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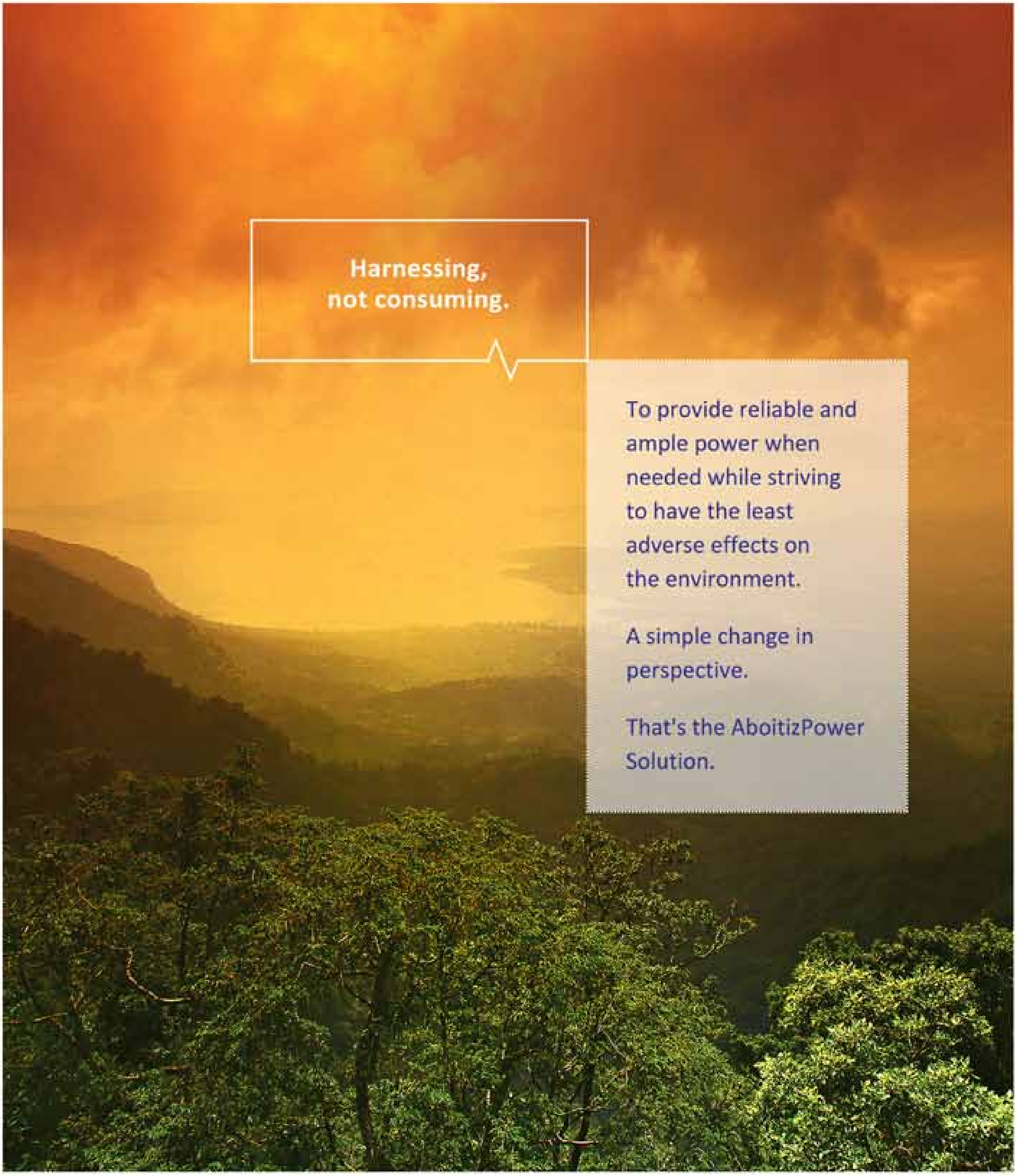
OUTLOOK 2012

REVIEW 2011

POWER | BANKING | LAND DEVELOPMENT | FOOD
CONSTRUCTION | SHIPBUILDING | SOCIAL RESPONSIBILITY



AboitizPower
A Better Future

www.aboitizpower.com

AboitizPower
A Better Future

ERRAMON ABOITIZ
President & CEO
AboitizPower

Thriving in a new environment

We are a strong company, we have a diversified portfolio of generating assets, and we have an experienced management team that understands the business. We therefore have all the ingredients necessary for us to thrive in this new environment.

AboitizPower will be facing a lot of pivotal changes in the industry landscape in the next few years. Over 70% of the generating assets and independent power producer (IPP) contracts of the National Power Corporation are in private hands. The Wholesale Electricity Spot Market (WESM) in Luzon and Visayas is functioning well; this year, WESM will be opened up in Mindanao if all goes as planned.

Investments in greenfield projects by existing industry players are starting to pour in and new players are also coming into the game. We are moving into a situation where there will be adequate supply of power across all the grids, and some even fear an oversupply.

Regulators are tightening their scrutiny over their areas of responsibilities. The public has become more vigilant and involved in the power debate. There will be pressure to bring down rates to the end user; where the squeeze will come from—whether generation, distribution, transmission or all of the above—is not yet clear.

Transition supply contracts are expiring and will be replaced with bilateral contracts. Open access, something that we have been waiting for all these years, is imminent. We're in for exciting times.

We are a strong company, we have a diversified portfolio of generating assets, and we have an experienced management team that understands the business. We therefore have all the ingredients necessary for us to thrive in this new environment.

Among all these changes in the industry, one of the most important, if not the most important reform, is open access. I have repeatedly referred to it as the Holy Grail in transforming the power industry from a regulated, monopolistic industry to a competitive, market driven one.

For generators, open access will broaden our markets and will allow us to service directly the end user, initially the large consumers. It will give us the opportunity to implement and operate our "gentailer" business model. It will also change the nature of the relationships of distribution utilities with their suppliers and customers.

But the flipside to this is that open access will empower customers with the capability of choosing their generation providers. Without a doubt, they will do what they can to drive down their cost, playing one power supplier with the other.

So while we see it as an opportunity for us to tap new markets and serve new customers, our customers see it as an opportunity to diversify their power sources and squeeze suppliers to get the best deal.

Finally, the power of choice is in their hands.

What is clear is that we need to get better at what we do. We need to be the low-cost producer. We need to work harder than everyone else. We need to keep our guard up, and as articulated by our brand attributes, we need to be expert, proactive and responsible.

The AboitizPower team will embrace the changes rocking the industry, and look for and capitalize on opportunities that these changes bring.

We will thrive in this new environment.

What is clear is that we need to get better at what we do. We need to be the low-cost producer. We need to work harder than everyone else. We need to keep our guard up, and as articulated by our brand attributes, we need to be expert, proactive and responsible.

AboitizPower
A Better Future

ANTONIO MORAZA
Executive Vice President & Chief Operating Officer
Power Generation Group

GENERATION GROUP

"Our focus will be on greenfield projects as we are currently in varying stages of development for three coals plants in Subic, Pagbilao and Davao. We expect that all three will break ground within the year. This is going to present numerous changes for us and problems that we may not be very familiar with. We will therefore devote great attention to detail on these activities.

The Generation Group's primary deliverables are availability and cost. In 2011, much effort and focus were spent on availability.

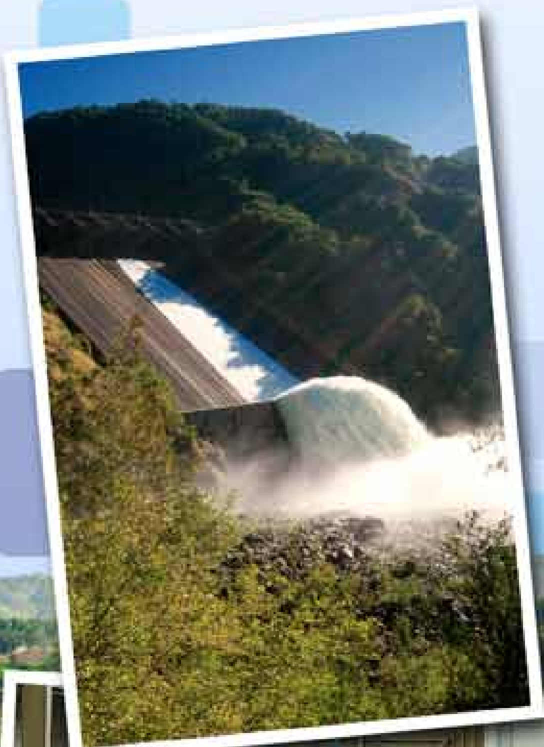
Four power barges, with a total capacity of 244 MW, were turned over to us in June 2011. Major rehabilitation of all units is currently at midway point. The three barges with a new substation are expected to be online by late May 2012.

For our SN Aboitiz Power joint venture, the big event was the rebirth of the Ambuklao Complex, which now provides an expanded 105 MW capacity to the Luzon Grid. Aside from this, we started the gradual replacement of the Binga units as well as transformers. At yearend, we had completed the first unit.

For our small to medium hydro group, Hedcor also added a small plant of 4 MW in Irisan, which is now operational. We also completed the 100% acquisition of the 70-MW Bakun plant from our Luzon Hydro Australian partners. In early December, we stopped operations to repair the tunnel and we expect the plant to be back online by May 15, 2012.

For our Geothermal Group, AP Renewables, Inc.'s (APRI) rehabilitation efforts are moving at a good pace. Except for the major work needed on Unit 6 in MakBan, all other units have been rehabilitated and are now running from 3 to 8% more efficiently. Nonetheless, the APRI team continues improvements that will lower future repair costs. The team has since moved to Tiwi, Albay where the first unit is undergoing rehabilitation.

Again, we expect to complete the rehabilitation of all units in both Tiwi and MakBan by July of this year. We have also embarked on the rehabilitation of



the existing binary units at MakBan, which have not been operational since 2008. These units have the capability of adding 12 MW to our production output without additional steam requirement.

The MakBan and Tiwi facilities maintained high availability in 2011, achieving levels of 94.3% and 95%, respectively. In the area of environmental and safety, APRI received national recognition from the Safety Organization of the Philippines for achieving 2-million safe-hours at MakBan and 3 million safe-hours at Tiwi. The Department of Environment and Natural Resources also commended APRI and Hedcor for their exemplary environmental performance.

Finally, for our Coal Group, the team has been concentrating on new greenfield projects.

All in all, much has been accomplished. Since AP Gen was established two years ago, we have hired over 1,000 people, acquired several new facilities (which were either in the process of rehab or inoperational during their acquisition), and installed common systems, platforms, policies and procedures to cut across the whole group.

"Since AP Gen was established two years ago, we have hired over 1,000 people, acquired several new facilities (which were either in the process of rehab or inoperational during their acquisition), and installed common systems, platforms, policies and procedures to cut across the whole group.

2012 will be an interesting year as we embark on a number of major projects.

Our focus will be on greenfield projects as we are currently in varying stages of development for three coals plants in Subic, Pagbilao and Davao. We expect that all three will break ground within the year. This is going to present numerous changes for us and problems that we may not be very familiar with. We will therefore devote great attention to detail on these activities.

We will likewise break ground in five small hydro projects: the expansion of the Sibulan cascade with the 6.6-MW-Tudaya 1 and 7-MW Tudaya 2 plants; two plants in Bukidnon (Sita 16 MW and Simod 18 MW) and hopefully, one more in Luzon (13.2-MW Sabangan project).

For our geothermal plants, we will be leveraging discussions with Chevron and work towards a mutually beneficial and long-term steam sales agreement.

We have beefed up our organization for the year and feel confident that we can manage these multiple projects. With our rapid growth and the concern on succession, we are actively in the process of identifying talent from within, and the training and intervention efforts that are required. By accomplishing these initiatives, we will end up casting a wider net, where we also scout externally for prospective team members.

We will also be implementing a culture-building program designed for all team members to align with and personify Aboitiz values.

AboitizPower
A Better Future

JAIME JOSE ABOITIZ
Executive Vice President & Chief Operating Officer
Power Distribution Group

DISTRIBUTION GROUP

"The push for a reliable and flexible network is one that entails many years of planning and millions of pesos in investment. In 2011, substations were built and upgraded along with many kilometers of new distribution lines strung up. This non-stop cadence of frenetic activity will continue into 2012 and in the years to come.

Unlike in 2010, our distribution utilities (DUs) saw much lower unitary sales growth in 2011, owing in large part to the fact that it was a relatively wet and cool year. This enforces the ever-higher correlation between ambient temperature and electricity sales.

Having said that, it was in other respects an eventful year for our DUs. They are now all under performance-based ratemaking, with its consequent upward pull on gross margins at all units as well as increase in consciousness on customer-oriented service level indicators.

The DUs experienced no significant supply shortfalls in 2011, aided by adequate rainfall in Mindanao and the full-year operation of new generation capacity in the Visayas. There could be some deficits in Mindanao in 2012 but the Visayas should be fine. The National Power Corporation continues to reduce allocations to all DUs and so almost all our units signed power purchase agreements with various suppliers in 2011, causing an inevitable uptick in their respective generation costs.

Revenue protection efforts aimed at reducing or controlling systems loss began at all the DUs in 2011 and so far, the results have been very encouraging. These units will redouble their efforts in 2012, when we expect the Visayan Electric Company (VECO) to be below the regulatory cap of 8.5% by mid-year.

Davao Light & Power Company signed its first-ever five-year collective bargaining agreement (CBA) in 2011. Cotabato Light & Power Company signed its third consecutive CBA with a five-year duration. VECO negotiates this year, and we are hoping for a five-year one there as well.

Information systems are at the heart of efficiency at our DUs and the move towards standardized systems throughout the Group continues with the roll-out of the Oracle work asset management system at Davao Light and VECO in 2012. It will be recalled that a unified Oracle customer care and billing system was implemented at all DUs in 2011.

The push for a reliable and flexible network is one that entails many years of planning and millions of pesos in investment. In 2011, substations were built and upgraded along with many kilometers of new distribution lines strung up. This non-stop cadence of frenetic activity will continue into 2012 and in the years to come.

UNIONBANK

JUSTO ORTIZ
Chairman & CEO
Union Bank of the Philippines

> **We remain confident in our Focus 2020 strategic road map, our constancy of purpose and the persistence of our progress through the economic cycles.**

2011 was a record year, the global market risks notwithstanding. Progress was made in our strategic initiative of balancing revenues by increasing customer revenues relative to trading revenues. We grew consumer finance, cash management, and commercial customer business revenues at faster rates than competition, hence increasing our market shares.

However, extraordinary trading results as a consequence of successful strategies to take advantage of market volatility continue to define our earnings profile. This stands in contrast to our accrual business where continuing compression of interest margins to record lows, fuelled by continuing excess liquidity in the money markets, was not offset by volume increases.

2011 will fold into 2012. We expect continued market volatility as we evolve to a resolution of the Eurozone and other crises, and this will provide trading opportunities. We also expect to capitalize on the momentum generated in 2011 in our higher margin consumer finance, cash management, and commercial customer business, and continue exceeding market growth rates.

We expect slower economic growth rates, hence a continued build up of liquidity as the economy's investment absorption capacity, available opportunities, and confidence remain muted relative to large international current account flows. Interest margins will thus continue to be under pressure and overall profitability will largely remain dependent on our ability to generate similar trading results as last year.

We remain confident in our Focus 2020 strategic road map, our constancy of purpose and the persistence of our progress through the economic cycles.

> **We expect to capitalize on the momentum generated in 2011 in our higher margin consumer finance, cash management, and commercial customer business, and continue exceeding market growth rates.**

City Savings an Aboitiz company

MIKEL ABOITIZ
President & CEO
City Savings Bank

> **We will aggressively face new frontiers in Luzon with the firm belief and confidence that we will be able to duplicate our success in Visayas and Mindanao.**

Coming in after two spectacular years of impressive growth, our 2011 bottom line results were modest in comparison due to the significant challenges that we faced last year. Foremost among these was the Department of Education's mandated 21% reduction on lending rates. Our estimates for FY 2011 is that our net income after tax (NIAT) grew by 19% compared to the previous year.

While City Savings Bank faced major challenges in 2011, in the end, with our team members' steadfast commitment and "can do" spirit, we overcame the obstacles and triumphed. Most notable was a new product that achieved a record-breaking volume of releases in the company's 44-year history, resulting in a 73% increase in loan releases from the previous year.

The bank undertook major initiatives in 2011, among them, the replacement of our core banking system that is expected to improve further our processes and turnaround time.

We also rebranded and our new tagline and brand philosophy, hence 'Simple is Good' was born. We are committed to managing our business in a way that keeps our customers at the core of what we do and earn their trust through building meaningful and from-the-heart relationships with them. We expect the full implementation of our major projects to be done in 2012.

We opened five new branches last year, two in Luzon, including our flagship Ortigas branch, and three in the Visayas. We will continue our branch expansions with our goal of a nationwide presence and to be the preferred lending institution of public school teachers.

We continue to support our communities. Our team members have volunteered more than a thousand personal hours in CSR activities that have benefited over a hundred schools nationwide. More projects geared towards helping the communities we serve are in our plans for 2012.

Over the last several years, our view of the future has always been to expect tougher times ahead as the new norm but maintaining an attitude of positioning ourselves for success. We have been able to deliver successfully on this promise and 2011 was no exception. We credit our success to our team members. Everyday, they embody the essence of City Savings Bank, doing what it takes to serve our customers—from the heart and always with a smile.

2012 will be a defining year for the bank. Our growth will have to come from volume increases and the expansion of our customer franchise, and this is going to be our biggest challenge.

We will aggressively face new frontiers in Luzon with the firm belief and confidence that we will be able to duplicate our success in Visayas and Mindanao.

We remain committed to focus on our niche market. Our goal remains constant: To be the clients' top choice. We believe that we will achieve this goal through our commitment to our focused strategy and operating principles and most importantly, with the power of our committed teams.

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pilmico

SABIN ABOITIZ
President & CEO
Pilmico

"We will continue to focus on becoming our customers' partner for growth by providing a consistent positive experience, consistent quality of our products, technical and business support services, and ensuring availability and accessibility of our products, which is key to our growth.

2011 proved to be one of the most challenging years we have had in a long time. World economic woes, particularly in Europe and the United States, kept many guessing as to what will happen, how the issues will be resolved, how it will affect global economies worldwide, and which economy will fall next.

These uncertainties were particularly evident in the seesawing prices of world commodities such as wheat, corn, soya, and fuel. Volatility has become the norm. This year, wheat prices have increased by as much as 37% due to the futures prices. These fundamentals and technicals certainly affected our overall margins for the year.

While our total revenue increased by 14% compared to 2010, net income and EBITDA were lower. The second half of the year proved to be very challenging particularly in our swine business, where prices of live hogs were at a low, affecting our swine and feeds business in general.

Flour volume for 2011 was lower by 2% as we continue to be challenged by imported flour sold at lower prices. Significantly, there is an increasing acceptance in the use of imported flour, although of lower quality, by both the distributors and end-users due to the price gap. While selling price per bag went up, this was not commensurate to the increase in the cost of wheat, thereby eating into our margin.

Overall, the feeds industry suffered from high input costs and low farm gate prices. Despite these challenges, our feeds volume grew by 2% and the average price per metric ton also increased. Our feeds business has contributed the biggest share in our volume growth and has continually grown in the last 3 years.

In 2011, both of our feed mills in Iligan and Tarlac passed the HACCP and ISO 9001:2009 certification, signifying our commitment to quality standards in terms of our products and processes.

While swine volume is 13% higher, the average farm gate price for the year was about 5% lower than in the previous year, thus affecting margins.

Despite these challenges, we are confident that our core businesses will continue to grow. We will continue with our strategy of maximizing and growing our existing businesses, while at the same time looking for opportunities to diversify, to grow the breadth and depth of our products and services, thereby minimizing risk and creating a more stable business model.

We foresee flour growth in the areas of ready-to-

eat snack foods, noodles and biscuits and the continuous expansion of bakery chains particularly in Visayas and Mindanao. The strategy going forward is to protect our market share and grow with population at a rate of about 2% per year. Focus will also be given to competitive price positioning.

The feeds business will continue to be a very competitive arena as we see the emergence of smaller players competing and the expansion of low-end to medium level players. At the same time, customers are becoming more demanding, more knowledgeable on issues of nutrition, genetic requirements and ingredient replacements.

Moving forward, our goal is to grow feeds at an average of 10% per year. Geographically, the biggest contributor to this growth will be Mindanao, followed by Luzon and Visayas.

The source of the growth will still be anchored on existing programs and products, where volume increase will essentially be coming from our core distribution structure and core hog products.

In support of these programs, we have developed a new look and feel for our feeds brand to help us stand out in a cluttered retail environment. We have sharpened the brand color to vibrant Pilmico blue and it will be visible soon in our packs, point-of-sale and other merchandising collaterals. Ultimately, our refreshed brand is about confidently and clearly establishing our value in the market and to our customers.

On top of the major investments made in 2011, we are allocating about P1.2 billion in capital expenditures this year for maintenance and expansion projects to prepare us for the growth ahead of us.

This year, we will complete work started in 2011 such as the port dredging and rehabilitation of the unloading facility with a new pneumatic unloader in Iligan. This is in preparation to accommodate bigger international vessels in the future that will bring up our unloading rate from 7,500 to 10,000 metric tons a day.

Construction of additional steel silos for our feed mill is also underway in Iligan.

We are currently expanding our existing grow-fin farm 3 to increase its capacity from 4,800 heads to 7,200 heads by the first quarter of this year. The construction of our 5th grow-fin farm is expected to be completed this May. And the construction of an offsite nursery farm is scheduled to start in the first quarter of 2012 and completed by October. By transferring the nursery facility out of the breeder farm, we expect to increase our sow level from 6,500 heads to 8,350 heads.

We will continue to focus on becoming our customer's partner for growth by providing a consistent positive experience, consistent quality of our products, technical and business support services, and ensuring availability and accessibility of our products, which is key to our growth. By adding value to our products, we aim to provide sustainable growth for our partners.

To support all these programs and activities, we continue to improve on our systems and processes and to build and develop the competencies of our people, our most valuable asset through our Partners for Leadership program. We want our people to focus on what they do best and on more value-adding activities.

We are rolling out Allegro, an Oracle-based HR Management System this month. Allegro enables fast, flexible and accurate payroll processing from time capture to ledger costing. Through its self-service functions, team members have access to their personal information and payroll-related data. The system also empowers managers with authority and ability to initiate change on employee work schedule and pay.

Allegro is our route to a fast and smart human resource management system. Our quest to look for better ways to improve productivity and efficiencies continues to excite, energize and engage our people.

With all these in place, we are confident that we will be able to weather whatever challenges the year 2012 has in store for us.

AboitizLand

ANDONI ABOITIZ
President & CEO
AboitizLand, Inc.

"Clearly, we are in a highly competitive industry that requires a daily focus on changes and new developments. 2012 promises to be much more intense. To succeed, we need to tailor the organization to respond faster, with more creativity and with greater passion. We do realize that average performance is simply not going to be good enough. At AboitizLand, we embrace this challenge.

More than anything, 2011 was a year of stiff competition. And it will likely be the case for many years.

The mushrooming of local developers, coupled with the aggressive entry of national players over the past year, has indeed changed Cebu. We now see more vertical and large scale construction than ever before.

To keep up with a transformed industry, we in AboitizLand had to compete against ourselves—against past performance and targets; all these while our organization continued to be moulded by change from within. Looking at the past 12 months, resonant was the call to constantly raise the bar.

Residential

2011 saw our residential peso sales hit and surpass P1 billion—a record year in AboitizLand history. Also within the year, we sold out the 138-unit Kishanta Zen Residences in Talisay as well as all the 124 lot-only units of Ajoya in Cordova.

To keep the ball rolling, two new products were unveiled in the 4th quarter of 2011: Our first resort-themed walk-up condominium, Hanaya Mist, and the Ajoya shophouse units.

For 2012, you will discover our latest high-end lots only development in North Bacayan, Cebu. The Priveya Hills project, just a few minutes away from Pristina North, will be AboitizLand's first green community spanning nearly 60 hectares. We also expect to launch the final phase of The Persimmon development as well as an affordable condo product in Cebu this year.

Commercial

Much has been learned from our retail and office lease operations over the years. Our foot traffic in 2011 was remarkable, complementing the opening of more outlets at The Persimmon Plus and Pueblo Verde. This gave our commercial occupancy a much-welcome boost. We do realize that despite relevant growth over the past year, more is expected to achieve full occupancy.

We thus translate our increasing experience in the commercial business into the planning of future projects. Several of these developments will be launched in 2012, ready to serve neighboring residences and communities.

Industrial

This year celebrates the 20th year of partnership between Tsuneishi Heavy Industries and the Aboitiz Group—a testament to our enduring commitment and service. Prospecting for a third estate has begun, to grow recurring revenue for AboitizLand.

2012 will also reveal a new product for the Industrial Business Unit. Conceptualization has begun to launch an eco-adventure park in Cansomoroy, Balamban. This development, situated near the Ramon Aboitiz Foundation's Kool Adventure Camp facility, is a seed project for the 260-hectare property.

Subangdaku

For mixed use projects coming up, we introduce to you a 16-hectare masterplanned development in Subangdaku, Mandaue City. It is envisioned to contain a mix of residential, commercial, and green space integrated with retail, leisure, sporting, and community facilities. Design development is ongoing and site development and construction of retail facilities shall commence in the 4th quarter of 2012.

Clearly, we are in a highly competitive industry that requires a daily focus on changes and new developments. 2012 promises to be much more intense.

To succeed, we need to tailor the organization to respond faster, with more creativity and with greater passion. We do realize that average performance is simply not going to be good enough.

At AboitizLand, we embrace this challenge.

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Cordova, Cebu

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METAPHIL

NAPOLEON PE, JR.
President & CEO
Aboitiz Construction Group, Inc.
Metaphil International, Inc.

"In 2012, Metaphil will continue to grow the three business units of Construction, Fabrication, and Engineering Design and Detailing. Maintenance works are being explored as base load to cover the fixed overhead costs. Large-scale and complex projects in the power, mining, petrochemical, oil and gas industries are also being eyed.

Metaphil finally made a mark in 2011 when it hit P4 billion in sales. Nearly tripling its sales, both from local and international projects, the company had its share of growth pains—people sourcing, project management stretch, and deadline rush.

Metaphil's first-ever modular project in Balamban was a challenging, learning experience to many *kauban**. Despite trying times, the *kauban* spirit is not one to be easily let down, as the team drew strength from each other. Truly rowing to win with the *bugsay* despite the many obstacles, Metaphil's resilience as a team continues to shine. The team is more ready and eager to face 2012.

2011 saw many firsts for Metaphil. We already mentioned earlier our sales and modular experience. We were also the first to acquire a self-propelled module transporter (SPMT) that is capable of transporting products weighing 800 tons.

It was also the first time that we got an accreditation for an Integrated Management System (IMS, ISO 9001:2008, ISO 14001 and OHSAS 18001) for the two companies Aboitiz Construction Group, Inc. (ACGI) and Metaphil International, Inc. (MII). While not the first for construction, it was MII's first time to get an ASME (American Standard for Mechanical Engineering) certification. With these certifications, Metaphil can better qualify for international works.

Another first is a billion-peso project as one of the main contractors of the TJCP joint venture nickel refinery in Surigao. The most awesome first, however, is the employment of 7,000 *kaubans*, as Metaphil contributes to the economy and poverty alleviation in our country.

In 2011, Metaphil was also recognized by the Philippine Coastal Storage and Pipeline, Co. for achieving one million manhours without lost time injury.

Our efforts in scanning the whole world through conferences, client visits and even electronic contacts resulted in another first for the company—a sales backlog of P3 billion. With the growth opportunity in modular works, we embarked on the expansion of our modular fabrication facility in Balamban, west of Cebu.

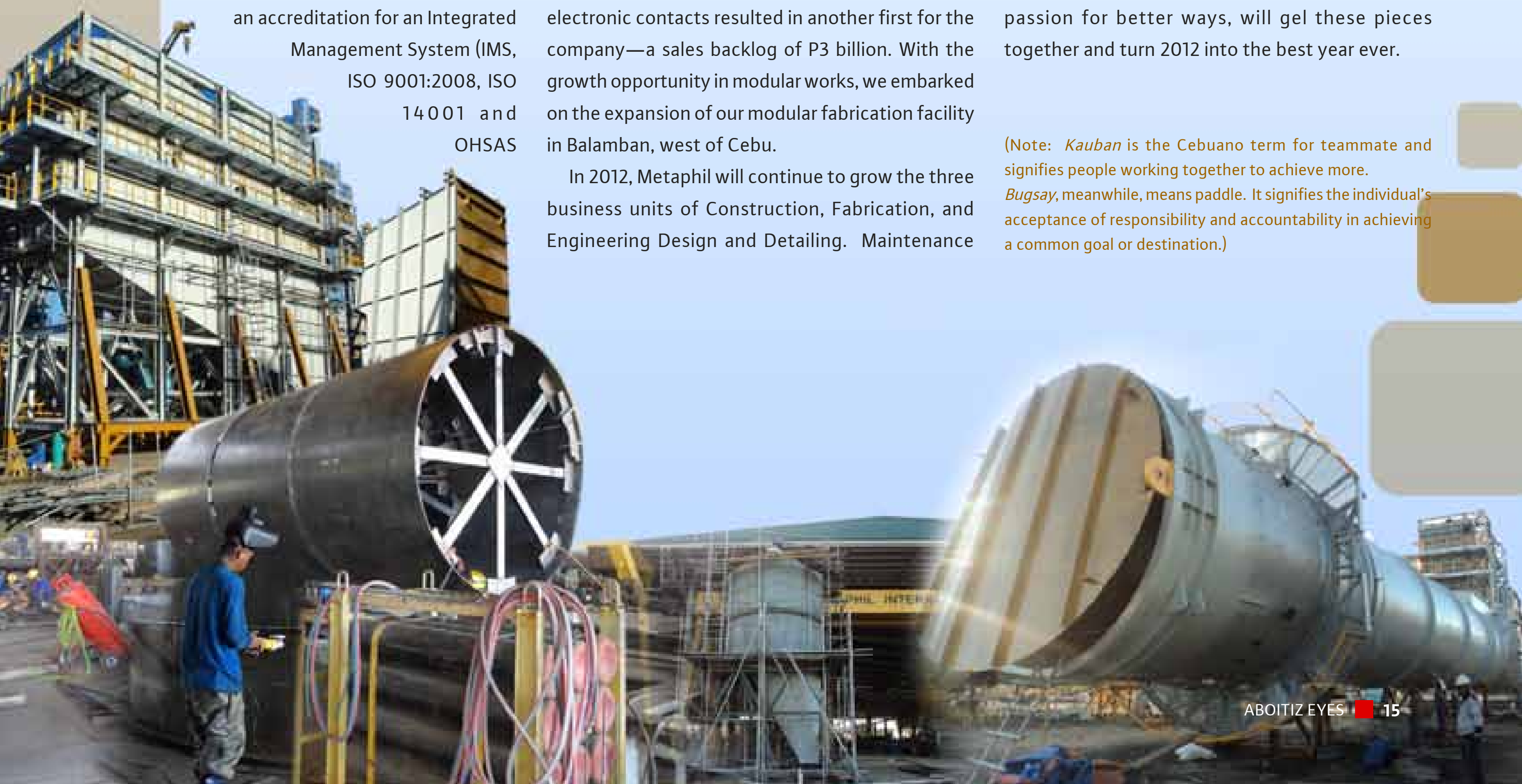
In 2012, Metaphil will continue to grow the three business units of Construction, Fabrication, and Engineering Design and Detailing. Maintenance works are being explored as base load to cover the fixed overhead costs. Large-scale and complex projects in the power, mining, petrochemical, oil and gas industries are also being eyed.

We will pursue working on being accredited as a qualified contractor both in the domestic and international arena. In Davao alone, the company will build the fourth wharf facility in the area.

As Metaphil grows, we will continue to focus on delivering RISQ (reliability, integrity, safety, quality) fueled by our *kauban* spirit and armed with the *bugsay*. Together with the growth of the company is the corresponding growth of our people, the heart and soul of the organization. Hence, many of our *kaubans* will be exposed to bigger and more fulfilling opportunities. Along with this is the expansion and accreditation of more suppliers, subcontractors and service providers.

Once again, our *kauban* spirit, driven by our passion for better ways, will gel these pieces together and turn 2012 into the best year ever.

(Note: *Kauban* is the Cebuano term for teammate and signifies people working together to achieve more. *Bugsay*, meanwhile, means paddle. It signifies the individual's acceptance of responsibility and accountability in achieving a common goal or destination.)



ROBERTO ABOITIZ
Board Director
Tsuneishi Heavy Industries (Cebu), Inc. (THICI)

"For 2012, THICI has secured 21 orders: 14 of the 58,000 DWT bulk carriers, and 7 of the 182,000 DWT bulk carriers. With this production volume, we will continue to carry out our company's values to provide excellent workmanship and product quality, to promote safety and an environmentally healthy workplace, to ensure work efficiency, and to provide timely delivery.

THICI's first Capesize vessel launched in 2010 paved the way to attract the growing market for the 182,000-deadweight (DWT) Capesize bulk carrier in the company's backlog in 2011.

The successful delivery of THICI's second Capesize bulker in 2011 projected to achieve the targeted production volume for the year as it streamlined the localization of its organization. The company has a continuing program that aims to strengthen the organization, appointing Filipinos to key managerial positions to replace or support Japanese expats.

Despite the tight schedule, the company successfully delivered 18 vessels, composed of two principal products: the 58,000 DWT Handymax bulk carrier (13 vessels), and the 182,000 DWT Capesize bulk carrier (5 vessels). Since the company's inception in 1994 till yearend 2011, it has produced 137 vessels.

THICI, one of the locators at the Balamban Economic Zone was recognized by the Bureau of Customs Port of Cebu as one of the top exporters, with a total paid tax contribution of $640-million in 2011 alone.

In 2011, THICI received two recognition awards from the Philippine Economic Zone Authority as an Outstanding Employer of the Year for 2010 and Outstanding Community Projects in the Large Category. THICI feels privileged and grateful as the awards highlighted the true purpose of the company's goals: to be loved by its clients; to be loved by its community; and to be loved by its employees.

The company's advocacy for community development is reflected in its corporate social responsibility initiatives through the Tsuneishi Foundation (Cebu), Inc. In 2011, the foundation donated six classrooms to San Isidro Elementary School under a tripartite project with the Department of Education-Cebu Province and Balamban Construction. It also started its scholarship program for college students; to date, it has 38 scholars in both high school and college levels.

The foundation also successfully sealed agreements with two prestigious universities in Cebu City—University of San Jose-Recoletos and University of Cebu—as the receiving universities for its college scholars taking the following courses: BS in Electrical Engineering, BS in Civil Engineering, BS in Mechanical Engineering, and Naval & Marine Engineering.

The University of San Jose-Recoletos Balamban Campus, THICI's biggest contribution to the community in 2009, drew more students in school year (SY) 2010-2011 with students totaling 471. In 2011, the university welcomed its first elementary school graduates, with the student population growing in SY 2011-2012 with its offering of preschool education. At present, the campus has 699 students: 421 in elementary and 278 in high school. In 2012, the school will have its first batch of graduates in the kinder level and 4th year high school.

During President Aquino's State of the Nation Address, THICI was chosen to represent Region VII in leading the shipbuilding sector. Highlighted were the beginnings of shipbuilding in Balamban, once a sleepy town in the west coast area of Cebu, and the positive changes THICI has brought to the community, including employment, livelihood, education and social development.

For 2012, THICI has secured 21 orders: 14 of the 58,000 DWT bulk carriers, and 7 of the 182,000 DWT bulk carriers. With this production volume, we will continue to carry out our company's values to provide excellent workmanship and product quality, to promote safety and an environmentally healthy workplace, to ensure work efficiency, and to provide timely delivery.

As THICI develops everyday, we aim to make cutbacks in production lead time and administration expenditures, and provide proper training for each job level. The Overseas Training Project of the administration staff, which was started in 2011, is ongoing and the company awaits their return after a year of training in the mother company in Japan, Tsuneishi Shipbuilding Co., Ltd. On the other hand, the sending of trainee engineers continues.

Driven by 14,000 local workers (to date) and set objectives, THICI confidently faces 2012 prepared for whatever challenges may come.

aboitiz Foundation

JON RAMON ABOITIZ
President
Aboitiz Foundation, Inc.

"Based on the different measurement tools that we utilize, we will judiciously allocate funds for projects that have the biggest impact and success. We will also evaluate and work on overcoming the weaknesses in the processes of the Foundation and the BUs to ensure operational efficiency in the implementation of CSR initiatives.

The year 2011 was a particularly challenging year for the Aboitiz Foundation; Group-wide budgets and locations for CSR initiatives increased dramatically while enterprise development projects were expanded to more partner communities.

The increase in revenues by the different business units (BUs) across the Aboitiz Group brought about the unprecedented increase in CSR Group-wide projects, from P95 million in 2010 to P252 million in 2011, up by 163%.

The increase in budgets highlighted the need to strengthen the capabilities of CSR organizations of the BUs. The Aboitiz Foundation formulated and implemented intense training programs coupled with more frequent visits to the BUs, resulting in a significant improvement in the usage of funds and the practice of CSR in all the areas where Aboitiz companies operate.

Education continued to be the Foundation's main focus area as 73% of its total projects were education-related initiatives. Social development initiatives were also implemented in the areas of enterprise development, specifically in microfinance, which we have expanded to Davao and Benguet. We have also increased our loan portfolio while maintaining our collection efficiency at 96%. Projects on primary health and childcare and environment were likewise implemented across the Group.

We believe that measuring the impact and success of our initiatives, as well as the performance of the BUs—in project development and implementation, budget utilization, and administrative processes—is essential in the implementation of CSR projects. Using scorecards, we measure the success and impact of these projects to guide us in improving and evaluating future projects.

We have also developed a "table of standards" that we use to ensure uniformity in the implementation of projects nationwide. This table contains the standard costs of all CSR projects implemented by the different BUs.

The involvement of our team members in CSR activities continued to grow in 2011; more projects were conceptualized and more employees participated in them. We are very pleased with the significant increase in their involvement and we continue to encourage more employee initiatives.

For the year 2012, our Group-wide budget is expected to increase to P280 million, allowing us







to continue implementing projects in our four major program components.

Based on the different measurement tools that we utilize, we will judiciously allocate funds for projects that have the biggest impact and success. We will also evaluate and work on overcoming the weaknesses in the processes of the Foundation and the BUs to ensure operational efficiency in the implementation of CSR initiatives.

Education will continue to be the main program component Group-wide. More school buildings will be constructed for public schools. As part of our partnership with the Department of Education and the Aklat, Gabay, Aruga tungo sa Pag-angat at Pag-asa (AGAPP), we will construct 19 school buildings to complete the 45 school buildings that we have committed to build in two years. The other 26 school buildings were constructed and turned over to beneficiary schools last year. We will also enhance our integrated computerization program by focusing this time on thin hub computer systems instead of the regular computer donations.

In the area of enterprise development, we will continue expanding our reach to more beneficiaries and locations outside Cebu. We have forged partnerships with organizations like Hapinoy in Luzon and the Alliance for Mindanao Off-Grid Renewable Energy Program (AMORE) in Mindanao to tap micro-entrepreneurs in the electrification of off-grid communities using solar panel systems. These expansion programs will entail more capacity building training programs for our CSR organizations in the BUs.

We will also conceptualize more opportunities where our team members could be involved in and hopefully, be able to measure this in terms of number of hours and monetary value. If done, this will be the first that we know of in the NGO industry.

As for the monitoring of projects using our scorecards that we are currently using in Cebu, the Foundation intends to push this to the BUs this year so we can have a nationwide assessment of the different projects we implement.

Lastly, we will try to align a portion of our budgets with projects that support the Aboitiz Group's core businesses. Our Power Group has begun rewiring schools and we release microfinance funds to swine-related businesses using the products of our Food Group.

We believe that aligning social development projects with the Group's core businesses would help not only in the sustainability of our CSR programs but also achieve the Foundation's goal of becoming the neighbor of choice. To do so, we will expand these projects and conceptualize new interventions so we may be able to help more people help themselves.

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