum of new capacity to DLP starting August 2009. The bid price for the contracted energy was ₱4.0856/kWh delivered, subject to adjustment based on changes to the Philippine consumer price index. All the energy generated by the Hedcor Sibulan power plants will be supplied to DLP pursuant to the power supply agreement signed on March 7, 2007.

The Sibulan Project is registered as a clean development mechanism project with the United Nations Framework Convention on Climate Change under the Kyoto Protocol allowing for the sale of its carbon credits.

Hedcor Tamugan, Inc.

Hedcor Tamugan, a wholly owned subsidiary of PHC, is the project company, which proposes to build the Tamugan hydropower project. It is awaiting the resolution of the Tamugan water rights dispute with the Davao City Water District (DCWD) before it will pursue the construction of the Tamugan hydropower project. Further discussion with the DCWD led to the revision of the project's design and plant size. Hedcor Tamugan has submitted a proposal for a 15 MW hydropower plant, in lieu of the contested proposal for a 27.5 MW hydropower plant. Given the new project scheme, Hedcor Tamugan will have to conduct studies for engineering design (one year). Once approved and permits are secured, the two-year construction period will commence.

Hedcor Tamugan is part of a consortium that won the competitive bidding for the 12-year power supply agreement to supply 400,000,000 kWh per annum of new capacity to DLP starting August 2009. The bid price for the contracted energy was ₱4.0856/kWh delivered, subject to adjustment based on changes to the Philippine consumer price index. All the energy generated by the Hedcor Tamugan power plants will be supplied to DLP pursuant to the power supply agreement signed on March 7, 2007. Despite the lower generating capacity, the required amount of energy under a power supply agreement between the Hedcor consortium (of which Hedcor Tamugan is a part of) and DLP will be met.

Therma Power, Inc.

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

- 100% equity interest in Therma Luzon, the IPP Administrator of the 700 MW contracted capacity of the Pagbilao power plant.
- 100% equity interest in Therma Marine, owner and operator of PB 117 and PB 118, barge mounted power plants, each with a generating capacity of 100 MW.
- 26.4% effective interest in CEDC, which is currently constructing a 3x84 MW coal-fired power plant in Toledo City, Cebu.
- 50.0% equity interest in RP Energy, the project company that will build and operate a 300 MW coal-fired power plant in Redondo Peninsula in the Subic Bay Freeport Zone.

AP is in the process of implementing a corporate reorganization that will put all its non-renewable generation assets under TPI. If completed, TPI will hold AP's ownership interest in STEAG, EAUC, CPPC, Southern Philippines Power Corporation (SPPC) and Western Mindanao Power Corporation (WMPC).

Therma Luzon, Inc.

Therma Luzon, a wholly owned subsidiary of AP, submitted the highest offer in the competitive bid conducted by PSALM for appointment as the IPP Administrator of the 700 MW Contracted Capacity of the Pagbilao Coal Fired Thermal Power Plant, located in Pagbilao, Quezon.

The offer by Therma Luzon resulted in a bid price of US$691 million as calculated in accordance to bid rules. This value represents the present value of a series of monthly payments to PSALM from October 2009 to August 2025 using PSALM discount rates.

On October 1, 2009, Therma Luzon became the first Independent Power Producer IPP Administrator in the country when it assumed dispatch control of the said contracted capacity of the Pagbilao Plant. As IPP Administrator, Therma Luzon is responsible for procuring the fuel requirements of the Pagbilao Plant and selling the electricity generated by the plant. The Pagbilao Plant is being operated by TEAM Energy under a build-operate-transfer scheme.

Therma Marine, Inc.

Therma Marine, a wholly owned subsidiary of AP, owns and operates PB 117 and PB 118, two power barges each with a generating capacity of 100 MW. Therma Marine assumed ownership of PB 118 and PB 117 last February 6, 2010 and March 1, 2010, respectively, after successfully concluding a US$30 million negotiated bid for the two power barges with PSALM last July 31, 2009. PB 118 is moored at Bgy. San Roque, Maco, in Compostella Valley, Mindanao while PB 117 is moored at Nasipit, Agusan del Norte.

Therma Marine signed Ancillary Services Procurement Agreements (ASPA) with the National Grid Corporation of the Philippines (NGCP) for a supply by each of PB 117 and PB 118 of 50 MW of ancillary services consisting of contingency reserve, dispatchable reserve, reactive power support and blackstart capacity for the Mindanao Grid. Therma Marine has been operating the power barges prior to receiving the written provisional authority of the ERC of the ASPAs. ERC approval for the ASPAs before NGCP can charge customers for the ancillary services.

The ERC issued a provisional authority for the PB 118 ASPA on March 8, 2010 and made it retroactive to February 6, 2010 in consideration of the ongoing power crisis in Mindanao. PB 117 is currently operating without a provisional authority from the ERC as its application is still pending before the ERC. However, Therma Marine has applied for retroactive effectivity of PB 117's provisional authority so as not to intensify the power situation in Mindanao.

STEAG State Power Inc.

AP closed the sale and purchase of the 34% equity ownership in STEAG Power from Evonik Steag (formerly known as STEAG GmbH) last November 15, 2007, following its successful bid to buy the 34% equity ownership in August 2007. The total purchase price for the 34% equity in STEAG Power was US$102 million, inclusive of interests.

Incorporated on December 19, 1995, STEAG Power is the owner and operator of a 232 MW (gross) coal-fired power plant located in the PHIVIDEC Industrial Estate in Misamis Oriental, Northern Mindanao. The coal plant was built under a BOT arrangement and started commercial operations on November 15, 2006. The coal plant is subject of a 25-year power purchase agreement with the NPC, which agreement is backed by a Performance Undertaking issued by the Republic of the Philippines. STEAG Power currently enjoys a 6-year income tax holiday from the BOI.

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

East Asia Utilities Corporation

On April 20, 2007, AP acquired a 50% ownership interest in EAUC from El Paso Philippines which still owns the other 50% of EAUC. EAUC was incorporated in February 18, 1993 and since 1997 has operated a Bunker C-fired power plant with an installed capacity of 50 MW within the MEPZ I in Mactan Island, Cebu. Pursuant to the Power Supply and Purchase Agreement (PSPA), as amended, with the PEZA, the EAUC plant is the sole provider of electricity to MEPZ I, delivering reliable, high quality power to meet the stringent requirements of semiconductor firms, electronics manufacturers and other locators within the economic zone. The PSPA is for a term of 15 years beginning December 31, 1997.

Cebu Private Power Corporation

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

On April 20, 2007, AP acquired from EAUC 60% of the outstanding common shares of CPPC. The remaining 40% of the outstanding common shares were by Vivant Energy Corporation of the Garcia family of Cebu, who together with AP, are the major shareholders of VECO. VECO owns all of the outstanding preferred shares of CPPC, which comprises approximately 20% of the total outstanding capital stock of CPPC.

Abovant Holdings, Inc. and Cebu Energy Development Corporation

Incorporated on November 28, 2007, Abovant is a joint venture company formed by TPI, a wholly-owned subsidiary of AP, and Vivant Integrated Generation Corporation (VIGC) of the Garcia Group of VECO, to hold their investments in a new power plant being built in Sangi, Toledo City, Cebu.

Abovant, which is 60% owned by AP, through TPI, and 40% owned by VIGC, has formed CEDC, together with Global Formosa, a joint venture between Global Power and Formosa Heavy Industries. CEDC is in the process of constructing a new 3x82 MW coal-fired power plant in the existing Toledo Power Station complex in Sangi, Toledo City, Cebu. With Abovant's 44% stake in the project (Global Formosa owns the remaining 56%), AP's effective interest in the new power plant, which broke ground in January 2008, is approximately 26.4%.

The power plant which will cost approximately US$450 million, is expected to be completed by 2010. The first 82 MW-unit is expected to be in commercial operations by March 2010, while the second and third units by the second and fourth quarters of 2010, respectively. The power to be generated from the new power plant will provide much needed security to the power supply of the province of Cebu in the coming years. Additional power will be needed with the influx of business process outsourcing companies and new hotels in the province and the presence in the Toledo-Balamban area of large industries such as Atlas Mining Corporation, the shipbuilding facility of Tsuneishi Heavy Industries (Cebu) Inc. and the modular fabrication facility of Metaphil International Inc.

CEDC had signed a Power Purchase Agreement (PPA) with VECO for the supply of 105 MW for 25 years. It also plans to enter into PPAs, which will contain contracted Minimum Energy Offtake with fuel as pass through, with other possible offtakers.

Southern Philippines Power Corporation

SPPC is a joint venture among AP, Alsons Consolidated Resources, Inc., Toyota Tsusho, and Electricity Generating Public Company Limited. AP has a 20% equity interest in SPPC, which owns and operates a 55 MW bunker-C fired power plant in Alabel, Sarangani just outside General Santos City in Southern Mindanao.

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

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

Western Mindanao Power Corporation

Like SPPC, WMPC is also a joint venture of AP, Alsons Consolidated Resources, Inc., Toyota Tsusho and Electricity Generating Public Company Limited. AP has a 20% equity interest in WMPC, which owns and operates a 100 MW bunker-C fired power station located in Zamboanga City, Zamboanga del Sur in Western Mindanao. The WMPC power plant was developed on a build-own-operate basis by WMPC under the terms of an ECA with NPC. Under the ECA, NPC is required to deliver and supply to WMPC the fuel necessary to operate the WMPC Plant during an 18-year cooperation period which ends in 2015. NPC is also required to take all the electricity generated by the WMPC Plant during the cooperation period and pay WMPC on a monthly basis capital recovery, energy, fixed O&M and infrastructure fees as specified in the ECA. During this cooperation period, WMPC is responsible, at its own cost, for the management, operation, maintenance and repair of the WMPC Plant.

Aside from providing much needed capacity to the Zamboanga Peninsula, the WMPC power plant also performs the role of voltage regulator for Zamboanga City ensuring the availability, reliability, and quality of power supply in the area.

Redondo Peninsula Energy, Inc.

Incorporated on May 30, 2007, RP Energy is a joint venture company owned equally by AP and Taiwan Cogen. It is the project company that proposes to build and operate a 300 MW coal-fired power plant in Redondo Peninsula in the SBFZ.

In April 2008, RP Energy issued a letter of award to Formosa Heavy Industries for the supply of the boiler, steam turbine, generator, and related services that will be used for the construction of the power plant. The award serves to fix the price and delivery time of the equipment amidst an environment of rising prices and longer delivery period of raw materials. The project is estimated to cost approximately US$500 million. The construction of the coal plant is being deferred pending further review of the power supply and demand requirements in the Luzon Grid.

AP's distribution utilities, DLP and CLP, each have its own stand-by plant. DLP currently maintains the 53 MW Bunker C-fired Bajada stand-by plant, which is capable of supplying 19% of DLP's requirements. CLP maintains a stand-by 7 MW Bunker C-fired plant capable of supplying approximately 30.5% of its requirements.

Future Projects

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

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

Acquisition of additional generation assets

AP, on its own and/or with strategic partners, plans to participate in the upcoming bids for the privatization of the government's power assets. NPC, through PSALM, intends to reach its privatization level of at least 70% of the total capacity of generating assets of NPC in Luzon and Visayas.

In particular, AP is considering participating in the bidding for the 112.5 MW Tongonan geothermal plant in Leyte province in the Visayas.

AP also intends to participate in PSALM's public auction for the remaining 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.

DISTRIBUTION OF ELECTRICITY

The Aboitiz Group has a 70-year history in the Philippine power distribution sector and has been known for innovation and efficient operations. Through the years, AP has managed to build strong working relationship with the industry's regulatory agencies.

With ownership interests in seven distribution utilities (the Distribution Companies), AP is currently one of the largest electricity distributors in the Philippines. AP's distribution utilities collectively supply electricity to franchise areas covering a total of 18 cities and municipalities in Central Luzon, Visayas and Mindanao, with an aggregate land area of approximately 5,095 square kilometers. Collectively, AP's distribution utilities, which contributed approximately [•]% of its net income for 2009. AP had a total customer base of [•] in 2009, 658,318 in 2008 and 636,641 in 2007.

The table below summarizes the key operating statistics of the Distribution Companies for 2009 and the previous two years.

Company	Electricity Sold (MWh)				Peak Demand (MWh)				No. of Customers			
	2009	2008	2007		2009	2008	2007		2009	2008	2007	
VECO		1,766,059	1,680,537			326	313			296,003	288,587	
DLP		1,370,951	1,331,437			248	245			257,101	247,341	
SFELAPCO		406,022	391,999			75	74			73,600	70,071	
CLP		118,450	117,523			23	23			28,927	27,966	
SEZ		298,050	199,082			64	44			2,585	2,576	
MEZ		141,225	137,233			23	22			74	75	
BEZ		63,329	56,798			15	14			28	25	
Total		**4,164,086**	**3,914,609**			**774**	**735**			**658,318**	**636,641**	

Visayan Electric Company, Inc.

VECO is the second largest electric privately-owned distribution utility in the Philippines in terms of customers and annual MWh sales. VECO supplies electricity to a region covering 672 square kilometers in the island of Cebu with a population of approximately 1.5 million. Its franchise area includes the cities of Cebu, Mandaue, Talisay and Naga, and the municipalities of Minglanilla, San Fernando, Consolacion and Lilo-an. To date, VECO has 13 substations located in different areas around in the cities of Cebu, Mandaue, Naga and the municipality of Consolacion.

VECO, directly and through its predecessors-in-interest, has been in the business of distributing electricity in Cebu Island since 1905. In the early 1900s, the predecessors-in-interest of the Aboitiz Group acquired a 20% interest in VECO's predecessor-in-interest, the Visayan Electric Company, S.A. Since that time, the Aboitiz Group's ownership interest in VECO has increased from 20% to the current beneficial ownership interest of 55.18% held by AP.

In 1928, Visayan Electric Company, S.A. was granted a 50-year distribution franchise by the Philippine Legislature. The term of this franchise was extended by Republic Act No. 6454 for an additional 25 years beginning in 1978 and was conditionally renewed for another 25 years from December 2003, subject to the resolution of an intra-corporate dispute at that time involving AEV, AP's parent company, and Vivant Corporation. In September 2005, the Philippine Congress passed Republic Act No. 9339, which extended VECO's franchise to September 2030. VECO's application the extension of its Certificate of Public Convenience and Necessity (CPCN) was approved by the ERC last January 26, 2009.

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

VECO entered its reset period in end 2008 under the Performance-based Rate-setting Regulation (PBR), and is expected to enter the 4-year regulatory period on July 1, 2010.

Davao Light & Power Company, Inc.

DLP is the third largest privately-owned electric distribution utility in the country in terms of customers and annual GWh sales. DLP supplies electricity to a region covering 3,354 square kilometers in and around Davao City in Southern Mindanao with a population of approximately 1,432,544. DLP's franchise area includes Davao City, Panabo City and the municipalities of Carmen, Dujali and Santo Tomas in the province of Davao del Norte.

AP currently has an ownership interest of 99.93% in DLP, which was organized on October 29, 1929. DLP's original franchise, which covered Davao City, was granted in November 1930 by the Philippine Legislature and was for a period of 50 years. In 1976, the National Electrification Administration (NEA) extended DLP's franchise for Davao City to November 2005 and granted DLP franchises for the municipalities of Carmen, Panabo and Santo Tomas in Davao del Norte province. In September 2000, the Philippine Congress passed Republic Act No. 8960, which granted DLP a franchise over its current franchise area for a period of 25 years, or until September 2025. The Aboitiz Group acquired its ownership interest in DLP in 1946.

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

DLP also has a 53 MW Bunker C-fired standby plant (the Bajada Plant), which is capable of supplying 19% of DLP's electricity requirement.

In February 2007, DLP awarded to the Hedcor Consortium (composed of Hedcor, PHC, Hedcor Sibulan, and Hedcor Tamugan) a 12-year supply contract of 400,000,000 kWh per year of new capacity starting August 2009. The price differential between Hedcor Consortium's winning bid price of ₱4.0856 per kWh and the next lowest bid was approximately ₱1.0129 per kWh. Over the life of the supply contract, the differential will amount to approximately ₱4.9 billion at current peso value, representing significant savings for DLP customers.

DLP decided to secure the new supply contract in anticipation of the full utilization within the next two years of the existing contracted energy supply under the 10-year contract with the NPC for 1,238,475 MWh and the 12-year contract with Hedcor.

On January 15, 2007, the ERC approved a memorandum of agreement between DLP and NGCP, pursuant to which DLP's Bajada Plant will provide reactive power support on an as-needed basis to the Mindanao Grid, subject to the dispatch instructions of NGCP's Mindanao systems operator. When DLP provides reactive power under the terms of the agreement, NGCP will pay DLP a fee, which DLP is required to flow back to its customers by way of reduced rates.

DLP also operates a fully functional automated mapping and facilities management (AM/FM) system for its entire franchise area, which was developed in-house by DLP's programmers. Believed to be one of the first AM/FM system in the Philippines, the system allows DLP to track field assets and determine a customer's electricity utilization among others. DLP also uses the Supervisory Control and Data Acquisition (SCADA) system, which allows DLP's engineers to monitor and control DLP's electric distribution assets remotely.

DLP entered its reset period under the PBR in January 2009, and is expected to enter the 4-year regulatory period in July 1, 2010.

DLP operates its distribution system at a low systems loss 8.12% by end of December 2009, way below the government 9.5% cap set for private distribution utilities.

Cotabato Light & Power Company, Inc.

CLP supplies electricity to Cotabato City and portions of the municipalities of Datu Odin Sinsuat and Sultan Kudarat, both in Maguindanao province in Mindanao. Its franchise area covers approximately 191 square kilometers and has a population of approximately 350,692. In 2009, it has a manpower complement of [•] full-time and a number of contractual employees serving a customer base of [•], composing of residential, commercial, industrial and flat rate customers.

CLP was formally incorporated in April 1938. Its original 25-year franchise was granted in June 1939 by the Philippine Legislature. In 1961 the Philippine Congress passed Republic Act No. 3217 which was further amended by Republic Act No. 3341 extending CLP's franchise until June 1989. In August 1989, the then National Electrification Commission (NEC), (now called National Electrification Administration (NEA)) extended CLP's franchise for another 25 years, which will expire in August 2014. AP owns 99.93% of CLP.

CLP has three substations of 10 MVA, 12 MVA and 15 MVA and is served by two 69 kV transmission lines, which provide redundancy in case one transmission line fails. CLP's distribution voltage is 13.8 kV. It maintains a stand-by 7.35 MW Bunker C-fired plant capable of supplying approximately 30.5% of its franchise area requirements. The existence of a standby power plant which is capable of supplying electricity in cases of supply problems with NPC and for the stability of voltage whenever necessary is another benefit to CLP's customers.

Although a relatively small utility, CLP's corporate relationship with sister company DLP allows the former to immediately implement benefits from the latter's system developments. CLP also uses state of the art AM/FM and SCADA systems like DLP.

The ERC issued its final determination on CLP's application for approval of its annual revenue requirement and performance incentive scheme under the PBR scheme covering the second regulatory 4-year period, which commenced on April 1, 2009 until March 30, 2013.

On April 15, 2009, the ERC approved CLP's application for translation of its approved annual revenue requirement for the first regulatory year into applicable rates per customer class. CLP implemented the approved rates last May 1, 2009 - a month after the start of the first regulatory year. The resulting underrecovery from the one-month lag will be reflected and recovered in the next regulatory year's rate translation application.

CLP filed its application for translation of its approved annual revenue requirement for the second regulatory year into applicable rates per customer class last December 18, 2009. ERC conducted its public hearing last January 27, 2010 in ERC, Pasig City. The decision on the rate translation application of the second regulatory year, which will commence on April 1, 2010 to Marcch 30, 2011, is expected to be released on March 30, 2010 and is expected to be implemented on April 1, 2010.

CLP is facing a challenge of lowering its systems loss currently at 10.76%, which is above the 9.5% loss cap set by the government. CLP expects to reduce its high systems loss, which is caused mainly by pilferage, to the government-mandated 9.5% level by end of 2010.

San Fernando Electric Light and Power Co. Inc.

SFELAPCO supplies electricity to approximately 32 barangays in San Fernando City, 29 barangays in the municipality of Floridablanca, 5 barangays in the municipality of Bacolor and 2 barangays in the municipality of Guagua, a portion of Lubao and Santo Tomas, all located within Pampanga province in Central Luzon. Its franchise area covers 204 square kilometers and has a population of approximately 365,427.

SFELAPCO was incorporated on May 17, 1927. In 1961 the Philippine Congress passed Republic Act No. 3207, which granted SFELAPCO a franchise to distribute electricity for a period of 50 years or until June 2011 within the franchise area described above. Republic Act 9967 extending SFELAPCO's franchise for another 25 years from the date of its approval. It lapsed into last February 6, 2010.

In November 11, 2009, SFELAPCO signed a Power Supply Agreement with APRI. APRI will supply the additional energy that cannot be supplied by NPC from December 25, 2009 to September 25, 2010. APRI will then be the sole provider of power for SFELAPCO until December 25, 2012.

SFELAPCO is part of the fourth batch of private utilities to enter PBR, and is expected to enter its 4-year regulatory period by April 1, 2011.

AP has an effective interest of 43.78% in SFELAPCO.

Subic Enerzone Corporation

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

SEZ's authority to operate the SBFZ power distribution system was granted by the SBMA pursuant to the terms of Republic Act No. 7227 (The Bases Conversion and Development Act of 1992), as amended. As a company operating within the SBFZ, SEZ is not required to pay the regular corporate income tax of 35% and instead pays a preferential tax of 5% on its gross income in lieu of all national and local taxes.

Following the acquisition of AP in January 2007 of the 64.3% effective ownership interest of AEV in SEZ, AP entered into another agreement on June 8, 2007 to acquire the combined 25% equity stake in SEZ of AEV, SFELAPCO, Okeelanta, and PASUDECO.

Last December 17, 2007, AP bought the 20% equity of Team Philippines in SEZ for ₱92 million. Together with the 35% equity in SEZ of AP's subsidiary DLP, this acquisition brings AP's total equity in SEZ to 100%.

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

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

SEZ is part of the fourth batch of private utilities to enter PBR, and is expected to enter its 4-year regulatory period by April 1, 2011.

Mactan Enerzone Corporation

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

On June 8, 2007, AP entered into an agreement to acquire AboitizLand's 100% equity stake in MEZ represented by 8,754,443 common shares of MEZ. Pursuant to the agreement, AP acquired AboitizLand's ownership interest in MEZ valued at ₱609.5 million in exchange for AP's common shares issued at the initial public offering price of ₱5.80 per share. The SEC approved the shares swap agreement last January 10, 2008.

MEZ sources its power from NPC pursuant to a Contract to Supply Electric Energy. Under the supply contract, NPC is required to provide power to MEZ up to the amount of contracted load, which is based on the projections provided by companies operating in the MEPZ II pursuant to a Power Service Contract each company operating in MEPZ II enters into with MEZ.

Balamban Enerzone Corporation

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

On May 4, 2007, CIPDI declared a property dividend to its stockholders in the form of its equity in BEZ. On June 8, 2007, AP entered into an agreement to acquire AboitizLand's 60% equity stake in BEZ represented by 4,301,766 shares common shares of BEZ. Pursuant to the agreement, AP acquired AboitizLand's ownership interest in BEZ valued at ₱266.9 million in exchange for AP's common shares issued at the initial public offering price of ₱5.80 per share. The SEC approved the shares swap agreement last January 10, 2008. On March 7, 2008, AP purchased Tsuneishi Holdings' 40% equity in BEZ for approximately ₱178 million. The acquisition brought AP's total equity in BEZ to 100%.

RETAIL ELECTRICITY AND OTHER RELATED SERVICES

One of the objectives of electricity reform in the Philippines is to ensure the competitive supply of electricity at the retail level. In particular, when Open Access and Retail Competition under the Rules and Regulations to Implement the Electric Power Industry Reform Act of 2001 (EPIRA) (Republic Act No. 9136) is fully implemented, large-scale customers will be allowed to obtain electricity from Retail Electricity Suppliers licensed by the ERC.

Aboitiz Energy Solutions, Inc. (AESI)

AESI, a wholly owned subsidiary of AP, holds a license to act as a Retail Electricity Supplier (issued on December 6, 2006) and a license to act as a Wholesale Aggregator (issued on January 26, 2007). AESI intends to take advantage of its affiliation with the Aboitiz Group in marketing its power to Open Access customers.

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

AESI's main electricity-related service is power factor improvement. One of the metering parameters measured for utility, commercial, and industrial customers is power factor. A low power factor load increases losses in a power distribution system and results in increased cost for electrical energy use. Under the current rate scheme of the NGCP, a customer drawing power from NGCP transmission facilities is granted a discount on transmission charges if its power factor is greater than 90% and is penalized if its power factor is less than 85%. Most large utilities like Meralco also provide a similar incentive. AESI helps customers increase their power factors through the installation of capacitor banks in their electrical system. Customer contracts with

AESI are for periods of at least two years and AESI is paid a percentage of the cost savings it is able to obtain for its customers resulting from power factor improvements. Customers for this service include electric cooperative companies, such as the Agusan del Norte Electric Cooperative and the Davao Del Norte Electric Cooperative, and various industrial establishments and commercial establishments, including shopping malls operated by the SM Group, the largest mall operator in the Philippines.

Electric cooperatives who are part of customer base of AESI's power factor improvement services could potential customers of AP's generation companies. Improving the power factors of these cooperatives and reducing their costs should also improve their creditworthiness, increasing their attractiveness as customers of AP's generation facilities.

FINANCIAL SERVICES

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

Union Bank of the Philippines

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

As part of its growth strategy, UBP acquired the International Exchange Bank (iBank) in June 2006. The acquisition and merger of iBank catapulted UBP to being the 7th largest in terms of assets, 7th largest in terms of loans and 9th largest in terms of deposits among private domestic commercial banks per BSP data as of September 2006. The merger strengthened its position as a top-tier universal bank with the necessary scale and enhanced product offerings to compete in the industry.

In April 2007, UBP undertook a follow-on offering of 90 million new common shares which allowed the bank to raise additional equity of over ₱5.1 billion. The purpose of the offering was to raise UBP's equity to strengthen its capital adequacy ratio, in anticipation of Basel II requirements and further enhance its financial flexibility.

UBP issued 10-year unsecured subordinated notes eligible as Lower Tier 2 capital at 7.375% per annum in October 2009. UBP capped its offering at ₱3.75 billion following its strong performance on the first nine months of 2009. Proceeds of the offering were used to increase and strengthen capital base, and to support business expansion plans.
As of end-December 2009, AEV beneficially holds 38.66% of UBP. Other major shareholders of UBP are Insular Life Assurance Company, Ltd. and the Social Security System.

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

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

UBP has received various awards for its achievements. In 2001, UBP received the "Excellence in Retail Banking Award" from The Asian Banker for being the best retail bank in the Philippines. In December 2002, UBP was voted by Euromoney as being one of “The 10 Best Managed Companies in Asia in 2002”. In January 2003, UBP was voted by AsiaMoney as being “Among the 5 Best Managed Companies in the Philippines in 2002”. In 2004, UBP won the excellence in credit card management award in the Philippines, which is the highest award for excellence in products and processes in retail banking in Asia. In 2005, UBP was cited the Most Outstanding Credit Card Company by the Consumer League of the Philippines Foundation Inc. In the same year, UBP's official website, "unionbankph.com" was awarded the Best in Functionality and Interactivity award at the BAIPHIL Web Awards, and the Best Banking and Finance Website award as well as the People's Choice for Banking and Finance at the Philippine Web Awards. UBP was honored for the sixth time by the Social Security System in the Balikat ng Bayan Awards for 2005 as the Best Participating Financial Institution in Housing Loans. In February 2008, UBP received the Financial Insights Innovation Award from Financial Insights for its Business-to-Government (B2G) Payments, in recognition to the bank's leadership in technology renovations. In the same year, UBP was awarded ISO 9001:2000 Quality Management System (QMS) Certification for its entire centralized backroom operations by TUV Rheinland, as a testament to UBP's commitment to maintain compliant, accurate, timely and problem-free service delivery. For three years in a row since 2007, UBP received various distinctions from Visa International for its exemplary achievements in its credit and debit card businesses. In October 2009, UBP was awarded the Best Credit Card Product Innovation for its Omnipass Visa and Best Debit Card for EON CyberCard, both under the National Awards Category, at the Lafferty Group's Southeast Asian Payment Card Awards. Both awards reflect the voice of the consumer, having been based on cardholders' experience in terms of the cards features and benefits, services, product conditions and brand value. In December 2009, UBP received a Product Innovation Partnership award from J.P. Morgan Chase bank for its active participation in its auto-convert product, an innovation of J.P. Morgan's FX remittance worldwide payment service.

City Savings Bank

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

From one branch built in 1966, CSB now has 23 branches and extension offices in the Visayas and Mindanao. Three 3 full branches and three 3 extension offices are located in the Cebu province while other branches and extension offices are located in the cities and municipalities of Ormoc, Calbayog, Tacloban, Iloilo, Bacolod, Roxas, San Carlos, Davao, Tagum, Sogod in Southern Leyte, Catarman in Northern Samar, Kabankalan, Antique, Tanjay, Cagayan de Oro, Tagbilaran and Ubay.

CSB offers traditional deposit products such as savings and time deposit accounts. CSB’s 1-5 year time deposits offer high interest rates and monthly earnings that can easily satisfy the depositors’ daily needs. The deposit products include the regular savings account, student savings account, Kaugmaon savings account. The regular savings account allows minimum deposits for as low as ₱500 while the student savings is intended primarily to encourage students to save money and learn the value of saving. In 2009 CSB launched its CSB ACCESS which is the new ATM product, under the BANCNET network.

CSB also extends loans to individuals that are normally too small for commercial banks to handle. Majority of its loans are extended to public school teachers and government employees. CSB carries with it over 44 years of experience in teachers' lending, with salary loans for public school teachers as its main loan product since its incorporation. The salary loan is pursuant to the Department of Education's (DepEd) Automatic Payroll Deduction System (APDS).

CSB currently employs a total of over 300 employees, serving over 90,000 borrowers and counts on the strong patronage of its more than 56,000 depositors all over Visayas and Mindanao areas. It has total capital funds of over ₱800 million and total resources of over ₱6 billion. It also has one of the best operating efficiencies in the thrift banking industry and the lowest past due ratio. Its capital adequacy ratio has always been way above BSP requirement at 10%.

In its regular meeting last March 10, 2010, the Board of Directors of AEV approved the proposal to acquire up to 60% ownership of its affiliate CSB. Pilmico Foods Corporation (Pilmico), a wholly-owned subsidiary of AEV, will also acquire the remaining 40% of the CSB equity.

AEV currently owns approximately 34% of CSB. The combined purchase by AEV and Pilmico is valued at approximately P1.36 billion. The planned acquisition is also conditional upon AEV's obtaining the necessary Monetary Board approval for the transaction.

FOOD MANUFACTURING

AEV's food manufacturing group is presently made up of Pilmico and its subsidiary Pilmico Animal Nutrition Corporation (PANC).

In the last quarter of 2006, Pilmico divested its holdings in Pilmico-Mauri Foods Corporation, a former joint venture with Associated British Foods Plc engaged in the manufacture of yeast and specialty baking products.

Pilmico Foods Corporation

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

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

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

Last September 1, 2008, Pilmico commenced commercial operations of its new 115,000 mt feedmill located within its flour mill complex in Iligan City, Lanao del Norte. New grains silos with capacity of 27,000 mt were also completed last September 2008. Pilmico expects to further generate cost savings with the completion and operation of its new feedmill plant and new grains silos. Enhancements in its cost structure are expected as savings should be incurred in the following: (1) freight costs as the new capacity will be closer to its customers in the Visayas-Mindanao region; and (2) input costs due to proximity to sources of raw materials, particularly corn in the Northern Mindanao region.

As its new feedmill in Iligan is nearing full utilization, Pilmico plans to expand its capacity by adding another production line. Once completed and operational, total capacity is seen to improve by 94%. Construction is expected to commence by first quarter of 2010, with target completion date by June 2010.

Pilmico is in the process of completing the requirements for an ISO certification of its Iligan feedmill. It aims to obtain said certification by 2011. The same is being done for PANC's Tarlac feedmill.

Pilmico Animal Nutrition Corporation

To diversify from the cyclical nature of its existing products, Pilmico also entered into the swine production and animal feeds businesses in 1997 through PANC, formerly a joint venture with Tyson International Holding Company, a subsidiary of Tyson Foods, Inc., and PM Nutrition Company, Inc., an affiliate of Purina Mills, Inc. In January 1999, PANC began commercial operations of its feed milling plant, and in the second half of that year started its swine operations.

In October 2002 PANC became a wholly owned subsidiary of Pilmico following Pilmico's acquisition of its partners' equity. This strengthened Pilmico's focus and core competence in the feed milling industry. PANC's products are sold under the "Farmer's Edge" brand.

PANC's new grower-finisher farm in Aranguren, Tarlac started commercial operations in January 2009. This increased the company-owned farm capacity by 67% to 12,000 heads of market hogs. The new nucleus farm in Sto. Rosario, Tarlac, began its operations in November 2009. This nucleus farm project will increase sow capacity by 1,700 heads, or by 35% from current levels.

PANC's third grower-finisher farm in Capas, Tarlac, is expected to commence commercial operations by first quarter of 2010. This will increase capacity of company-owned farms by 60%. PANC is evaluating the construction of a fourth grower-finisher farm, which is expected to further increase total capacity by another 38%.

In November 2008, PANC started constructing a biogas system in its breeder, nucleus and new grower-finisher farm facilities in Tarlac. With this, PANC expects to make its farms' operations almost power self-sufficient with the conversion of hog waste to electricity. Once operational, PANC expects to make its farms' operations almost power-self sufficient with the conversion of hog waste to electricity.

TRANSPORT

AEV's transport business is made up of two groups: (a) Aboitiz Transport System (ATSC) Corporation or ATS (formerly, William, Gothong and Aboitiz, Inc. or WG&A, Inc.) and its subsidiaries; and (b) Accuria, Inc. (formerly, Aboitiz Transport System, Inc.), a holding company for all transport-related businesses of AEV outside of ATS.

Aboitiz Transport System (ATSC) Corporation

ATS is in the business of providing solutions for the movement of people and products. The company operates through its subsidiaries, Aboitiz One Inc. (100%), The Supercat Fast Ferry Corporation (100%) Aboitiz Jebsen Bulk Transport Corp. (62.5%), Aboitiz Jebsen Manpower Solutions (62.5%), Jebsen Maritime Inc. (62.5%), Jebsen Management (BVI) Ltd (50.0%) and MCC Transport Philippines, Inc. or MCCP (33%). ATS provides its products and services to its customers through the different brand names such as "2GO" for its cargo and logistics services and "SuperFerry", "Cebu Ferries" and "SuperCat" for its passenger business.

ATS is the result of the 1995 merger of the three biggest shipping companies in the Philippines at that time: William Lines of the Chiongbian family, Carlos A. Gothong Lines of the Gothong family, and Aboitiz Shipping Corporation. In September 2002, the three major owners of the company finalized an agreement for the Aboitiz Group to buy out the Chiongbian and Gothong groups for a total cash value of about ₱5.40 billion.

Today, ATS's businesses can be grouped into the following:

1. Airfreight forwarding and courier delivery services
2. Containerized and rolling cargo services
3. Global transport and distribution solutions
4. Supply chain solutions
5. Inter—island passenger transport and cargo liner services
6. Sea based as well as land-based Manpower recruitment and training
7. Ship management services

ATS links the major ports and principal cities of the Philippines through a route network of over twenty ports of call all over the country. As of March 2, 2010, the Company has a fleet of twenty-one company-owned (including MCCP owned vessels) and two chartered vessel with a combined Gross Registered Tonnage (GRT) of approximately 126,123 metric tons (MTs), total passenger capacity of approximately 17,606 passengers and aggregate cargo capacity of approximately 6,014 twenty-foot equivalent units (TEUs).

ATS' extensive presence throughout the country is carried out through its branch operations and agency networks. These are located primarily in Manila, Cebu, Dumaguete, Tagbilaran, Bacolod, Iloilo, Coron, Puerto Princesa, General Santos, Zamboanga, Cotabato, Davao, Cagayan de Oro, Iligan, Ozamis, Nasipit, tacloban, Ormoc and Jagna.

PORTFOLIO INVESTMENTS (PARENT COMPANY/OTHERS)

AEV's portfolio investments include holdings in real estate through Cebu Praedia Development Corporation (CPDC) and aviation through AEV Aviation, Inc. (AAI).

AEV Aviation Inc.

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

To date, AAI has five employees, one pilot-in-command, one co-pilot, one aircraft mechanic supervisor and two aircraft mechanics. Their task is to provide air transport for AEV's corporate officers within the Philippine archipelago.

Cebu Praedia Development Corporation

CPDC is the holding company for AEV's real estate properties. It was incorporated on October 17, 1997 but began operations only in December 1999. To date, its major property holdings include the commercial building block located at 110 Legazpi Street, Makati City that serves as the office of AEV and its subsidiaries and associates in Metro Manila, and AEV's corporate headquarters located in Gov. Manuel Cuenco Avenue in Cebu City.

(ii) Sales

Comparative amounts of consolidated revenues, profitability and identifiable assets are as follows:

	2009	2008	2007[4]
Gross Income	------	35,862	31,205
Gross Income of Disposal Group	------	10,164	8,165
Gross Income of Continuing Operations	------	25,698	23,040
Operating Income	------	2,340	2,902
Operating Loss of Disposal Group	------	(173)	(227)
Operating Income of Continuing Operations	------	2,513	3,129
Total Assets	------	75,715	65,908

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

The operations of AEV and its subsidiaries are based largely in the Philippines. With the acquisition by ATS of the other transport businesses of the Aboitiz Group, a portion of AEV's consolidated revenues was generated from the international operations of certain subsidiaries.

Comparative amounts of revenue contribution by business grouping[5] are as follows:

[4] 2007 figures were restated as a result of the adoption of IFRIC 12 (Service Concession Arrangements) and of the change from cost to fair value method in accounting for investment properties.

[5] Percentages refer to the business group's share in net revenue for a given year. The financial services group is not included in the table since UBP and CSB are not consolidated companies, and therefore, their revenues do not form part of "Net Revenues" reflected in the consolidated income statement. Instead, the financial services sector's contribution to registrant's net income is reported under the account "Share in Net Earnings of Associates". For additional details on the income contribution of all business segments/groups to AEV, please refer to Business Segment Information of the Notes to the Consolidated Financial Statement.

	2009		2008		2007	
Power Distribution & Generation	----	----	12,243	34%	11,312	36%
Food Manufacturing	----	----	10,689	29%	8,629	27%
Transport	----	----	12,869	35%	11,056	35%
Parent & Portfolio	----	----	523	1%	668	2%
Total Revenues	----	----	**36,323**	**100%**	**31,665**	**100%**
Less: Eliminations	----		460		460	
Net Revenues	----		**35,862**		**31,205**	
Net Revenues of Disposal Group	----		**10,164**		**8,165**	
Net Revenues of Continuing Operations	----		**25,698**		**23,040**	

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

(iii) Distribution Methods of the Products or Services

POWER GENERATION AND DISTRIBUTION

Except for SNAP-Magat and SNAP-Benguet, which sell most of the electricity they generate through the WESM, the Generation Companies have long-term bilateral power supply agreements with the NPC, private distribution utilities or other large end-users. Some of AP's generation companies have transmission service agreements with NGCP for the transmission of electricity to the designated delivery points of their customers, while others built their own transmission lines to directly connect to their customers. In some instances, where the offtaker is NPC, NPC takes delivery of the electricity from the generation facility itself.

On the other hand, AP's distribution companies have exclusive distribution franchises in the areas where they operate. These utilities own distribution lines with voltage levels ranging from 4.16 kV to 23 kV. These lines distribute electricity to the Distribution Companies' customers in each of their respective franchise areas. All customers that connect to these distribution lines are required to pay a tariff for using the system.

Each of the distribution company has a distribution network consisting of a widespread network of predominantly overhead lines and substations. Customers are classified in different voltage levels based on their consumption of, and demand for, electricity. Large industrial and commercial consumers receive electricity at distribution voltages of 13.8 kV to 23 kV while smaller industrial, commercial and residential customers receive electricity at 240 V or 480 V.

FINANCIAL SERVICES

UBP delivers its products and services through multiple channels: 175 branches and 202 ATMs nationwide as of December 31, 2009, a call center and Internet bank, www.unionbankph.com.

CSB has 23 branches and extension offices all over the Visayas and Mindanao areas serving over 90,000 borrowers and more than 56,000 depositors. CSB also has five ATMs under the BANCNET network.

FOOD MANUFACTURING

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

TRANSPORT

(iv) New Product/Services

AEV and its subsidiaries do not have any publicly announced new product or service to date.

(v) Competition

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

On the subsidiary and affiliate level, competition may be described as follows:

Generation Business

With the ongoing privatization of NPC-owned power generation facilities and the establishment of WESM, AP's generation facilities located in Luzon, the Visayas and Mindanao will face competition from other power generation plants that supply electricity to the Luzon, Visayas and Mindanao Grids. In particular, SNAP-Magat and SNAP-Benguet, which operate merchant hydroelectric plants, APRI and Therma Luzon, are expected to face competition from leading multinationals such as Marubeni Corporation and Korea Electric Power Corporation, as well as Filipino-owned independent power producers (IPPs) such as First Gen Corporation, DMCI Holdings, Inc. and San Miguel Energy Corporation.

AP will face competition in both the development of new power generation facilities and the acquisition of existing power plants, as well as competition for financing for these activities. Factors such as the performance of the Philippine economy and the potential for a shortfall in the Philippines' energy supply have attracted many potential competitors, including multinational development groups and equipment suppliers, to explore opportunities in the development of electric power generation projects in the Philippines. Accordingly, competition for and from new power projects may increase in line with the expected long-term economic growth of the Philippines.

Distribution Business

Each of AP's distribution companies currently has an exclusive franchise to distribute electricity in the areas covered by each franchise.

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

FINANCIAL SERVICES

UBP intends to grow its lending business as it accesses more collateral business and builds its consumer business. UBP continues to apply appropriate risk management techniques to different types of risk exposures. It also plans to expand its branch network from its total of 175 operational branches as of end-December 2009 with the opening of 18 new branches in key strategic areas in the next 18 months, It continues to leverage on its leading position in technology-driven products and services.

CSB competes with other similar thrift banks and rural banks, such as First Consolidated Bank of Bohol and One Network Bank of Mindanao, that operate in Cebu and the neighboring islands of Bohol, Samar, Leyte, Panay, Negros and Mindanao. CSB also competes with private lending institutions accredited by the DepEd on APDS that offer the same products and services.

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

As part of its diversification strategy, CSB plans to expand its market for salary loans to cover selected civil servants and employees of private companies. CSB is expanding its operations in the Luzon area this year where the market for teachers' loans is double the combined size of those in Visayas and Mindanao. A pilot office will be established in Calamba, Laguna to study the culture and borrowing behaviors in the Luzon area before full blast expansion will be done in that region.

TRANSPORT

ATS competes primarily with other major inter-island shipping companies, namely: Sulpicio Lines Inc., Negros Navigation Company, Inc., Lorenzo Shipping Corporation, and Solid Lines Corporation. It also competes with major airlines for its passenger business. It has maintained its leadership in the shipping industry despite heavy competition.

FOOD MANUFACTURING

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

(vi) Purchase of Raw Materials and Supplies

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

Generation Companies

AP's hydroelectric facilities utilize water from rivers located near the facilities to generate electricity. The hydroelectric companies, on their own or through NPC in the case of LHC, possess water permits issued by the National Water Resources Board (NWRB), which allow them to use a certain volume of water from the applicable source of the water flow.

Under the Asset Purchase Agreement between APRI and PSALM for the Tiwi-MakBan geothermal complex, the management and operation of the steam fields which supply steam to Tiwi-MakBan remains with Chevron Geothermal Philippines Holdings, Inc. (Chevron). The steam supply arrangement between APRI and Chevron is currently governed by a Transition Agreement which provides for the reimbursement of capital expenditures and operating expenses, as well as payment of service fees, by APRI to Chevron. The Transition Agreement is to be effective no more than four years from the date of the turnover of Tiwi-MakBan to APRI and will be replaced by a Geothermal Resource Service Contract (GRSC) when Chevron becomes a Philippine corporation and after the rehabilitation of Makban units 5 and 6. Under the GRSC, APRI will no longer pay service fees or reimburse Chevron for capital expenditures and operating expenses. Instead, the price of steam shall be linked to Barlow Jonker and Japanese Public Utilities (JPU) coal price indices. As a result, the steam cost structure under GRSC will shift from a largely fixed to a full variable cost.

AP's oil-fired plants uses Bunker C fuel to generate electricity. EAUC and CPPC each have a fuel supply agreement with Petron, while SPPC and WMPC get fuel supplies from NPC pursuant to their respective ECAs with NPC.

STEAG Power has an existing long-term coal supply agreement with PT. Jorong Barutama Greston of Indonesia.

Therma Luzon has no long-term coal supply contract at present but has existing supply contracts to meet the Pagbilao plant's coal requirements until December 2010. While Therma Luzon's objective is to enter into long-term coal supply agreements, it wants to first establish more Indonesian coal sources to give it flexibility in its coal sourcing and allow it to purchase competitively-priced coal in the market.

Distribution Companies

The bulk of volume of electricity AP's distribution companies sell is purchased from NPC, rather than from AP's own generation companies. The following distribution companies purchase electricity from the Generation Companies: DLP form HEDCOR, SFELAPCO from APRI and VECO from CPPC and CEDC. Each of the distribution companies has bilateral agreements in place with NPC for the purchase of electricity, which set the rates for the purchase of NPC's electricity.

The rates at which DLP and SFELAPCO purchase electricity from Hedcor are established pursuant to the bilateral agreements that are executed after the relevant Generation Company has successfully bid for the right to enter into a PPA with either DLP or SFELAPCO. These agreements are entered into on an arm's-length basis and on commercially reasonable terms and must be reviewed and approved by the ERC. In addition, ERC regulations currently restrict the Distribution Companies from purchasing more than 50% of their electricity requirements from affiliated companies, such as the Generation Companies. Pursuant to the Hedcor Consortium's 12-year power supply agreement to supply 400,000,000 kWh per annum of new capacity to DLP, Hedcor Sibulan is expected to start supplying DLP with the electricity generated from its Sibulan plant in the first half of 2010.

VECO has entered into PPAs pursuant to which it purchases a minimum of 18,000,000 kWh per month on a take-or-pay basis from Toledo Power Corporation (TPC), and approximately 61.72 MW of dispatchable capacity from CPPC (with no minimum energy off-take requirement).

On September 2009, VECO entered into a Power Supply Agreement with CEDC for the supply of 105 MW for 25 years to address its long-term power supply requirement. CEDC is building 3x82 MW coal-fired power plant in Toledo, Province of Cebu. The first 75 MW unit is scheduled to go online by March 2010 and all the power generated by this unit will be delivered to VECO. The second and third units are expected to be operational by the second half 2010.

Meanwhile, to mitigate the power shortage in 2010, VECO's largest customer, CEMEX Philippines agreed to supply 10 MW to VECO during peak hours for one year.

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

Meanwhile, DLP and CLP each have their own stand-by plant. DLP currently maintains the 53 MW Bunker C-fired Bajada stand-by plant which is capable of supplying 19% of DLP's requirements. CLP maintains a stand-by 7.35 MW Bunker C-fired power plant capable of supplying approximately 30.5% of its requirements.
Each of the AP's distribution companies also has transmission service contracts with NGCP for the use of NGCP's transmission facilities in the distribution of electric power from the Grid to their respective customers. AP's distribution companies have negotiated a Memorandum of Agreement with NGCP in connection with the amount and form of security deposit to be provided by the Distribution Companies to NGCP to secure their obligations under their transmission services contracts.

Food Companies

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

Transport Companies

Transport subsidiaries obtain materials, parts and supplies from local suppliers at competitive rates. Fuel and lubricants are purchased from a major fuel provider.

(vii) Customers

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

Power Generation and Distribution

About [•]% of the total electricity generated by the generation companies is delivered to the NPC pursuant to long-term bilateral power supply agreements with the NPC. These bilateral agreements are supported by NPC's credit, which in turn is backed by the Philippine government. Approximately [•] of the total electricity generated is sold through the WESM, while the rest, comprising of about [•] of the total electricity generated, is sold to private distribution utilities pursuant to long-term bilateral agreements.

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

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

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

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

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

Financial Services

CSB is highly dependent on its salary loan product offered to public school teachers which has grown to comprise more than 95% of CSB's total loan portfolio and over 95% of CSB's total interest income as of December 2009. As of end-December 2009, CSB's total salary loans to teachers amounted to ₱4.80 billion or 98% or of the total loan portfolio of ₱4.9 billion.

As an institution engaged in lending to public school teachers for over 44 years, CSB has develop an in-depth understanding and expertise in teachers' lending. It has established an efficient collection system and maintains minimal non-performing loan experience as demonstrated by its low NPL ratio of 0.88% as of December 2009. Consequently, the BSP has provided CSB with a CAMELS rating of 4 in the last five years in a scale of 1 to 5, with 5 being the highest. The composite rating of 4 indicates a stable bank capable of withstanding unfavorable outside factors or influences. Certain weaknesses are well within the Board's or senior management's capability to correct in the normal course of operation. Risk management policies are satisfactory relative to the institution's size, complexity and risk profile.

In addition, CSB is protected under the Thrift Banks Act of 1995 (otherwise known as Republic Act No. 7906). Thrift banks are allowed to extend loans to government employees and collect on the same through automatic or direct payroll deductions. This reduces the risk of default on salary loans extended to this sector.

Other Subsidiaries and Affiliates

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

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

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

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

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

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

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

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

(ix) Patents, Copyrights, Franchises and Government Approvals

As a holding company, AEV does not own or possess patents, copyrights, franchises or other similar rights. However, the businesses of AEV's utility subsidiaries – power and transport – are dependent on government franchises granted them.

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

AP's generation companies, as well as DLP and CLP, which own generation facilities, are required under the EPIRA to obtain a Certificate of Compliance (COC) from the ERC for its generation facilities. They are also required to comply with technical, financial and environmental standards provided in existing laws and regulations in their operations.
The business of supplying electricity is currently being undertaken solely by franchised distribution utilities. However, once Retail Competition and Open Access starts, the supply function will become competitive. Like power generation, the business of supplying electricity is not considered a public utility operation under the EPIRA. However, it is considered a business affected with public interest. As such, the EPIRA requires all suppliers of electricity to end-users in the Contestable Market, other than distribution utilities within their franchise areas, to obtain a license from the ERC in accordance with the ERC's rules and regulations. In preparation for the implementation of Retail Competition and Open Access, AP's wholly owned subsidiary AESI obtained a license to act as a Retail Electricity Supplier (issued on December 6, 2006) and a license to act as a Wholesale Aggregator (issued on January 26, 2007).

ATS for its part is accredited by the Maritime Industry Authority (MARINA) as a domestic shipping enterprise/entity. The MARINA accreditation is a prerequisite for the granting of franchises for individual vessels' operations. ATS vessels have been issued Certificates of Public Convenience/Provisional Authorities to operate in specified routes.

As banking institutions, the business operations of UBP and CSB are regulated by the BSP, the SEC and the

Philippine Deposit Insurance Commission (PDIC). CSB, as an accredited lender institution under DepEd's APDS, also has to comply with the policies issued by the DepEd with regard to the setting of interest rate and other fees on loans being lent out to public school teachers.

AEV's food subsidiary Pilmico owns the trademarks for its various flour products such as "Wooden Spoon", "Sun Moon Star", "Sunshine", "Glowing Sun", "Kutitap", and "Megastar". PANC owns the trademarks for products such as "Pork Solutions" and "Poultry Solutions".

As of the date of this report, these subsidiaries and affiliates have the necessary government approvals, franchises, permits or licenses necessary to always strive to maintain a track record of quality services and comply with government regulations to justify and ensure renewal of such franchises or accreditations.

(x) Effect of Existing or Probable Governmental Regulations

Since the enactment of the EPIRA in 2001, the Philippine power industry has undergone, and continues to undergo, significant restructuring. Through the EPIRA, the Government has begun to institute major reforms with the goal of fully privatizing all sectors of the power industry. Among the provisions of the EPIRA which have or will have considerable impact on AP's businesses are the following:

Wholesale Electricity Spot Market

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

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

Retail Competition and Open Access

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

The Government expects Retail Competition and Open Access to be implemented in phases. As far as Luzon is concerned, the WESM began operations in June 2006 and End-users who comprise the Contestable Market have already been identified. The WESM for the Visayas began trial operations sometime in 2007. Open Access in Luzon and the Visayas will commence once preconditions thereto as provided under the EPIRA have been complied with. In Mindanao, a truly competitive environment required by Retail Competition is not expected to exist prior to at least 2011 because the largest generating asset owned by NPC in Mindanao cannot by law be privatized for at least 10 years from passage of EPIRA.

Upon implementation of Open Access, the various contracts entered into by utilities or suppliers may potentially be "stranded." Stranded contract costs refer to the excess of the contracted costs of electricity under eligible contracts over the actual selling price of the contracted energy under such contracts in the market.

Interim Open Access/Power Supply Option Program

Power Industry players filed a petition with the ERC docketed as ERC Case No. 2008-026 RC entitled "In the Matter of the Petition for Approval of Interim Open Access (IOA) in the Luzon and Visayas Grid to implement an open access prior to satisfaction of conditions laid down under the EPIRA." The ERC approved this application with modifications emphasizing the voluntary nature of the proposed IOA where the choice of whether or not to participate in the IOA is left to the distribution utilities and its eligible customers. The ERC ruled that considering the primary and ultimate goal of the IOA is to provide large end users additional options for power supply, it would instead consider the proposal as the "Power Supply Option Program" (PSOP).

On January 25, 2010, the ERC promulgated Resolution No. 01, Series of 2010, otherwise known as "A Resolution Adopting the Rules for the Power Supply Option Program" (the "PSOP Rules). The PSOP Rules provide regulatory framework for the implementation of the PSOP, including guidelines on the eligibility of potential participants to the PSOP, the manner of entry and exit of these participants and the treatment of existing contracts during the implementation of the PSOP. The implementation of the PSOP within a franchise area is a voluntary act on the part of the distribution utility. Thus, only eligible customers within the franchise areas of eligible distribution utilities are allowed to participate in the program. The implementation of the PSOP is limited only to Luzon. Once the ERC declares the establishment of actual open access and retail competition, the PSOP and all contracts and transactions related thereto, other than the resolution of obligations and disputes arising therefrom, automatically terminate upon commencement date of Open Access and Retail Competition as determined by the ERC.

Under the PSOP Rules, PSOP customers will consist of end—users with a monthly average peak demand of at least one (1) MW for the past 12 months prior to the implementation of the PSOP with a requirement for the threshold level of one (1) MW being retained throughout the duration of the PSOP. No aggregation of the demand requirements of end-users will be allowed. Only eligible suppliers (ES) as defined in the Rules are allowed to participate in the PSOP. These include: (i) generation companies, including NPC-successor generating companies, that are within the mandated market cap; (ii) NPC-IPPs in relation to capacity not covered by contracts; (iii) IPP Administrators with respect to the uncontracted energy which is subject to their administration and management; and (iv) NPC/PSALM, upon compliance with the market share limitation under Section 45 of the EPIRA. To be considered as Eligible Supplier, a license as Retail Electricity Suppliers (RES) must have been secured from the ERC.

The PSOP shall commence 90 days after completion of either of the following conditions, whichever comes earlier: the transfer of the operations of the Calaca NPC generation asset or its equivalent in terms of capacity, or the privatization of at least 70% of the total capacity of the generation assets of NPC in Luzon and Visayas. Eligible Suppliers shall provide all power requirements of its customers, except for energy related to distribution system losses, energy imbalances as defined in the WESM Rules and line rental.

Unbundling of Rates and Removal of Subsidies

The EPIRA mandates the unbundling of distribution and wheeling charges from retail rates with such unbundled rates reflecting the respective costs of providing each service. The EPIRA also states that cross subsidies shall be phased out within a period not exceeding three years from the establishment by the ERC of a Universal Charge, which shall be collected from all electricity End-users. However, the ERC may extend the period for the removal of the cross-subsidies for a maximum of one year if it determines there will be material adverse effect upon the public interest or an immediate, irreparable, and adverse financial effect on a distribution utility.

The EPIRA likewise provides for a socialized pricing mechanism called a lifeline rate to be set by the ERC for low-income, captive electricity consumers who cannot afford to pay the full cost of electricity. These End-users will be exempt from the cross-subsidy removal for a period of ten years, unless extended by law.

Implementation of the Performance-based Rate-setting Regulation (PBR)

On December 13, 2006, the ERC issued the Rules for Setting Distribution Wheeling Rates (RDWR) for privately-owned distribution utilities entering PBR for the second and later entry points that sets out the manner in which this new PBR rate-setting mechanism for distribution-related charges will be implemented. PBR is intended to replace the Return On Rate Base (RORB) that has historically determined the distribution charges paid by the Distribution Companies' customers. Under PBR, the distribution-related charges that distribution utilities can collect from customers over a four-year regulatory period will be 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 set 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 also 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.

In December 2008, CLP was able to obtain its final determination on its PBR application and is already in the process of awaiting the results of ERC's evaluation tariffs that in its second regulatory year. In January 2009 DLP and VECO formally entered the reset process for its entry into the new performance-based ratemaking methodology. Submissions and examinations with the ERC were undertaken during 2009 and continue to date.

For SFELAPCO and SEZ, the reset process began on October 1, 2009. During the 18 months prior to the PBR start date for each Distribution Company, it will undergo a regulatory reset process through which the PBR rate control arrangements are established based on documents submitted by the Distribution Company with the ERC, ERC resolutions, and consultations with the Distribution Company and the general public.

Reduction of Taxes and Royalties on Indigenous Energy Resources

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

Proposed Amendments to the EPIRA

Since the enactment of the EPIRA, members of the Philippine Senate and House of Representatives have proposed amendments to the EPIRA. Some of the proposed amendments are discussed below.

(a) Disallow recovery of Stranded Contract costs;

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

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

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

(e) Prohibit distribution utilities under a bilateral electric power supply contract from sourcing more than 33% of its total electric power supply requirements from a single generation company or from a group of generating companies wholly owned or controlled by the same interests. On the effectiveness of the proposed law, any distribution utility that has contracts which exceed the allowable 33% limit will be directed to desist from further awarding additional electric power supply contracts with any generation company or group of generating companies wholly owned or controlled by the same interests, until its present electric power supply requirements, when added to the proposed additional electric power supply contract or contracts with any generation company or group of generating companies wholly owned or controlled by the same interests shall comply with the 33% limit.

The Renewable Energy Act of 2008

Republic Act No. 9513, the Renewable Energy Act of 2008 (RE Law), is a landmark legislation and is said to be the most comprehensive renewable energy law in Southeast Asia. The RE Law was signed into law by President Gloria M. Arroyo in December 16, 2008 but took effect on January 31, 2009.

The RE Law's declared policy is to encourage and develop the use of renewable energy resources of the country to reduce the country's dependence on fossil fuels and reduce overall costs of energy, and reduce, if not prevent harmful emissions into the environment to promote health and sustainable environment.

The RE Law imposes a government share on existing and new RE development projects at a rate of 1% of gross income from sale of renewable energy and other incidental income from generation, transmission and sale of electric power and a rate of 1.5% of gross income for indigenous geothermal energy. Micro-scale projects for communal purposes and non-commercial operations with capacity not exceeding 100 kW will not be subject to the government share.

More importantly, the RE Law offers fiscal and non-fiscal incentives to RE developers of RE facilities, including hybrid systems, subject to a certification from Department of Energy (DOE), in consultation with the BOI. These incentives include income tax holiday for the first seven years of operation; duty-free importations of RE machinery, equipment and materials effective within ten years upon issuance of certification, provided, said machinery, equipment and materials are directly, exclusively and actually used in RE facilities; special realty tax rates on equipment and machinery not exceeding one and a half percent (1.5%) of the net book value; net operating loss carry-over; corporate tax rate of ten percent (10%) after the 7th year; accelerated depreciation; zero-percent value-added tax on sale of fuel or power generated from emerging energy sources and purchases of local supply of goods, properties and services of RE facilities; cash incentives for RE developers for missionary electrification; tax exemption on carbon emission credits; tax credit on domestic capital equipment and services. All fiscal incentives apply to all RE capacities upon effectivity of the RE Law. RE producers are also given the option to pay NGCP transmission and wheeling charges on a per kilowatt-hour basis and are given priority dispatch. RE producers are likewise exempted from Universal Charge imposed under the EPIRA. In addition, the RE Law provides a financial assistance program from government financial institutions for the development, utilization and commercialization of renewable energy projects, as may be recommended and endorsed by the DOE.

New ERC Regulation on Systems Loss Cap Reduction

Under ERC Resolution No. 17, Series of 2008, which amends the systems loss caps adopted by Republic Act No. 7832 (Anti-Pilferage of Electricity and Theft of Electric Transmission Lines/Materials Act of 1994), the actual recoverable system losses of distribution utilities will be reduced from 9.5% to 8.5%. The new system loss caps are intended for implementation in January 2010.

Under ERC Resolution No. 17, Series of 2008, actual company use of electricity shall be treated as an expense of the distribution utilities in accordance with the following rules: for distribution utilities that are yet to enter PBR, the actual use shall be treated as Operation and Maintenance in their PBR applications; for DUs that are already under PBR, the actual use shall be treated as Operation and Maintenance in their subsequent reset.

(xi) Research and Developmental Activities

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

(xii) Compliance with Environmental Laws

In the normal course of business, AEV's power, food and transport companies are subject to extensive, evolving and increasingly stringent safety, health and environmental laws and regulations. These laws and regulations, such as the Clean Air Act (Republic Act No. 8749), address, among other things, air emissions, wastewater discharges, the generation, handling, storage, transportation, treatment and disposal of toxic or hazardous chemicals, materials and waste, workplace conditions and employee exposure to hazardous substances. These said companies have incurred, and are expected to continuously incur, operating costs to comply with such laws and regulations. However, these costs and expenses cannot be segregated or itemized as these are embedded in, and are part and parcel of the companies' overall system, in compliance with both industry standards and the government's regulatory requirements.

ATS follows the regulations embodied in the 1973 International Convention for the Prevention of Pollution from Ships as modified by the protocol of 1978 (MARPOL 73/78). The said convention has various technical measures intended to control oil spillage and other forms of marine pollution.

Producing clean and renewable energy is a cornerstone of AEV's power generation business. Its power generation subsidiaries operate run-of-river hydroelectric power plants and recently, a geothermal power operation that produce minimal, if any, ecological disturbance. The combined generation capacity from the different renewable energy projects of AP qualifies it as a leading generator of renewable energy in the Philippines. AP is dedicated to enhancing its Cleanergy brand as it remains steadfast in its commitment to make clean energy available to all Filipinos. The Renewal Energy Act subjects AP to new and evolving measures and ushers in new opportunities for the company as it sets competitive challenges. The Renewable Portfolio Standard supports the growth of renewable energy in the Philippines. The Renewable Energy Market, Green Energy Option and Net Metering will redefine the competitive landscape of the energy business.

As a signatory of the Kyoto Protocol, the Philippines can participate in greenhouse gas emission reduction through the Clean Development Mechanism (CDM). The Sibulan Project of Hedcor Sibulan is a registered CDM project, able to prevent carbon emissions measured in tons of CO2. The project is expected to generate carbon credits that can eventually be traded in the carbon market. Plans are also in place to register as a CDM project the rehabilitation and refurbishment of the Ambuklao and Binga plants of SNAP-Benguet. AP continues to explore CDM possibilities in its projects.

Albeit the Philippines does not have carbon emission limits, Aboitiz Power companies have embarked on carbon emission inventory as a baseline volume against which future emissions management programs will be compared with. This greenhouse gas inventory tool will eventually be scaled up to other Aboitiz companies to enable a group-wide inventory system. While there are no specific laws on carbon emissions in the Philippines, the climate change issue is slowly gaining ground as a priority concern for the government.

PANC has developed a biogas generation system that is undergoing validation with the intent to be registered as a CDM project. The biogas system provides environmental benefits as an energy source since carbon emission is prevented through avoidance of energy generated by non-renewable sources.

AP has started a greenhouse gas inventory among its different subsidiaries and affiliates to measure and monitor emissions generated from business operations of these subsidiaries and affiliates. Mitigating measures such as tree planting have been adopted. In 2009, a simultaneous tree planting activity was done by the different companies in the Group. Nationwide, trees were planted in one day that will sequester an equivalent of 450 tons of carbon dioxide. It was the first time that such measures were adopted in the Group. These trees were declared in UN's Billion Tree Program. Certifications issued for the trees will be used by some Aboitiz companies to comply with the stipulations of the environmental impact statements for the projects and o conform to the requirements under the environmental compliance certificate.

Each of the hydroelectric power projects of AP is subject to a mandated watershed management plan intended to maintain the integrity of the renewable resource used to generate electricity. A watershed management plan enables a company to adopt a watershed with the commitment to reforest and sustain its healthy vegetative state. The hydroelectric companies also continue to monitor the quality of water systems that they tap. Watershed management is also a serious consideration for geothermal power given its location and the ecosystem that exist therein.

(xiii) Employees

AEV has a total of 184 employees as of February 28, 2010, composed of executives, managers, supervisors, administrative, and clerical staff. There is no existing collective bargaining agreement covering AEV employees.

Business Unit	Number of Employees					Unionized Employees	Expiry of CBA
	Total	Executives	Managers	Supervisors	Rank & File		
Aboitiz Equity Ventures, Inc.	184	31	22	17	114	N/A	N/A
Aboitiz Transport System (ATSC) Corporation	2,102	43	238	387	1,434	N/A	N/A
Pilmico Foods Corporation	126	8	14	24	80	21	May 31, 2009
Aboitiz Power Corporation	72	29	10	3	30	N/A	N/A

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

Through prudent management and investment decisions, AEV constantly strives to minimize the risks it might encounter in the businesses in which it is involved. However, certain risks are inherent to specific industries that are not within the direct control of AEV or its investee companies. Of note are the following:

Power Industry Regulations. For the distribution sector, the phasing in of the PBR by the ERC to determine power rates will affect AEV's distribution utilities. In the present rate-making environment, the ERC allows a maximum 12% RORB before tax. Under PBR, utilities will be allowed an after-tax return based on a weighted average cost of capital (WACC), which should be consistently determined across the industry. Rate adjustments will be allowed throughout every 4-year regulatory period to take into account inflation.

Exchange Rate Fluctuations/Volatility in Price of Fuel. Certain investee companies, specifically Pilmico and ATS, are engaged in businesses whose raw material requirements and purchases are paid for in U.S. dollars. An untoward depreciation of the Philippine peso vis-à-vis the U.S. dollar could have an adverse effect on these investee companies' operating costs. Conversely, an appreciation of the local currency against the dollar would potentially be beneficial to these investee companies, and subsequently to AEV. Furthermore, a significant proportion of ATS' total cost is made up of its fuel needs. An increase in the price of imported bunker or diesel fuel will directly translate into an increase in the operating cost of its vessels.

Consolidation in the Local Banking Industry. Unless it can adequately increase/raise its resource base and capitalization to compete with the newly merged industry players, or otherwise pursue a selective growth strategy, banks such as AEV's investee, UBP, might be marginalized out of the banking sector.

Political and Economic Factors. AEV is a holding company that, through its investee companies, is engaged in power generation and distribution, banking and financial services, transportation, and food production, among other business activities. The results of operations of the investee companies have historically been influenced to a certain extent by the political and economic situation in the Philippines. In the past, the country experienced periods of slow or negative economic growth. Any future political or economic instability may have an adverse effect on the business and results of operations of the Company or its investee companies.

Environmental Compliance. AEV or its investee companies are required to comply with environmental regulations governing the operation of its projects, including the transport, storage and disposal of fuel as well as air, water and noise emissions and proper management and disposal of wastes. The adoption of new laws or regulations, or changes in the interpretation or application of existing laws or regulations could require AEV or its investee companies to make additional material expenditures on environmental compliance. AEV's ability to operate the projects in a cost-effective manner could be materially adversely affected.

AEV or its investee companies have taken necessary steps to ensure full compliance with all existing DENR standards with regard to emissions and waste disposal and ecosystem management. In the event of any increased costs due to the adoption of new laws or regulations, or changes in the interpretation or application of existing laws or regulations, AEV's power projects are afforded varying rights under the power purchase agreements to negotiate for tariff adjustments. With respect to those projects that sell power based on NPC's grid rate, changes in environmental laws will also impact NPC's cost of production. These costs production should ultimately be reflected through an adjustment in NPC's tariff.

Except for the items discussed above, there were no trends, events or uncertainties as of December 31, 2009 that could pose as significant risks to AEV's various businesses and/or are expected to adversely impact on the operating performance of its investee companies.

Working Capital

For 2008, AEV derived its working capital mainly from the steady cash flow generated and contributed by its subsidiaries and associates.

Item 2. Properties

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

On a consolidated basis, the 2008 total property, plant and equipment of AEV were valued at ₱8.956 billion as compared to ₱ [•] billion for 2009. Breakdown is as follows:

	2009	2008
Power, Plant & Equipment	------	₱ 3,511,445
Transmission & Distribution Equipment	------	2,895,800
Machinery & Equipment	------	1,957,486
Distribution Transformer and Substation Equipment	------	1,547,190
Buildings, Warehouses and Improvements	------	993,031
Office Furniture, Fixtures and Equipment	------	786,268
Transportation Equipment	------	682,536
Land	------	240,158
Leasehold Improvements	------	66,563
Miscellaneous Equipment	------	
Ships in Operation and Improvements	------	
Containers	------	
Handling Equipment	------	109,534

	2009	2008
Flight Equipment	------	301,364
Others	------	276,108
Less: Accumulated Depreciation and Amortization	------	6,937,867
TOTAL	------	₱ 8,956,267

Note: Values for the above table are in Thousand pesos

Locations of principal properties and equipment of AEV's subsidiaries are as follows:

SUBSIDIARY	DESCRIPTION	LOCATION/ADDRESS	CONDITION
Cotabato Light & Power Company	Industrial land, buildings/plants eqpt. & machineries	Sinsuat Avenue, Cotabato City	In use for operations
Davao Light & Power Co., Inc.	Industrial land, buildings/plants eqpt. & machineries	P. Reyes Street, Davao City; Bajada, Davao City	In use for operations
Pilmico Foods Corporation	Industrial land, buildings/plants eqpt. & machineries	Kiwalan Cove, Iligan City	In use for operations
HEDCOR, Inc.	Hydropower plants	Kivas, Banengneng, Benguet; Beckel, La Trinidad, Benguet; Bineng, La Trinidad, Benguet; Sal-angan, Ampucao, Itogon, Benguet, Bakun, Benguet	In use for operations
HEDCOR Sibulan, Inc.	Hydropower plant	Santa Cruz, Sibulan Davao del Sur	Under construction
Cebu Private Power Corporation	Bunker C Thermal Power Plant	Cebu City, Cebu	In use for operations
East Asia Utilities Corporation	Bunker C Thermal Plant	Lapu-lapu City, Mactan, Cebu	In use for operations
AP Renewables, Inc.	Geothermal Power Plants	Tiwi, Albay Caluan, Laguna Sto. Tomas, Batangas	In use for operations
Therma Marine, Inc.	Barge mounted diesel power plants	Nasipit, Agusan del Norte Barangay San Roque, Maco, Compostela Valley	In use for operations
Aboitiz Transport System Corp.	Passenger & Cargo Ships in Operation, (Cargo) Containers	In Transit	In use for operations
	Cargo Handling Equipment	Eva Macapagal Super Terminal, Manila South Harbor; Cebu International Port	In use for operations
Pilmico Animal Nutrition Corporation	Industrial land, building/plant equipment & machineries	Barangay Sto. Domingo II, Capas, Tarlac	In use for operations

Item 3. Legal Proceedings

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

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

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

PART II – OPERATIONAL AND FINANCIAL INFORMATION

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

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

The high and low stock prices of AEV's common shares for each quarter within the past two years and first quarter of 2010 were as follows:

	2010		2009		2008	
	High	Low	High	Low	High	Low
First Quarter	----	----	6.40	5.30	7.50	6.30
Second Quarter	NA	NA	6.90	5.50	7.30	6.50
Third Quarter	NA	NA	7.50	6.10	7.70	6.20
Fourth Quarter	NA	NA	9.30	7.50	7.00	5.00

As of February 28, 2010, AEV has 11,138 shareholders. Common shares outstanding as of same date were 5,521,871,821 shares.

(2) The top twenty stockholders of AEV as of February 28, 2010 are as follows:

	STOCKHOLDERS	NATIONALITY	COMMON SHARES	PREFERRED SHARES	TOTAL SHARES	PERCENTAGE
1	Aboitiz & Company, Inc.	Filipino	2,660,600,915	0	2,660,600,915	48.18%
2	PCD Nominee Corporation	Filipino	582764,332	0	582,363,692	10.55%
3	Ramon Aboitiz Foundation Inc.	Filipino	420,915,863	0	420,915,863	7.62%
4	PCD Nominee Corporation	Other Alien	403,286,564	0	403,270,964	7.30%
5	Sanfil Management Corporation	Filipino	116,790,211	0	116,790,211	2.12%
6	Lekeitio & Company, Inc.	Filipino	91,876,977	0	91,876,977	1.66%
7	Tricanaya Development Corporation	Filipino	82,099,033	0	82,099,033	1.49%
8	INXS Holdings Corporation	Filipino	79,315,677	0	79,315,677	1.44%
9	La Filipina Uy Gongco Corporation	Filipino	65,452,000	0	65,452,000	1.19%
10	Chanton Management & Development Corporation	Filipino	62,118,484	0	62,118,484	1.12%
11	Midcita Management & Development Corporation	Filipino	59,800,893	0	59,800,893	1.08%
12	Bauhinia Management, Inc.	Filipino	51,779,484	0	51,779,484	0.94%
13	Windemere Management Corporation	Filipino	47,666,352	0	47,666,352	0.86%
14	Donya 1 Management Corporation	Filipino	43,136,359	0	43,136,359	0.78%
15	Aboitiz Equity Ventures, Inc. Retirement Fund	Filipino	40,930,592	0	40,930,592	0.74%
16	Morefund Management & Development Corporation	Filipino	40,000,000	0	40,000,000	0.72%
17	Anso Management Corporation	Filipino	34,369,707	0	34,369,707	0.62%
18	Teresita or John Carcovich	Filipino	33,463,510	0	33,463,510	0.61%
19	Triabo Development Corporation	Filipino	31,932,639	0	31,932,639	0.58%
20	John Carcovich	Filipino	29,708,268	0	29,708,268	0.54%
	SUBTOTAL		**4,978,007,860**	**0**	**4,978,007,860**	**90.15%**
	Other Stockholders		543,863,961	150,000,000	693,863,961	9.85%
	TOTAL SHARES		**5,521,871,821**	**150,000,000**	**5,671,871,821**	
	NET ISSUED AND OUTSTANDING SHARES		**5,521,871,821**	**150,000,000**	**5,671,871,821**	**100.00%**

(3) The cash dividends declared by AEV to common stockholders from fiscal year 2009 to the first quarter of 2010 are shown in the table below:

	2010	2009	2008 Regular	2008 Special
Amount of Dividend Per Share	₱0.52	₱0.27	₱0.31	₱0.30
Total Amount of Cash Dividend Declared	₱2,871,373,346.92	₱1,505,234,372.67	₱1,765,325,882.51	₱1,708,379,886.30

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

(4) On November 28, 2006, AEV signed an Issue Management and Underwriting Agreement with BPI Capital Corporation (BPI Capital) as Issue Manager for the issuance of 150 million cumulative, non-voting, non-participating, non-convertible, five-year (Series "E") and seven -year (Series "F") redeemable preferred shares at the offer price of ₱10.00 per share, or for a total offering price of ₱ 1.5 billion. BPI Capital was the Lead Underwriter, PCI Capital Corporation, Co-Lead Underwriter and First Metro Investment Corporation, BDO Capital & Investment Corporation, Multinational Investment Bancorporation, Citicorp Capital Philippines, Inc. and Union Bank of the Philippines are Underwriters for the offer. AEV paid the amount of ₱ 7.5 million as underwriting commission, excluding of taxes for the issuance of the preferred shares.

On December 6, 2006, AEV exercised its early redemption option over its Series "B" and "C" preferred shares at 105% of the face value plus accrued interest, and simultaneously issued new Series "E" and "F" preferred shares. Part of the proceeds from the issuance of new Series "E" and "F" preferred shares were used to finance the redemption of the Series "B" and "C" preferred shares. The Series "E" and "F" preferred shares were issued to qualified buyers only pursuant to Sec. 10.1 (l) of the Securities Regulation Code. Below is the list of subscribers to Series "E" and "F" preferred shares:

Subscriber's Name	Purchaser Qualification	Shares Purchased	% to Total Preferred Shares Issued
Union Bank of the Philippines	Qualified Buyer	5,000,000	3.33%
First Metro Investment Corporation	Qualified Buyer	6,400,000	4.27%
Metrobank Trust Banking as Trustee	Qualified Buyer	600,000	0.40%
Metrobank Trust Banking as Investment Manager for Private Education Retirement Annuity	Qualified Buyer	500,000	0.33%
Pioneer Life, Inc.	Qualified Buyer	300,000	0.20%
Multinational Investment Bancorporation	Qualified Buyer	4,700,000	3.13%
Equitable PCI Bank Trust as Trustee for Various Accounts	Qualified Buyer	7,500,000	5.00%
UCPB Trust Banking Division FAO Various Trust Accounts	Qualified Buyer	1,000,000	0.67%
Perla Compania de Seguros, Inc.	Qualified Buyer	200,000	0.13%
Cibeles Insurance Corporation	Qualified Buyer	300,000	0.20%
Mapfre Insular Insurance Corporation	Qualified Buyer	5,000,000	3.33%
SM Prime Holdings, Inc.	Qualified Buyer	10,000,000	6.67%
The Insular Life Assurance Co., Ltd.	Qualified Buyer	10,000,000	6.67%
BPI AMTG as Investment Manager for PERAA	Qualified Buyer	10,000,000	6.67%
BPI AMTG as Trustee for Various Trust Accounts	Qualified Buyer	21,400,000	14.27%

Subscriber's Name	Purchaser Qualification	Shares Purchased	% to Total Preferred Shares Issued
BPI AMTG as Trustee for Various Trust Accounts	Qualified Buyer	10,000,000	6.67%
BPI AMTG as Investment Manager for Ayala Fixed Income Fund, Inc.	Qualified Buyer	4,100,000	2.73%
BPI AMTG as Investment Manager for Ayala Fixed Income Fund, Inc.	Qualified Buyer	18,000,000	12.00%
PCI Capital Corporation	Qualified Buyer	7,000,000	4.67%
Knights of Columbus Fraternal Association of the Philippines	Qualified Buyer	3,000,000	2.00%
Beneficial PNB Life Insurance Co., Inc.	Qualified Buyer	3,000,000	2.00%
PCI Capital Corporation	Qualified Buyer	2,000,000	1.33%
Equitable PCI Bank Trust Banking	Qualified Buyer	15,000,000	10.00%
BDO Capital & Investment Corp.	Qualified Buyer	5,000,000	3.33%
	TOTALS	150,000,000	100.00%

Series "A" and "D" were redeemed last December 6 and 13, 2009 respectively. AEV's outstanding preferred shares as of December 31, 2009 and 2008 consist of (1) Series "E" with fixed dividend rate of 8.25% per annum; and (2) Series "F" with fixed dividend rate of 8.5% per annum.

AEV shall redeem the preferred shares at the end of the corresponding agreed periods from Issue Dates (Final Redemption Dates) regardless of the existence of unrestricted retained earnings or other amounts legally available for the payment of dividends in such period, provided that the Issuer has, after redemption, sufficient assets in the books to cover debts and liabilities inclusive of capital stock, and subject to the Issuer's compliance with the applicable laws, rules and regulations, and SEC requirements. The final redemption dates are as follows: (1) December 2011 for series "E"; and (2) December 2013 for series "F". The preferred shares shall be redeemed through cash payment of 100% of the Issue Price plus all accrued and unpaid cash dividends on the Final Redemption Date.

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

The following discussion and analysis of the Company's consolidated financial condition and results of operations should be read in conjunction with the consolidated financial statements and accompanying schedules and disclosures set forth elsewhere in this report. AEV and its subsidiaries are sometimes referred to as the "Group".

Adoption of Philippine Interpretation IFRIC 12, Shift from Cost to Fair Value Model in Accounting for Investment Properties and Accounting for Disposal Group

In 2008, certain power subsidiaries and associates adopted IFRIC 12, a new accounting standard in accounting for service concession arrangements, while AEV shifted to Fair Value Method in accounting for the Group's investment properties. The 2007 and 2006 financial statements were restated to retroactively apply the adoption of this new accounting standard and the shift to the fair value model.

With the planned sale of the Company's investment in ATS in 2009 and in compliance with new accounting standards, the 2008 net income and assets and liabilities of the ATS Group, except Aboitiz Jebsen Group, are reported separately as a disposal group held for sale (refer to notes nos. 1 and 14 of the attached consolidated financial statements). To be comparative with 2008 financials, the consolidated income statements for 2007 and 2006 have been reformatted to also reflect the net income of the disposal group under a separate account "Net income for the year from disposal group".

Key Performance Indicators

Management uses the following indicators to evaluate the performance of 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 investees for each reporting period subsequent to acquisition of said investment, net of goodwill impairment cost, if any. Goodwill is the difference between the purchase price of an investment and the investor's share in the value of the net identifiable assets of investee at the date of acquisition. Equity in net earnings (losses) of investees indicates profitability of the investments and investees' contribution to the Group's consolidated net income.

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

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

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

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

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

   Key Performance Indicators for 2009, 2008 and 2007 (Restated) are as follows:

	Dec 31/2009	Dec 31/2008	Restated Dec 31/2007
EQUITY IN NET EARNINGS OF INVESTEES	-----	3,631,338	3,987,803
EBITDA	-----	8,701,442	9,369,083
CASH FLOW GENERATED:	-----		
Net cash provided by operating activities	-----	2,027,018	4,492,855
Net cash used in investing activities	-----	(7,537,807)	(7,052,267)
Net cash provided by (used in) financing activities	-----	3,096,460	13,335,684
Net Increase (Decrease) in Cash & Cash Equivalents	-----	(2,414,329)	10,776,272
Cash & Cash Equivalent, Beginning	-----	18,568,226	8,009,957
Cash & Cash Equivalent, End	-----	16,619,181	18,568,226
CURRENT RATIO	-----	1.93	2.47
DEBT-TO-EQUITY RATIO	-----	0.62	0.40

Note: Amounts in thousands except financial ratio data.

All the key performance indicators were within management's expectations during the period under review.

2008 equity in net earnings of investees registered a 9% year-on-year (YOY) drop, due mainly to the anticipated decline in earnings of the banking associates. Lower trading gains and other non-interest revenues of UBP and the decrease in the profit margins of CSB resulted in the decline of their income contributions.

The decline in the 2008 EBITDA was attributable to the decrease in the operating margins of subsidiaries and in the share of net earnings of associates. Increase in cost of power purchased or generated for AP, higher fuel prices for transport, and the rise in costs for raw materials and freight for food resulted in the decrease of the operating margins of these industry groups.

Despite the challenging economic environment and external market volatilities, the Group has consistently managed its cashflows and operations effectively, generating positive cash inflows from operations and registering healthy financial ratios. This strong financial position enables the Group to deliver higher value directly to its shareholders, while continuing to invest in its growth opportunities.

The government, through NPC and the PSALM, is expected to continue to auction off power generation assets. AEV's power subsidiary, AP, is currently evaluating the investment viability of these assets and intends to participate in the upcoming bidding process.

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

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Year ended December 31, 2008 vs. Year ended December 31, 2007

Results of Operations

AEV and subsidiaries posted a consolidated net income of ₱4.12 billion, a 29% decline from previous year's restated net income of ₱5.82 billion. This translates to an earnings per share of ₱0.73 for 2008. Ownership dilution in AP and lower earnings contributions of parent and its operating units accounted for the marginal decline in earnings performance for the year.

On a recurring basis, the Group registered a consolidated net income of P4.90 billion, a 3% decrease from last year's ₱5.04 billion. For 2008, the Group recorded a non-recurring net loss of ₱775 million, which includes (1) a foreign exchange net loss of ₱403 million at parent and subsidiary levels, (2) a ₱575 million loss due to a booked asset impairment provision in anticipation of the sale of ATS in 2009, (3) a ₱198 million share in the reversal of provisions made by a power associate due to an arbitration settlement, (4) a ₱43 million share in a subsidiary's project cost write-off, and (5) a ₱48 million share in gains on asset sale and insurance claims made by ATS.

AP accounted for the bulk of AEV's income at 70%. This was followed by the banking, food and transport groups with contributions of 18.6%, 9.7% and 1.7% of total, respectively.

Despite AEV's ownership dilution in AP, the power group continued to be AEV's main earnings contributor for the year with its income contribution of ₱3.32 billion, recording a slight marginal decline from last year's ₱3.35 billion. When adjusted for non-recurring items, the group recorded a 30% YOY income growth, from ₱2.74 billion in 2007 to ₱3.57 billion in 2008.

The power generation business shored in the bulk of AP's income contribution to AEV. The business ended the period with net earnings contribution of ₱2.11 billion, up 3% YOY. With adjustments for one-offs, net income contribution grew by 72% YOY, from ₱1.42 billion in 2007 to ₱2.43 billion in 2008. This strong showing can be mainly attributed to the incremental earnings contributions from 2007 acquisitions, with major contributions coming from the 232 MW STEAG coal power plant. Total power sold for the period recorded a 70% YOY expansion, from 1,018 GWh to 1,728 GWh. The increase was brought on by the full-year contributions of the 2007 acquisitions. The takeover and operation of the 100 MW Binga hydro power plant in July 2008 has likewise resulted to the increase in the Group's generation output. Higher rainfall during the year resulted to higher capacity factors for most of the hydro plants as well.

On the other hand, the power distribution group's kilowatt-hour electricity sales for the period grew by 13% YOY, from 2,790 GWh to 3,142 GWh. Aside from the incremental volume sales from the 2007 acquisitions, expansion in SEZ's industrial segment accounted for the strong growth of the distribution group, with power demand increasing mainly due to the operation of the Hanjin shipyard. On an organic basis, the group recorded a growth of 7% YOY. Despite robust volume growth recorded, the power distribution business contributed net earnings of ₱1.14 billion to AEV, a 12% YOY decline. This decrease in income contribution was mainly due to AEV's ownership dilution in AP, coupled with increased fixed operating expenses resulting from 2008's high inflationary environment.

The financial services group contributed net earnings of ₱880 million in 2008, recording a 29% YOY decline from previous year's ₱1.24 billion. UBP ended the period with an earnings contribution of ₱843 million, 28% lower than the previous year's ₱1.18 billion, while CSB contributed earnings of ₱37 million, down 42% from the same period last year.

Considering both continuing and discontinued operations, the transport group ended the year with an income contribution of ₱81 million, vis-à-vis last year's earnings contribution of ₱318 million. On a recurring basis, stripping off AEV's share of ATS's non-recurring gains amounting to ₱313 million and ₱48 million in 2007 and 2008, respectively, the transport group's earnings performance expanded by more than six times, from ₱5 million in 2007 to ₱33 million in 2008. The strong showing of its freight revenues and improved value-added business accounted for the growth in recurring income.

Income contribution from AEV's non-listed food subsidiary, Pilmico, amounted to ₱458 million, a 13% decrease from previous year. Despite a 23% increase in revenues, the flour business recorded a 27% YOY decline in earnings contribution. In the meantime, the company's swine and feeds business recorded a 62% YOY earnings expansion, which resulted from favorable prices and robust volume sales.

Material Changes in Line Items of Registrant's Income Statement

Consolidated net income attributable to equity holders decreased by 29%, from the restated ₱5.82 billion in 2007 to ₱4.12 billion in 2008.

Gross profit for the year from continuing operations amounted to ₱2.51 billion, a 20% decline from the ₱3.13 billion posted last year. The 16% or ₱3.27 billion hike in costs and expenses more than offset the 11.5% or ₱2.66 billion growth in consolidated revenues. All the industry groups registered YOY decreases in gross profit.

Power subsidiaries reported a combined 12% or ₱247 million decrease in operating margins resulting from an increase in costs and expenses which more than offset the increase in revenues. The ₱931 million spike in revenues generated mostly by the Enerzone companies and of CPPC was offset by the ₱1.18 billion hike in costs and expenses resulting from higher cost of CPPC's generated power and of power purchased by SEZ, MEZ and BEZ.

The food group reported a 24% drop in margins (₱729 million vs ₱957 million) as revenues increased only by ₱2.06 billion while costs and expenses rose by ₱2.29 billion. The 24% boost in sales was attributed to better selling prices in its flour business, strong volume sales for its swine business and favorable prices for both swine and feeds businesses. Higher costs of raw materials and freight resulted in a 30% increase in operating costs.

Share in net earnings of associates registered a 9% decrease (₱3.63 billion vs ₱3.99 billion) primarily due to the decrease in income contribution of the banking group. UBP ended the period with an earnings contribution of ₱843 million, 28% lower than the previous year's ₱1.18 billion. Other income decreased by 21% (₱3.01 billion vs ₱3.82 billion) substantially due to the extra-ordinarily huge income generated from trading and sale of assets in 2007 which was not duplicated in 2008. Provision for impairment losses also increased by 127% (₱860 million vs ₱380 million) as the bank continues to build-up its provisioning this year. The drop in other income and increase in provisions more than offset the 21.63% or ₱1.05 billion increase in net interest income resulting from higher asset yields and lower funding costs. Likewise, CSB reported a 42% YOY decrease in income contributions from ₱63 million in 2007 to ₱37 million in 2008 mainly due to lower net interest margins and increased manpower costs.

The overall decline in consolidated gross profit from continuing operations was further driven by the 38% decrease (₱632 million vs ₱1.02 billion) in interest income. The Company generated lower interest earnings in 2008 as its cash balances dipped due to payment of higher cash dividends. This increase in interest income was offset by the 15% decrease in finance expense, from ₱844 million in 2007 to ₱721 million in 2008, resulting from lower average debt level in 2008.

Provision for income tax decreased by 8% as a result of the lower taxable income reported by the Group.

Net income from disposal group represents the net earnings of the ATS Group, except Aboitiz Jebsen Group. AEV's share in the net income of the disposal group decreased by 91%, from ₱337 million in 2007 to ₱31 million in 2008. This decline was mainly due to lower non-recurring gains generated during the year under review. AEV's share of the group's one-off gains amounted to ₱48 million in 2008, an 85% decrease from last year's ₱313 million gains from sale of three vessels. At the operating level, the disposal group recorded negative margins of ₱173 million in 2008, a 24% improvement from last year's ₱227 million. While the group still generated negative margins due to the rise in the cost of fuel, its single biggest expense, it recorded an improvement in 2008 as a result of the ₱2 billion increase in revenues. The strong showing of the company's freight revenues and improved value-added business accounted for this topline growth.

The ₱231 million increase in net income attributable to minority interests was mainly due to AEV's ownership dilution in AP, from 100% during the first semester of 2007 and 73% during the second half of 2007 to 76% in 2008, as a result of the AP initial public offering in July 2007 and additional purchase of AP shares by AEV in 2008.

Changes in Registrant's Resources, Liabilities and Shareholders Equity

Assets

Compared to year-end 2007 levels, consolidated assets increased 15% to ₱75.71 billion as of December 31, 2008, due to the following:

a. Trade and other receivables decreased by 32% from ₱4.25 billion to ₱2.88 billion due to the reclassification made in 2008 of disposal group's receivables, amounting to ₱1.62 billion, from this account to "Assets of disposal group classified as held for sale" account. Adding back disposal group's receivables, 2008 trade and other receivables registered a 6% increase over 2007 level, primarily due to higher trade receivables resulting from the spike in revenues of transport and food groups.

b. Inclusive those of the disposal group, inventories increased by 117% (₱3.34 billion vs ₱1.54 billion) mainly due to higher wheat inventory carried by Pilmico as of year-end 2008.

c. Other Current Assets decreased by 22% from ₱1.64 billion to ₱1.28 billion due to the reclassification made in 2008 of disposal group's similar assets, amounting to ₱628 million, from this account to "Assets of disposal group classified as held for sale" account. Inclusive those of the disposal group, 2008 other current assets registered a 17% increase over 2007 level, substantially due to higher unapplied VAT input taxes and accumulation of unutilized prepaid taxes. These prepaid taxes represent creditable taxes withheld by customers and can be used as payment of future income taxes.

d. Property, plant & equipment (PPE) registered a decrease of 13% from ₱10.31 billion to ₱8.96 billion due to the reclassification made in 2008 of disposal group's PPE, amounting to ₱4.19 billion, from this account to "Assets of disposal group classified as held for sale" account. Inclusive those of the disposal group, 2008 PPE increased by 28% over 2007 level, primarily due to the power group's acquisition of utility equipment and the on-going construction of the 42.5 MW Sibulan hydropower plant in Davao del Sur. The food group's PPE also registered a substantial increase in 2008 due to the construction of the Iligan feedmill plant, additional silos and the nucleus and grower-finisher farms in Tarlac.

e. Intangible asset - service concession right increased by 29% from ₱662 million to ₱854 million, mainly due to new capital expenditures incurred by SEZ and MEZ. These capex are now recorded under this account following their adoption of IFRIC 12.

f. Investment properties increased by 25% from ₱245 million to ₱307 million, substantially due to the acquisition of a piece of land and additional commercial condominium units by CPDC.

g. Inclusive those of the disposal group, investments and advances totalled ₱32.64 billion, up by 26% from year-end 2007 level of ₱25.98 billion. This increase was mainly attributed to the following: i) infusion of P3.39 billion for additional equity in Manila-Oslo Renewable Enterprise, Inc. (MORE), which was in turn invested into SNAP-Benguet for the acquisition of the Ambuklao-Binga hydropower complex; ii) infusion of ₱279 million in equity into RP Energy; iii) extension of stockholder's advance amounting to ₱1.47 billion to CEDC, the project company for the 3X82 MW coal plant in Toledo City, Cebu; and iv) increase in accumulated equity earnings resulting from the recording of ₱3.62 billion share in associates' net earnings and the receipt of ₱2.59 billion cash dividends from associates.

h. Other Noncurrent Assets decreased by 47% to ₱275 million due to the reclassification made in 2008 of disposal group's similar assets, amounting to ₱341 million, from this account to "Assets of disposal group classified as held for sale" account. Inclusive those of the disposal group, 2008 other noncurrent assets registered a 17% increase over 2007 level, substantially due to higher refundable deposits made in 2008.

The above increases were partially offset by the following decreases:

a. Cash & Cash Equivalents stood at ₱15.76 billion, 15% lower than the ₱18.57 billion reported as at year-end 2007 due to the reclassification made in 2008 of disposal group's funds, amounting to ₱860 million, from this account to "Assets of disposal group classified as held for sale" account. Adding back those of the disposal group, 2008 cash and cash equivalents registered a decrease of only 11% over 2007 level. This decrease was mainly due to the Company's payment of a higher cash dividend to common shareholders in 2008.

b. Inclusive those of the disposal group, available-for sale investments decreased by 21% to ₱81 million mainly due to the sale of certain investments in 2008.

c. Inclusive those of the disposal group, goodwill decreased by 20%, from ₱1.57 billion to ₱1.25 billion. The reduction was due to the ₱575 million impairment provision recorded by AEV parent on its ATS investment in 2008. This decline was partially offset by the additional ₱235 million goodwill recognized in 2008 on the acquisition of a new transport subsidiary, ScanAsia Overseas, Inc.

Liabilities

Inclusive of the ₱551 million loan of the disposal group, consolidated short-term bank loans increased by ₱4.52 billion due to the additional loan availment by the following: 1) transport group with an availment of ₱570 million to finance its working capital requirements; 2) power group with an increase of ₱1.45 billion due to the availment of loans to fund working capital requirements and the upward restatement of AP parent's dollar-denominated debt as a result of the weakening of the peso; and 3) food group with an availment of ₱1.45 billion mainly to finance its inventory build-up.

Likewise, long-term liabilities increased by 70% or ₱5.12 billion compared to 2007 year-end level, principally due to the following: 1) issuance of ₱3.89 billion fixed-rate notes by AP parent in December 2008; 2) Hedcor

Sibulan's availment of ₱1.72 billion long-term debt to finance the construction of its 42.5 MW hydropower project; and 3) SEZ's refinancing of its long-term debt. This increase was partially offset by the prepayment of debt at the AEV parent level and the loan amortization payments by transport and food groups.

Inclusive of the ₱3.02 billion payables of the disposal group, trade and other payables increased by 7% to ₱6.68 billion. This rise in payables was mainly due to advances made by subsidiary Abovant from other shareholders to fund infusions into CEDC.

Customers' deposits posted an increase of 14% or ₱199 million from last year mainly due to new connections in the CLP, DLP, and SEZ franchise areas.

Income tax payable decreased by 41% due to lower income tax provisions recorded by subsidiaries during the current year.

Equity

Equity attributable to equity holders of the parent decreased by 1% from year-end 2007 level of ₱38.28 billion to ₱37.79 billion, due to the following:

a. Share in unrealized gains on AFS investments and underwriting accounts decreased by ₱434 million due the decline in the market prices of these financial instruments as of the end of the current year.

b. Acquisition of minority interest decreased by ₱287 million, representing the premium paid by the group in acquiring the additional 40% interest in BEZ.

c. Treasury shares increased by ₱831 million as AEV parent started buying back its own shares in 2008.

The above decreases were partially offset by the following increases:

a. Retained earnings increased by ₱647 million as at December 31, 2008, mainly due to the recording of ₱4.12 billion net income for the year, offset by the payment of ₱3.47 billion in cash dividends by AEV parent to its common shareholders.

b. Share in cumulative translation adjustments of associates improved by 97% due to the depreciation of the Philippine Peso in December 2008, from ₱41.28 as of December 31, 2007 to ₱47.52. The power generating associates, which adopt the US dollar functional currency financial reporting, recorded considerable foreign exchange adjustments in generating their 2008 financial statements under the peso presentation currency. These foreign exchange adjustments are booked under Cumulative Translation Adjustments account.

Financial Ratios

Lower cash balances accounted for the decrease in current ratio, from 2.47:1 as of December 2007 to 1.93:1 as of December 2008. Higher debt level in 2008 resulted in increases in debt-to-equity ratio from 0.40:1 as of December 2007 to 0.62:1 as of December 2008, and in net debt-to-equity ratio from -0.15:1 as of December 2007 to 0.15:1 as of December 2008.

Material Changes in Liquidity and Cash Reserves of Registrant

For the year ended 2008, the Group continues to support its liquidity mainly from cash generated from operations and dividends received from associates. External borrowings are also a source of liquidity. When opportunity arises, it raises capital or disposes of certain assets to strengthen its cash position and be financially prepared to partake in major investment projects.

Consolidated cash generated from operating activities decreased by 55%, from ₱4.49 billion in 2007 to ₱2.03 billion in 2008. This decrease was largely a result of lower net income generated during the current year and to the higher funds used in financing the food group's inventory build-up.

The current year ended up with a ₱7.54 billion net cash used in investing activities, compared to the ₱7.05 billion used during the previous year. The increase was mainly due higher capital expenditures made in 2008. Net cash provided by financing activities in 2008 was ₱3.1 billion, compared to the ₱13.33 billion in 2007. The treasury share sale made by the AEV parent in January 2007 and AP IPO proceeds in July 2007 added ₱5.94 billion and ₱9.96 billion, respectively, to cash. These transactions, net of the ₱1.14 billion cash dividends paid, resulted in a higher net cash generated in 2007. In 2008 the ₱9.28 billion short and long term loan proceeds, net of the ₱3.47 billion cash dividends and P831 million treasury shares acquisition, resulted in lower net cash generated.

For the year ended 2008, net cash outflows were higher than cash inflows, resulting to a 11% decrease in cash and cash equivalents, from ₱18.57 billion in December, 2007 to ₱16.62 billion in December, 2008.

Item 7. Information on Independent Accountant and other Related Matters

External Audit Fees and Services

The external audit and consultancy fees of the Registrant for the years 2009 and 2008 were as follows:

	Year ended December 31, 2009	Year ended December 31, 2008
Audit Fees	------	₱369,600.00
Audit-Related Fees	-	-
Tax Fees	-	-
Consultancy Fees	-	-
Total	------	₱369,600.00

As a policy, the Audit Committee makes recommendations to the Board of Directors concerning the choice of external auditor and pre–approves audit plans, scope and frequency before the audit is conducted.

Audit services of external auditors for the years 2009 and 2008 were pre–approved by the Audit Committee. The Committee had also reviewed the extent and nature of these services to ensure that the independence of the external auditors is preserved.

Item 8. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

The accounting firm of Sycip, Gorres, Velayo & Company (SGV) has been AEV's Independent Public Accountant for the last 16 years, and will be recommended to the stockholders for election, approval and ratification. Mr. Ladislao Z. Avila, Jr. has served as audit partner of AEV such since 1994. AEV shall comply with the requirements of Sec. 3(b)(iv) of SRC Rule 68 on the rotation of external auditors or signing partners. Representatives of SGV will be present during the annual meeting and will be given the opportunity to make a statement if they so desire. They are also expected to respond to appropriate questions if needed.
There was no event in the past 16 years where AEV and SGV or the handling partner had any disagreement with regard to any matter relating to accounting principles or practices, financial statement disclosure or auditing scope or procedure.

In its regular meeting last March 3, 2010, the Audit Committee of AEV approved a resolution to submit for the approval of the stockholders during the Annual Stockholders' Meeting a proposal to delegate to the Board of Directors the authority to appoint the Company's external auditors for 2010. The proposal is intended to give the Audit Committee sufficient time to evaluate the different auditing firms who have submitted engagement proposals to act as AEV's external auditor for 2010.

PART III – CORPORATE GOVERNANCE

AEV has a Manual of Corporate Governance (the Manual) and Code of Ethics and Business Conduct (the Code) to guide the attainment of its corporate goals and strategies. To ensure compliance, copies of the Manual and the Code were disseminated to the Board of Directors, management and employees of AEV. Company-wide orientations on the Manual and the Code were conducted as well.

AEV has in place a performance evaluation system for corporate governance. The Compliance Officer regularly monitors and evaluates compliance by the Board of Directors, management and employees with the Manual. Together with the Human Resources Department, the Compliance Officer also ensures the implementation of AEV's rule against conflict of interests and the misuse of inside and proprietary information throughout the organization.

Corporate governance is further fostered by the Board's active role in reviewing and approving corporate goals and strategies set by management as well as in monitoring and evaluating management performance in meeting such corporate goals. The different Board committees, which report regularly to the Board, are crucial to maintaining Board oversight in key management areas.

There are no major deviations from the Manual as of the date of this report.

The Board of Directors regularly reviews the Manual to ensure that the same remains relevant and responsive to the needs of the organization.

Board Attendance

The Board's primary objectives are to improve shareholder returns, to develop responsible long-term investors, and to achieve disciplined and sustainable growth.

In 2009, the Board held eight regular and special meetings. Below is a summary of the attendance of the Directors:

DIRECTORS	SPECIAL AND REGULAR BOARD MEETINGS 2009							
	5-Jan	11-Feb	8-Apr	15-Apr	18-May	17-Jul	16-Sep	19-Nov
Jon Ramon Aboitiz	Present	Present	Present	Present	Present	Present	Present	Present
Roberto E. Aboitiz	Present	Present	Present	Present	Present	Present	Absent	Present
Enrique M. Aboitiz Jr.	Absent	Present	Absent	Absent	Present	Present	Present	Present
Erramon I. Aboitiz	Present	Present	Present	Present	Present	Present	Present	Present
Justo A. Ortiz	Present	Present	Absent	Present	Present	Present	Present	Present
Mikel A. Aboitiz (Elected on May 18, 2009 as Director)	-	-	-	-	-	Present	Present	Present
Antonio R. Moraza (Elected on may 18, 2009 as Director)	-	-	-	-	-	Present	Present	Absent
Roberto R. Romulo (Independent Director)	Present	Absent	Present	Present	Present	Present	Absent	Present
Jose C. Vitug (Independent Director)	Present	Present	Present	Present	Present	Present	Present	Present
Total No. of Directors Present	6	6	5	6	7	9	7	8

Corporate Governance Initiatives

During its regular meeting last February 11, 2009, the Board of Directors of AEV approved the creation of additional Board committees and the consolidation of existing ones. The reorganization aims to (a) enhance the role of the Board of Directors in governance, (b) better represent and protect the interests of all stakeholders of the Company, (c) ensure compliance with regulatory standards and provide appropriate information and updates.

In the Amended Manual on Corporate Governance submitted to the SEC on September 24, 2009, the Investor Relations Committee has been dissolved and the Board Nominations and Compensation Committee was merged with the Board Corporate Governance Committee which is now called Board Corporate Governance Committee.

The mandate as well as the composition of each Board committee are described below:

- The **Board Corporate Governance Committee** shall represent the Board in discharging its responsibility relating to issues around the Group's governance principles and guidelines, nomination of persons into Board and Group senior leadership roles and the various compensation matters. The Committee does not have decision-making authority, except in certain circumstances as described in the Manual or where on the extent that such authority is expressly delegated by the Board.

  Chairman: Jon Ramon Aboitiz, Members: Erramon I. Aboitiz, Roberto R. Romulo, Jose C. Vitug, Ex-Officio Members: M. Jasmine S. Oporto, Sebastian R. Lacson, Xavier J. Aboitiz

- The **Board Audit Committee** shall represent the Board in discharging its responsibility related to audit matters for the Group. The Committee does not have decision-making authority, except in certain circumstances as described in the Manual or where such authority is expressly delegated by the Board.

  Chairman: Joce C. Vitug, Members: Roberto R, Romulo, Roberto E. Aboitiz, Justo A. Ortiz, Ex-Officio Members: Stephen G. Paradies, Rolando C. Cabrera

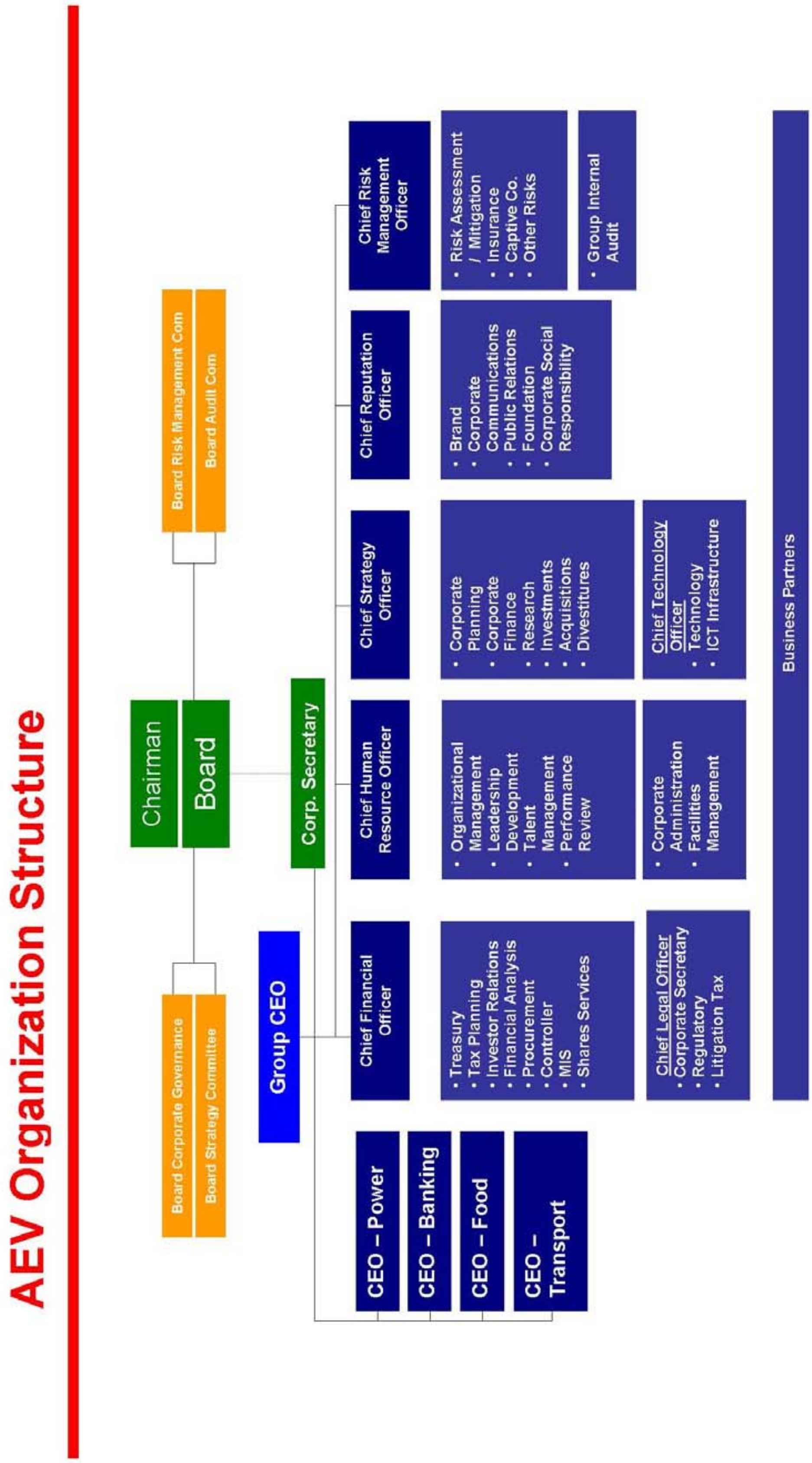
- The **Board Strategy Committee** shall represent the Board in discharging its responsibility relating to issues around the Group's business strategy and direction. In the case of the AEV Board Strategy Committee, this relates specifically to those Aboitiz Group companies in which AEV is a direct investor, even if that investment is made in another publicly listed entity, and even if the Board of that entity has a Board committee with similar duties and responsibilities. The AEV Board Strategy Committee seeks to attain a constructive, cooperative relationship with such other Board and relevant Board committees. The Committee does not have decision-making authority, except in certain circumstances, as described in the Manual or to the extent that such authority is expressly delegated by the Board from time to time.

  Chairman: Jon Ramon Aboitiz, Members: Erramon I. Aboitiz, Roberto E. Aboitiz, Roberto R. Romulo, Enrique M. Aboitiz Jr., Ex-Officio Member: Mikel A. Aboitiz

- The **Board Risk Management Committee** shall represent the Board in discharging its responsibility relating to risk management related matters around the Group. The Committee does not have decision-making authority, except in certain circumstances as described in the Manual or to the extent that such authority is expressly delegated by the Board.

  Chairman: Enrique M. Aboitiz Jr., Members: Erramon I. Aboitiz, Justo A. Ortiz, Antonio R. Moraza, Ex-Officio Members: Stephen G. Paradies, Rolando C. Cabrera

The Board of Directors of AEV also approved the realignment and updating of the AEV Organizational Structure with respect to the following key Offices and Officers:


AEV Organization Structure
Chairman
Board
Board Corporate Governance
Board Strategy Committee
Board Risk Management Com
Board Audit Com
Group CEO
Corp. Secretary
CEO – Power
CEO – Banking
CEO – Food
CEO – Transport
Chief Financial Officer
• Treasury
• Tax Planning
• Investor Relations
• Financial Analysis
• Procurement
• Controller
• MIS
• Shares Services
Chief Legal Officer
• Corporate Secretary
• Regulatory
• Litigation Tax
Chief Human Resource Officer
• Organizational Management
• Leadership Development
• Talent Management
• Performance Review
• Corporate Administration
• Facilities Management
Chief Strategy Officer
• Corporate Planning
• Corporate Finance
• Research
• Investments
• Acquisitions
• Divestitures
Chief Technology Officer
• Technology
• ICT Infrastructure
Chief Reputation Officer
• Brand
• Corporate Communications
• Public Relations
• Foundation
• Corporate Social Responsibility
Chief Risk Management Officer
• Risk Assessment / Mitigation
• Insurance
• Captive Co.
• Other Risks
• Group Internal Audit
Business Partners

ANNEX "B"

SUMMARY OF THE MINUTES OF THE 2009 AEV ANNUAL STOCKHOLDERS' MEETING

The meeting was called to order on May 18, 2009 at 4:00 p.m. by the President/Chief Executive Officer and Chairman of the meeting, Jon Ramon Aboitiz.

The Corporate Secretary certified that Notices for the meeting were duly sent out to all stockholders of record as of April 8, 2009, and that such Notice was also published in several national and Cebu newspapers of general circulation. The Secretary also certified that a quorum was present as of 3:50 p.m., representing 73% of the total shares outstanding and entitled to vote, or more than 2/3 of such total shares.

The reading of the minutes of the previous stockholders' meeting was dispensed with but such minutes were duly approved.

The body passed the following resolutions:

1. Approval of the Corporation's Annual Report and Audited Financial Statements as of December 31, 2008;
2. Ratification of all acts, resolutions, agreements, contracts and investments of the Board of Directors, management and corporate officers for the year 2008, as well as all other acts up to May 18, 2009;
3. Delegation of the authority to elect the Company's external auditor for 2009 to the Board of Directors;
4. Election of Roberto E. Aboitiz, Jon Ramon Aboitiz, Erramon I. Aboitiz, Enrique M. Aboitiz Jr., Justo A. Ortiz, Antonio R. Moraza, Mikel A. Aboitiz, Roberto R. Romulo and Jose C. Vitug as directors of the Corporation. Mr. Romulo and Justice Vitug (ret.) are the Corporation's independent directors.
5. Approval of the Directors' compensation and per diem for 2009

After the approval of such Resolutions, the meeting was duly adjourned.