

# aboitiz eyes

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## OUTLOOK2013

### REVIEW 2012

POWER

BANKING

FOOD

LAND DEVELOPMENT

CONSTRUCTION

SHIPBUILDING

SOCIAL RESPONSIBILITY



## EXECUTING THE STRATEGY

**“ AEV will invest in future businesses but not just for the sake of diversification. The key criteria for new businesses are the following: (a) linked to AEV’s core competencies, (b) scalable, and (c) with strong recurring profits and cash flow.**

**W**hile we faced some challenges in 2012, it turned out to be a good year for Aboitiz Equity Ventures, Inc. (AEV). We embarked on significant business developments including the acquisition of AboitizLand, forged strategic partnerships, and executed planned initiatives that we expect will drive us to a favorable 2013.

AEV will ride on the back of what many expect to be a strong Philippine economy; so we are optimistic of the company’s continued success and growth. GDP growth has been strong in the last couple of years and consensus is, it will remain robust. This outlook has been confirmed by the recent upgrade by Standard & Poors of the country’s credit rating.

The PSE index hit record highs in 2012, and we saw the rapid growth of investor participation at the stock market, with AEV and AboitizPower stocks performing very well. We continue to see investor interest in our stocks.

The AEV Business Development Team, which was formed in late 2011, continues

to evaluate new business opportunities that don’t fall squarely into the company’s traditional core business areas of power, banking and food.

The team is now manned by three executives whose key objectives are to scan the market for opportunities, evaluate potential projects, and, if deemed acceptable from both a risk and return basis, develop and execute the deals.

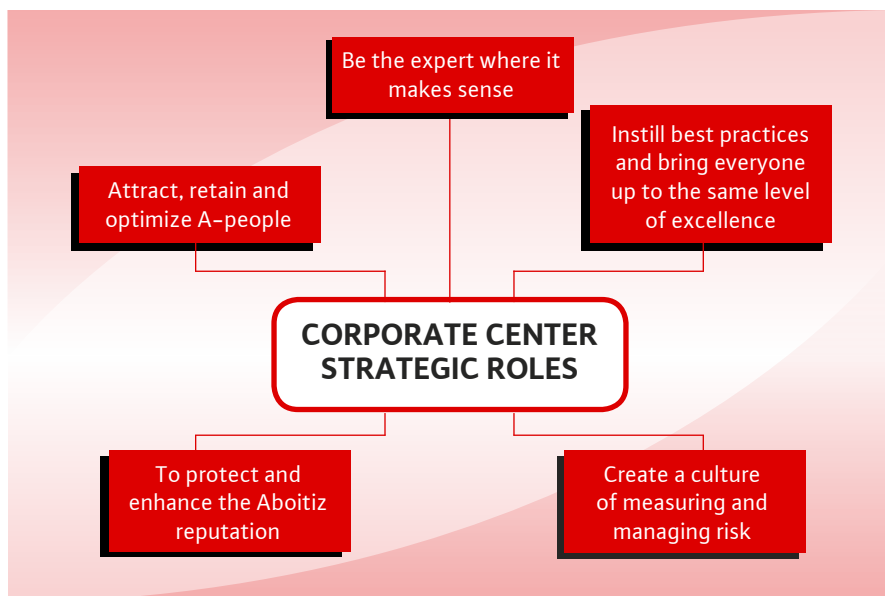
Our major focus in 2012 was to track and evaluate the government’s private-public partnership (PPP) program. From this effort stemmed our decision to form a consortium with the Ayala Corporation and ADC&HAS to bid for the Cebu-Mactan International Airport terminal project.

AEV also formed a joint venture company with UK company GazAsia Ltd to build plants in the Philippines that will convert bio-methane produced from organic waste material.

In 2013, our focus will be getting pre-qualified and as well positioned as possible to successfully bid for the airport terminal project in the 3rd quarter of this year. Parallel to this will be ongoing efforts to develop key projects in select sectors (both PPP and non-PPP) that stand to gain in line with the country’s growth trajectory.

AEV will invest in future businesses but not just for the sake of diversification. The key criteria for new businesses are the following: (a) linked to AEV’s core competencies, (b) scalable, and (c) with strong recurring profits and cash flow.

We are encouraging our strategic business units to look for growth opportunities in their



respective sectors that capitalize on our core competencies. We will also pursue aligning the efforts of the Corporate Center with common strategic objectives of the Group.

### Corporate Center Strategic Roles and Group Core Values

In 2012, we accomplished so much in terms of clarifying the roles of the Corporate Center and how we add value to the Group. This year, we are putting into action the 5 strategic roles: (a) to be the expert where it makes sense; (b) to instill best practices and bring everyone up to the same level of excellence; (c) to create a culture of measuring and managing risk; (d) to protect and enhance the Aboitiz reputation; and (e) to attract, retain and optimize A-people.

Corporate Center shall be carrying out these roles, partnering with business units in order to add greater value to the Group.

In 2012, the Group Mancom revisited and refined the Aboitiz core values, which are time-honored principles that have shaped and guided our organization for over a century now. They have also been instrumental in providing us with the long-term success we enjoy today.

This year, we are launching our rearticulated values for the Aboitiz Group –values that we feel are truly representative of “the Aboitiz way”. These values are: integrity, innovation, responsibility and teamwork.

We may have all the “whats” in place, but if we don’t have the “hows” spelled out, then the equation to success is incomplete. Our core values are what guide us on the “hows”. The right execution is and will be crucial to the Group’s success.



Collectively, we at AboitizPower have a strong understanding of the landscape of our business. We understand the trends, have identified the opportunities and pinpointed the risks. We have crafted our strategies to maximize these opportunities for the company’s benefit, and overcome the challenges that come our way.

As we look to 2013 and the years ahead, what will differentiate us from our competitors is not just the soundness of our strategies,

but the effectiveness and timeliness of our execution.

In achieving our Vision of A Better Future, and our Mission of Finding Better Power Solutions for our stakeholders, our responsibility is clear: We need to provide reliable and ample power supply when needed. We need to ensure that the supply of electricity is provided at a reasonable and competitive price. And we need to do this with the least possible adverse effects on the environment and our communities.

We are fortunate to be in a good position of leadership and strength. But if there is anything that last few years has taught us, it is that there is no such thing as “business as usual”.

New stakeholder expectations, new markets, new competitors and new regulation will force us to continue revisiting what and how we do things. We need to be nimble, able to implement and willing to participate in an ever-changing future.

Power distribution’s once simple model of purchasing power from the National Power Corporation, distributing electricity, collecting revenues and securing rate increases has disappeared.

In power generation, take or pay contracts, government performance undertakings and other safety nets are a thing of the past.

With the Electric Power Industry Reform Act (EPIRA) as the impetus, we have actually seen the industry’s business model unravel itself over the past few years, and we are seeing it reinvent itself. EPIRA’s reforms have been working well to the benefit not only of AboitizPower but other players as well. The privatization of government assets has allowed AboitizPower to expand.

Today, together with our partners, we have a right-mix portfolio of assets with total plant capacity of 3,151 megawatts (MW) to support our customers nationwide for their baseload, intermediate, peaking, and back-up requirements.

Our Generation Group will continue to ensure that our 38 power plants located in Luzon, Visayas, and Mindanao are reliable, available and operate efficiently at the lowest possible cost. We have a number of Greenfield and brownfield projects that are currently in various stages of construction.

On a beneficial basis, our Distribution Group successfully supplied 3,934 gigawatt hours (GWh) of electricity to 767,000 residential, commercial and industrial customers in

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their respective franchise areas. All systems, processes, infrastructure and service enhancements are all aimed at delivering the best possible customer experience.

Although the implementation of Open Access has been delayed, it has remained as one of the most crucial, if not the most crucial, reform in the industry. From a regulated, monopolistic industry, the power industry will become a competitive, market-driven one. Open Access will also give customers the power to choose their generation providers.

Consumers will understandably exert efforts to lower their expenses by encouraging one power supplier to compete with the other. On one hand, we view this as a chance to expand. On the other hand, consumers will perceive this as a favorable time to buy power from varied sources, and urge suppliers to offer the most beneficial deals.

We are fortunate we have been able to make the most out of these changes. The “once in a lifetime opportunity” has been good to us. In parallel to this, we have been able to successfully grow our business and establish our leadership position.

However, this position will be challenged. Together, as a pro-active, expert and responsible team, we will protect it.

United as one, we have the mind, the hands, and most importantly, the heart, to execute our strategy with passion.

I am confident that AboitizPower’s different business and functional units will commit to and be resolute in implementing needed initiatives in 2013.



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

## GENERATION GROUP

“Some of our major endeavors are the implementation of an asset management and safety system, as well as a project management system throughout all of the Generation Group’s business units. Initially, this will be focused on our Greenfield coal and hydro plants and, when perfected, will apply to all new future projects.

Our commitment for the Generation Group is to achieve world-class status by the end of 2014. Our key economic drivers are availability, cost efficiency and readiness for growth. All programs and initiatives are being designed to meet this goal.

In consonance with this, our endeavors will remain essentially the same until they are completed by the end of 2014. Some of the major ones are the implementation of an asset management and safety system, as well as a project management system throughout all of the Generation Group’s business units. Initially, this will be focused on our Greenfield coal and hydro plants and, when perfected, will apply to all new future projects.

Further areas of focus are the integration of Reputation, which encompasses CSR, PR, and Community Relations. Moreover, Internal Audit has now been brought down closer to the operating units and has become the responsibility of the Generation Group. We recently completed our succession management plan, which identified 268 critical positions in the group, 24 of which have to be brought in from external hiring within the next three years. Coupled with this, we also launched our Buklod Kabisig program so we could attain having a unified culture.

A key, new responsibility

has been added to the Group: execution, which is the implementing arm of Business Development. Essentially, after Business Development has identified the projects, procured the site, secured the necessary permits, and signed all contracts for the Engineering, Procurement and Construction agreements, at that point, the Generation Group takes over to make sure that the plant is built to specs and within budget.

### Major events for the different groups

#### Small- and medium-sized hydro

A few years back, we discovered that there were areas in the tunnel of Luzon Hydro that were unlined, yet susceptible to cave-ins. We therefore shut down the plant and dewatered the tunnel in December 2011. This rehabilitation project was due to be







completed on May 15, 2012, but instead took four additional months to complete. This impacted cost and revenue.

On a happy note, we began construction of the 13.6-MW Tudaya 1 and 2 plants in Davao. Thus far, target completion is slated ahead of schedule. We will also start construction of the 14-MW Sabangan plant in the first quarter of 2013.

### Large hydro

SN AboitizPower (SNAP)–Benguet completed the refurbishment of Binga plant’s Unit 1 towards full upgrading by the end of 2012. Two of its units are now upgraded from 25 MW to 31.45 MW. SNAP–Magat completed the replacement of Unit 1 Power transformer, busbars and Line 1 Capacitor Voltage Transformers under Magat’s half-life refurbishment program. It also won the bid to purchase the output of National Irrigation Administration’s 6-MW Baligatan plant to supplement Magat’s 360-MW capacity.

### Geothermal

We have completed the rehabilitation of all units in Tiwi, except for the two remaining units in MakBan. Both of these unfinished units required much more extensive work. These should be operational by March of this year, and will undergo capacity testing as per our purchase agreement.

### Thermal

We’re currently completing the rehabilitation of the 242-MW Mobile 3–6 power barges in Navotas. The mechanical and electrical components should be completed by the end of February 2013. The connection to Meralco should be accomplished sometime in March so we can begin load testing and supply Meralco as these tests are concluded.

### Coal

In June 2012, we commenced the construction of our 300-MW circulating fluidized bed plant in Davao. Thus far,

progress is slightly delayed, but we still aim to begin commercial operation by the first half of 2015. Our two other projects, the 600-MW RP Energy plant in Subic and the 400-MW plant in Pagbilao, are in various stages of negotiations. Currently, the commencement of the construction for these projects is delayed. We are hoping that they both start construction during the second half of 2013.

All of these activities come with areas of concern and risk. With all the projects enumerated above, our total beneficial exposure in project cost totals to about US\$1.5 billion. The exposure is relative to the Generation Group’s experience in managing projects of this size. We are doing everything possible to mitigate these possible risks, and will ensure that the sleepless nights are worth it. The harder we work, the farther we’re going to go. I am confident that next year, we will report more positive developments.



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

## DISTRIBUTION GROUP

“Technology will continue to play bigger and bigger roles in this business. We will see a number of pilots and implementations that will take us to the next level in terms of automation and communication. Throughout all these, the quest for efficiencies has not ended, and we expect to see more projects aimed at obtaining them in 2013.

2012 was generally a good year for the Distribution Group. Energy sales grew in step with the good economic trajectory of the country and the business units individually gained efficiencies in one form or another.

In 2013, we look forward to what seems to be the inevitable onset of Open Access in Luzon and Visayas. This is many years in the making, and our distribution utilities (DUs) are prepared to take on the challenges and opportunities presented by this new operating environment.

Technology will continue to play bigger and bigger roles in this business. We will see a number of pilots and implementations that will take us to the next level in terms of automation and communication. Throughout all these, the quest for efficiencies has not ended, and we expect to see more projects aimed at obtaining them in 2013.

### kWh and customer growth

The Distribution Group experienced a higher kilowatt-hour (kWh) growth of just above 6% in 2012 due to a rise in demand from large industrial customers, especially of Visayan Electric Co. (VECO) and Davao Light.

Balamban EnerZone (BEZ) had a tremendous kWh growth due to the increased activities of Tsuneishi Heavy Industries. However, Mactan EnerZone (MEZ) had negative growth due to the slowdown of its largest customer. Subic EnerZone (SEZ) showed promising results but the reduction of its key customer Hanjin pulled it down. Cotabato Light's performance

slowed down due to the self-generation of its largest customer.

Overall, the DU Group continued to increase its customers by around 4% annually.

We aim to achieve continued good growth for VECO, Davao Light and BEZ due to their large industrial customers. MEZ, SEZ and Cotabato Light will remain flat or growth may slow down a bit further due to the slowdown of operations of its biggest customers. Elections in May should spur a growth in energy sales as observed in past election years.

### Power supply

In 2012, National Power Corp. further reduced its power supply allocations in the Visayas, but VECO was able to get an additional 15 megawatts (MW) of renewable energy from Greencore.

Power supply in Mindanao fell short during the last half of the year but, thankfully, no brownouts were experienced by our





customers due to an additional 15-MW contract from Therma Marine and the operation of Davao Light's Bajada power plant.

SEZ was able to secure an extension of its power contract from SMEC until March 2013.

Meanwhile, in the Visayas, the expected privatization of Unified Leyte did not happen.

This year, Mindanao's available supply will continue to fall short. Nevertheless, we hope to avert any brownouts in Davao by increasing our contract with Therma Marine and operating the Bajada plant. The Visayas supply will remain stable. We hope to see Unified Leyte finally privatized and hope to get a significant portion. We don't expect to have any stranded contracts due to Open Access in 2013, but we remain vigilant and will strive to retain all our Open Access customers with better service.

VECO is moving towards capacity-based contracts to reduce its power costs and gain much-needed flexibility in its supply contracts. SEZ is expected to sign new long-term contracts by March. BEZ will be looking to optimize its existing contracts and sign a new contract to reduce its exposure in the Wholesale Electricity Spot Market. MEZ has PSALM contracts until the end of 2015.

### Energy losses

We achieved significant gains in reducing losses primarily brought about by energy theft in 2012. VECO and Cotabato Light made major gains, and losses are now at 8.9% and 9.9%, respectively. These figures, however, are still above the cap. Davao Light and all the EnerZones are well below the cap of 8.5%.

Revenue protection activities will continue at a hectic pace to improve systems losses in VECO and Cotabato Light. The use of Smart Meters is already currently being rolled out and 2012 marks the last purchase of electro-mechanical meters in all our DUs. Starting 2013, all meters purchased will be electronic and by 2021, all meters in service will be electronic. Meanwhile, BEZ customers are already 100% Smart metered. The use of innovative Smart Compact Elevated Meter Clusters used against energy theft in high density residential areas will commence in 2013. We are also piloting a Smart Metering system using power line carriers as well as a prepaid solution in the first quarter.

By the start of the second quarter, VECO will have finished the underground network between the Cebu Provincial Capitol and



Fuente Osmena rotunda, paving the way for more underground projects in Cebu.

### Labor and people

In line with the push for improved relationships with its team members, VECO signed its first-ever straight five-year collective bargaining agreement (CBA). VECO now joins the ranks of Cotabato Light and Davao Light both of which also have five-year CBAs. Job level evaluations were completed in Davao Light and VECO. The Group-wide Engineering Corp Program, a comprehensive training and career path system for our engineers, was launched in 2012. Complementing this was the opening of VECO's new training center in Sirao, Cebu.

In 2013, we should complete the salary standardization project that began in 2012. The *Kaibigan* program will see renewed focus in the year, resulting in improved teamwork and working relationships. We will also expand the shared services initiative. This was started initially with the DU IT group with great success and was also implemented for EnerZone accounting and the DU Audit group. We expect to see this expanded to Human Resources, Power Management and the initial phases in Engineering. The shared services initiative is expected to achieve better operating efficiencies and result in lower overall costs for the whole Group.

### IT and systems

Davao Light went live with Oracle's Work Asset management system. VECO is expected to go live by March 2013. All DUs started the transition to Oracle 12 for its Enterprise Business Suite. Work also started on the full transition to Google Maps for Geographic

Information Systems. All the DUs are currently on Oracle Customer Care and Billing systems. We launched the ISO9001 project with the aim to get accreditation for Davao Light and VECO at the end of 2013.

We will continue to strive and push for further standardization across the Group and will complete the projects started in 2012. The ISO 9001 accreditation will be a milestone for both VECO and Davao Light. To bring better efficiencies, we will go live with Oracle CCnB Analytics. To help prepare for Smart Metering, we will also go live with a Meter Data Management system.

### Open access

To prepare for Open Access, two customer forums were conducted in VECO and SEZ. These events, which were very well received by customers, fostered transparency and helped them get their arms around this novel and game-changing development. The DU group also participated in most major Open Access forums and working groups and we have been coordinating and collaborating with Meralco and other major industry players, as well as the Energy Regulatory Commission.

As Open Access has been declared with the transition period ending in June, we will continue to meet, assist and provide better options than anybody to make sure they remain our customers.

2013 looks like it will demand a lot from all the *Kaibigans* in the Distribution Group. Many new things are forthcoming. Experience from past successes, however, shows that DU team members never back down from any challenge, and continuously strive to do their very best.



JUSTO ORTIZ  
Chairman & CEO  
Union Bank of the Philippines

## BANKING

“ Corporate and retail CASA deposits are expected to grow at double industry growth rates through our strategic initiatives in cash management and our energized sales management process and relationship management force.

Two main reasons propelled 2012 into another record year for UnionBank: (1) the decline in global and domestic interest rates made possible above-normal securities gains, and (2) margin compression was finally arrested allowing volume growth to seep through to the bottom line.

In 2013, I expect the expansive monetary policy to gain some traction and stoke the beginnings of a sustainable global recovery. Hopefully, this promotes investment which, when paired with consumption growth, will allow the repair of government balance sheets to commence in earnest. The effects of shale oil on energy prices and availability may also be an important engine for future sustainable growth in the next couple of years, while keeping inflation within targets. Let us wait and see!

For UnionBank, this implies that securities gains would moderate significantly, but accrual income could begin to show double-digit growth on increased volumes supported by net interest margins that are constant to slightly increasing. Our focus shall continue to be the building of a retail bank franchise with equal emphasis on both the right and left

sides of our balance sheet.

Businessline, credit cards, mortgage and auto loans provide the best opportunities to utilize ample liquidity profitably on a risk-adjusted basis. Corporate and retail CASA deposits are expected to grow at double industry growth rates through our strategic initiatives in cash management and our energized sales management process and relationship management force. We also need to keep operating costs in check through vigorous productivity and quality initiatives to retain competitiveness in the face of tight margins, particularly in the high volume corporate lending business.

We maintain our constancy of purpose, and our strategic initiatives articulated in our FOCUS 2020 vision remain intact. There is reason for optimism.





## BANKING

MIKEL ABOITIZ  
President & CEO  
City Savings Bank



In 2012, we continued with our branch expansion strategy to increase customer franchise and achieve nationwide presence farther and deeper within the archipelago. To fuel this growth, we continuously embarked on our organizational capability strategies in the areas of systems upgrade and focus on our core banking system, and process improvements.

We created a more robust and highly competent workforce through our New Employees Integration and achieved our Universal Training Plan for incumbent team members and officers.

As expected, the regulatory and competitive landscape has become more forceful and intense. Despite the challenges, we showed respectable growth in our loan portfolio, and customer reception remains very encouraging, thus lending more credibility to our business model and focused strategy.

We credit our success to our team members, not only for their dedication in enhancing customer loyalty but also for their support to the community at large.

Our CSR efforts have taken center stage as we increased our community building efforts and became more responsive to the call to serve our countrymen in direst need due to unprecedented calamities across the country. The more than 1,000 man-hours devoted to CSR in 2011 increased tremendously in 2012.

We also successfully concluded our CBA for economic benefits that has proven the Bank's continued

commitment to the welfare and happiness of our team members. The relationship we maintained throughout the process was consistently cordial, caring and committed. With this, we brought out the best from both sides of the negotiating table and came up with a reputable bargaining agreement.

We are very excited about AEV positioning its banking portfolio for further growth with the sale and transfer of its shares in CitySavings to UnionBank. By increasing our strategic cooperation with UnionBank and combining our unique strengths, we can augment our financial, technological and management capabilities.

We will also be able to accelerate our plans to be the preferred teachers' bank nationwide and provide the next growth leg by expanding into broader civil servant and payroll loans market segments.

In short...Do More. Do Better. Be Greater.

“By increasing our strategic cooperation with UnionBank and combining our unique strengths, we can augment our financial, technological and management capabilities. We will also be able to accelerate our plans to be the preferred teachers' bank nationwide and provide the next growth leg by expanding into broader civil servant and payroll loans market segments.





SABIN ABOITIZ  
President & CEO  
Pilmico

## FOOD

“ The volatile commodity prices of wheat, corn and soya bean meal in the world market continue to be our biggest risk and challenge. We will continue to improve our procurement capabilities with emphasis on risk management as this could spell a major impact on our bottom line.

2012 marked many significant milestones in our corporate history. In September 2012, we celebrated our 50th anniversary. From our humble beginnings in 1962, Pilmico is today one of the largest & well-respected flour and feeds manufacturing companies in the country. We are where we are today because of the hard work and dedication of our workforce, both past and present.

In the same month, we kicked off Project Avensis together with AEV, VECO and Davao Light. Project Avensis is our migration to Oracle's R12 version, which will allow us to enjoy new functionalities and further improve our enterprise resource management. This will be completed in July 2013, which will be another reason to celebrate.

October was a cause for excitement as we successfully unloaded the very first Panamax vessel in our very own Kiwalan port. The vessel M/V Jia Tong, which has a maximum capacity of 65,000 metric tons, arrived on October 5 from the United States, bringing in wheat. This was made possible after a year of preparation and the expansion of our port facilities as well as unloading and storage

capacities. With our new pneumatic unloader, we can now easily unload 700 metric tons per hour.

We also held our first Pilmico Expo to showcase our products and services. Held at the SM Trade Hall in Cebu City, the two-day event drew a huge number of visitors.

Despite the turmoil and economic woes in other parts of the world, our company remained financially strong with total sales growing by 6%.

Flour volume showed a modest increase amid a very competitive market, challenged by lower-priced imported flour. We introduced “Silver Star,” our “fighting” brand to ensure our competitiveness in this segment.

Our feeds business continued to gain



acceptance and patronage. In spite of high material cost, we posted a modest increase in volume.

Our farm unit suffered the most in 2012 due to low selling prices in the first half of the year. But we were able to recover towards the latter part of the year when farm gate prices improved, coupled with tighter cost management.

## 2013 Outlook

We are bullish on our nation's economic prospects for 2013. Business Monitor International forecasts a global real GDP of 2.9% compared to 2012's 2.5%. All signs point to a better year ahead of us with good economic fundamentals — low inflation rate, low interest rates and high foreign reserves. Government projects a 6% GDP this year.

With food taking a major part in domestic consumption, we expect flour to sustain its current volume. We foresee major opportunities for growth in our feeds business; hence, we are optimistic that we can sustain another year of growth for feeds. Farm's performance will remain stable until completion of our expansion projects and increase in sow level that will be completed in 2014.

The volatile commodity prices of wheat, corn and soya bean meal in the world market continue to be our biggest risk and challenge. We will continue to improve our procurement capabilities with emphasis on risk management as this could spell a major impact on our bottom line.



Our long-term strategies remain the same: grow our core business while continuing to focus on maximizing and optimizing our resources to remain being a low-cost producer. We will continue to look for opportunities to expand our portfolio to ensure stability and minimize risk.

As we grow, we aim to continue to be our customers' Partner for Growth as we build stronger relationships and build new ones.

We will continue to build our competencies, capabilities and capacities to ensure organizational readiness.

By June this year, the 24-classroom school building we are donating to typhoon Sendong victims will be completed. Total project cost is P25 million and to date, it is our single biggest contribution to the city of Iligan, our home for the last 50 years.

The building is situated in Sta. Elena, where the government has built a relocation site called Bayanihan Village. The school building will accommodate over 500 displaced public students from the barangays of Bayug, Santiago, Hinaplanon and other neighboring affected schools. We hope it will provide a

safe and secure environment where they can continue and finish their elementary education.

A clear manifestation of our commitment and optimism for the future is our increasing budget for capital investments. Last year, we spent a total of P845 million, of which about 40% were spent on Iligan infrastructure.

This year, we have earmarked P1.3 billion for capital investments. Aside from the expansion and improvement of our facilities in Iligan and Tarlac, and farms in Luzon, we are also eyeing projects to ensure sustainability and reduce our carbon footprint. Our biogas project for Farms 4 and 5 is projected to produce about 300,000 kWh annually, whereas the biomass boilers will improve our fuel cost in steam production.

2013 is the beginning of our new adventure as we journey to our next 50 years. We will be relentless in our pursuit of growth and continuous quest for better ways to ensure that our future leaders will be proud of our legacy as much as we are proud of the legacy our leaders started 50 years ago.







ANDONI ABOITIZ  
President & CEO  
AboitizLand, Inc.

“ We are extremely excited about the prospect of the Mactan Airport bid and are intensely focusing on it. As a homegrown developer with roots in Cebu, we would very much like to win this project and our pencils have been sharpened. We feel that our partnership with Ayala Corporation and ADC-HAS is a strong one and we enter the fray with a strong resolve to win!

## LAND DEVELOPMENT

In 2012, the Philippine economy saw a silver lining delivered by stable economic fundamentals, strong consumer demand, and favorable inflation and borrowing rates. Despite stiff competition, it has been an equally good year for AboitizLand operations in Cebu.

We are especially pleased with the November 2012 purchase of AboitizLand by Aboitiz Equity Ventures (AEV) from Aboitiz and Company (ACO). We see this as a vote of confidence from AEV and very much look forward to building AboitizLand and becoming a significant contributor to AEV's earnings portfolio.

The past year will certainly be seen as a watershed year for our company as we note several operational as well as strategic highlights.

### Residential Business

Residential sales reached a record-high of P1.3 billion, reflective of the positive economic and consumer confidence. This was driven by the launch of three residential projects and the sustained sales of older projects such as Ajoya.

In March 2012, we introduced Priveya Hills, AboitizLand's most extensive residential

development to date, spanning 60 hectares of premium residential lots. Inventory in the first phase enjoyed a strong early take-up, contributing significantly to total sales for the year.

Last year was also the official launch of Pristina North Residences, which is a townhouse component of our existing Pristina North community in Talamban, Cebu.

AboitizLand's experience and competitive edge in lot-only and house-and-lot developments make us well positioned to address horizontal housing gaps. More such offerings are expected to roll out in 2013. These include a revitalized concept for our property in Canduman, Mandaue City; the second phase inventory for both Priveya Hills and Pristina North Residences; as well as the launch of a mid-income residential project.

More and more local and national players are coming in, challenging our margins but





benefiting the customer. This particularly holds true for the condominium sector. Nevertheless, AboitizLand has been a stable performer in the market and we continue to participate in verticals. In June 2012, we launched The Persimmon Studios. It is AboitizLand's largest condominium project so far, offering a total of 632 affordably priced studio units. The tower finally caps off Cebu's first urban village development that we launched in 2008.

### **Recurring Business**

Our industrial business unit celebrated an important milestone in 2012 – the 20th anniversary of our subsidiary, Cebu Industrial Park Developers, Inc. (CIPDI)'s partnership with Tsuneishi Heavy Industries (THI) of Japan. This partnership created the West Cebu Industrial Park (WCIP) ship building and repair facility, transforming Balamban, Cebu into a thriving district whose community we strongly support.

In 2012, we observed the reawakening of the industrial park potential in the Philippines. This creates the opportunity to pursue a new industrial zone, the site of which we target to acquire in 2013.

AboitizLand's retail operations highlight a significant uptick in occupancy for The Persimmon Plus as of yearend 2012. Upgrades and new components will also be undertaken in 2013 for Pueblo Verde and the iMEZ office building.

In addition, AboitizLand signed a joint venture agreement in Q4 2012 with Ayala Corporation and ADC-HAS Airports Worldwide for the Mactan Cebu International Airport-Public Private Partnership (PPP) project. This was timely followed by the release of the Request for Qualification for Prospective Bidders by the Department of Transportation and Communications.

### **2013 Outlook**

This year promises even more challenges for us as we raise our sales goals. Other real estate players will be keener. Clearly, as far as residential sales are concerned, we will have difficulty growing if we fail to reinvent ourselves or come up with a new product ahead of competition.

We are, nonetheless, confident that



the market is ready to absorb innovative residential offerings. Similarly, we are confident to launch a new industrial land project pending final touches and permits. Our Business Development group, with the full support of our management team and entire organization, is hard at work on such endeavors.

Finally, we are extremely excited about the prospect of the Mactan Airport bid and are intensely focusing on it. As a homegrown developer with roots in Cebu, we would very much like to win this project and our pencils have been sharpened. We feel that our

partnership with Ayala Corporation and ADC HAS is a strong one and we enter the fray with a strong resolve to win! We also see this exercise as an opening to consider other PPP projects in the future.

Looking further ahead, we now begin to prepare and conceptualize a full year of events to mark AboitizLand's 20th year in 2014.

2012 has been a definitive chapter in our growth story — as an organization, a real estate developer, and an Aboitiz Group subsidiary. We hereby commit to transforming ourselves and our business into a more innovative, resilient AboitizLand in 2013.



“ With the projected construction boom in the Philippines worth about a trillion pesos, Metaphil will continue to position itself to be the customers’ top of mind, through repeat customers and additional works for existing projects. The company expects 25% higher sales turnover at P5 billion with construction works at 80%.

## CONSTRUCTION

**T** rue to its commitment, Metaphil hit record sales of P4.2 billion, increasing its sales turnover in 2012. Sales comprised a mix of 20% international and 80% local projects, 78% in construction works and 22% in fabrication projects. Growth pains in 2012 were fewer in number and lesser in margin impact, clearly an indicator of lessons learned and the outcome of better project and risk management. Labor was at its peak at close to seven thousand. Accidents and safety incidents were reduced by 14% from 2011.

In 2013, Metaphil will continue to grow its two major business units of Construction and Fabrication, and refocus Engineering Design and Detailing as internal support. The company will pursue growing a new business unit in recurring maintenance works as base load to cover fixed overhead costs.

With the projected construction boom in the Philippines worth about a trillion pesos, Metaphil will continue to position itself to be in the customers’ top of mind, through repeat customers and additional works in existing projects. The company expects 25% higher sales turnover at P5 billion with construction works at 80%.

Industry focus will be in the areas of power, mining, petrochemical, oil and gas industries. Metaphil continues to work on

being accredited as a qualified contractor both in the local and international arena. This year, it will explore overseas construction works, a welcome step for the company as it becomes better known as world-class and to the *kauban* as a reward and retention tool.

As Metaphil grows, it will continue to focus on delivering RISQ (reliability, integrity, safety, quality) fueled by the *kauban* spirit and armed with the *bugsay*. Along with the growth of the company is the corresponding growth of its *kauban*, the heart and soul of the organization, as well as the partnership with reliable suppliers, subcontractors and service providers. Once again, the *kauban* spirit, driven by the passion for better ways, will turn 2013 into the next best year ever.



## SHIPBUILDING

HITOSHI KONO  
President  
Tsuneishi Heavy  
Industries (Cebu), Inc.



2012 was a challenging year for shipbuilding industries worldwide. The aftermath of the economic crunch since the Lehman shock offered no respite from the recessive and declining demands for building new ships. The unfavorable weakening of global ship prices, and a few order backlogs, are but a few of the other factors affecting our production volume up to the present.

However, despite the fragile global economic conditions, we successfully delivered 19 vessels in 2012: 12 58,000 DWT metric ton type bulk carriers (BC), and seven 180,000 DWT metric ton type cape size bulkers. We also received as many as 90 repair orders last year both in dry docking and while afloat. With these, we thank the constant patronage and support from our clients and ship owners, who continuously sail with us even in these stormy conditions.

In 2012, we received yet another award from the Philippine Economic Zone Authority as an Outstanding Exporter in Large Category. Our previous awards were Outstanding Community Project in 2005 & 2011, Outstanding Environmental Performer in 2004, and Outstanding Employer in 2011.

In 2013, THICI is scheduled to deliver 17 vessels, 13 of which are 58,000 DWT BC, three 180,000 DWT BC, and one 82,000 DWT BC. In response to the current economic conditions and factors affecting the shipbuilding industry, we have taken action to make sure that we are able to reach our goals in meeting customers' expectations, target profits and carrying out our corporate social responsibilities.

One of the necessary actions was enhancing training programs such as skill trainings and safety seminars. Last year, we acquired a Safety Training Block, a simulation-based training program that provides a real work setting in identifying hazards and most common accidents inside the shipyard. This has proven as a great contribution in

“ The company, despite the economic situation, stands firm in carrying its responsibilities and commitments, by tightly working together, keeping the safety-first principle in mind and taking to heart the company values and Tsuneishi spirit of: Having a Vision, Aiming for the Top, Standing United, Being Proactive, and Being Considerate and Kind.





minimizing accident rates. We continuously provide our engineers, foremen and quality control checkers with trainings pertaining to acquiring certification for the implementation of Performance Standard for Protective Coating, in compliance with International Maritime Organization regulations.

We have received good outputs from employees trained at the Tsuneishi Shipbuilding and Tadotsu Factory in Japan. This year, a batch of 132 workers from different subcontractors and 27 engineers of the Tsuneishi Group of companies are scheduled to be sent to Japan for training. To date, we have trained 936 employees, 32 of whom are currently training in Japan.

As we continue to establish a continuous improvement culture, the KAIZEN mindset, our annual QC Problem Solving Competition, participated by both Production and Admin Division, focuses on three keywords for 2013: Cost Save, Quality, and Planned Production.

Projects such as the augmentation of block assembly areas and the expansion of existing factories to accommodate new facilities for assembly and repairs for equipment such as welding machines, forklifts, cranes, and the acquisition of an FCB machine to serve as a plate jointer and welding equipment,

were launched to support and contribute to production efficacy.

We also constructed a new warehouse and additional paint sheds to accommodate painting works of assembled blocks during the rainy season. We have also acquired an additional 1,300-ton floating crane “Shin Hakuho” from Japan to assist block-loading works. The Skills Olympics, an annual event initiated in 2012 that reinforces workers' skill development, will also be a highlight this year.

Our corporate social responsibility (CSR) embodied by Tsuneishi Foundation (Cebu) Inc. (TFCI), with the cooperation of the Tsuneishi Group of Companies, has proven to grow stronger every year. In 2012, we contributed to several community sectors.

Since education is one of the country's utmost priorities, we make every effort to help develop and rehabilitate schools in different barangays of Balamban to promote a classroom environment conducive to learning. Two of this year's beneficiaries are the Buhingtubig Elementary School and the Buanoy Day Care Center. Moreover, the TFCI's three-year plan for scholarship grants, which started in 2010 and aims to get 290 high school and college scholars, has to date 78 scholars receiving financial assistance and

school kits.

We also helped in the conservation of our environment through a tree planting program involving 18,000 seedlings.

TFCI and the Tsuneishi Group also contributed to the health and social service sector with the construction of the Asturias Birthing Center while actively participating in local activities and extending help to other provinces and regions in the Visayas. They offered services such as rescue and relief operations in response to the earthquake victims of Negros Island. The company also opened its ports to search and rescue units of the Armed Forces of the Philippines and the Philippine Coast Guard to help load relief goods from various companies and agencies for Guihulngan City and Tayasan town in Negros Oriental.

THICI, regardless of the economic situation, stands firm in carrying its responsibilities and commitments, by tightly working together, keeping the safety-first principle in mind and taking to heart the company values and Tsuneishi spirit of Having a Vision, Aiming for the Top, Standing United, Being Proactive, and Being Considerate and Kind. We aim to become a world-class shipyard through excellent service and superior quality products at competitive prices.





## SOCIAL RESPONSIBILITY

JON RAMON ABOITIZ  
President  
Aboitiz Foundation, Inc.



It was a banner year for the Aboitiz Foundation, Inc. (Foundation) in 2012, with P377 million—the biggest amount in terms of assistance provided since its inception—appropriated for various social development projects implemented nationwide.

The allocation, which was 50% higher than the P252 million allocated in 2011, allowed us to provide more assistance to our partner communities as the needs of our beneficiaries continue to grow. This development is testament to the tremendous growth—in funding, number of business units (BUs) providing support and types of projects implemented—that the Foundation has seen in the last four years.

Allocations for CSR projects have been distributed in such a way that they are proportionate to the contributions of BUs operating in the areas. As before, Cebu got the biggest share in the allocation due to the presence of the Foundation, although we ensured the equitable distribution of the remaining resources to different areas in the country.

Programs and projects in Education and Environment got 80% of the total appropriations that were allocated. Education continued to be the main thrust of the Foundation, with P215 million, or 54% of the allocations, spent for education-related initiatives. A total of P88 million or 23%, meanwhile, was allocated for Environment.

The Foundation also continued to support projects in Enterprise Development and Primary Health and Child Care, and extended other forms of assistance needed in the communities that our companies serve.

In Education, the Foundation maintained its priority programs in infrastructure building, scholarship programs and asset donations. It partnered with AGAPP Foundation to build 94 classrooms in 2011 and 2012. With the continued support of the BUs, the Foundation has committed to continue the partnership and build 40 more classrooms this year.

Enterprise development, specifically our microfinance program, is getting better after we

institutionalized this in other areas like Davao and Benguet. We are looking for more BUs within the Group that can handle microfinance activities in their respective areas. Attached to the loan component, capacity-building programs are implemented to strengthen the organized groups that we have been assisting. This was capped by a Recognition Day for our partner organizations, which was done for the first time in 2012 and which we intend to run in the coming years.

We forged partnerships with organizations like AMORE and HAPINOY in providing livelihood opportunities and improving the quality of life of

“ We are also continuously finding ways to smoothly implement administrative and operational processes. This year, we will start to implement the full automation of our project proposal processes—from approval to fund requests to termination.



rural, off-grid households through sustainable renewable energy projects.

Together with AMORE, we provided solar home systems and solar lanterns in three barangays in Davao City and Davao del Sur. This business model also provides extra income to local organizations that we helped established with our partners for the charging services that they provide the communities.

We also worked with HAPINOY in establishing charging stations in local consumer stores in two barangays in Laguna. These charging stations are used for the solar lamps distributed and for other small power needs that the community may require like the charging of cellular phones.

We will continue to explore the possibility of continuing our partnerships with these organizations so we may be able to help more people help themselves.

The year 2012 also saw an increase of natural disasters and calamities, both in terms of number of affected residents and the devastation these brought about. True to its being the neighbor of choice, the Aboitiz Group, through the Foundation and BUs, immediately sent assistance to affected communities. The

assistance provided by team members of the various BUs enabled us to operate smoothly and provide help more efficiently.

To complement its relief operations, the Foundation approved a P100-million grant to establish a new organization within the Group—WeatherPhilippines Foundation Inc.—to assist in predicting weather conditions in the country by donating 1,000 weather stations nationwide.

The monitoring and measurement system of CSR projects is now on full swing and already includes the interventions implemented by BUs to have a nationwide impact assessment of our projects.

We may have had a good run last year but we know our mission doesn't stop there.

The Foundation and its member companies will continue to serve its partner communities by maximizing its competencies and skills.

With the aid of our consultant from the University of Berkley, Ms. Kellie McElhaney, we re-defined our strategies to will allow us to focus our CSR initiatives on enhancing reputation, giving competitive advantage to the company, helping the company, and allowing more employee engagement.

We shall also focus our assistance in the areas of education, enterprise development, and environment and sustainability. As in the previous years, we will need the assistance of team members as we pursue our new CSR directions. We will give more opportunities for our team members to be involved in every step of the whole CSR process.

We are also continuously finding ways to smoothly implement administrative and operational processes. This year, we will start to implement the full automation of our project proposal processes—from approval to fund requests to termination.

In mid-2013, the Foundation will be moving its main office to Manila, a development that could help us enhance our brand and reputation more.

We would like to thank the Aboitiz Group companies and other donors for their generous support and unwavering trust and confidence in the Foundation and its team members. Our sincerest appreciation also goes to all team members and Foundation staff for their untiring efforts and dedication in wanting to help more people so they may be able to help themselves.



## SOCIAL RESPONSIBILITY

The year 2012 marked the beginning and the promise of a long-term CSR initiative: the WeatherPhilippines Foundation (WPF), a non-profit organization established to deliver critical, accurate, and localized weather forecasts to the Filipino nation. WPF is a partnership between the Aboitiz Group, UnionBank, and Meteomedia, a leading weather services organization based in Switzerland.

Accredited by the Philippine Council for NGO Certification, WPF aims to be instrumental in improving disaster preparedness and timely response to variable weather conditions. Its commitment to help reduce risks associated with adverse weather conditions is both timely and nationally important. WPF has the shades of CSR 2.0.

It also rallied the support of the private sector to ensure the sustainability of its efforts in a donors' signing ceremony held at the Manila Polo Club in November. Platinum donors are SM Investments Corp., Nickel Asia Corp./Sumitomo Metals Mining Co. Ltd., International Container Terminal Services, Inc., and Vista Land.

Partnerships with the League of Provinces of the Philippines and League of Cities of the Philippines were also established in 2012, allowing WPF to deploy its first 200 automated weather stations (AWS) throughout the country. These AWS are important sources of information for WPF's weather website: [www.weather.com.ph](http://www.weather.com.ph). WPF has since received commendations and expressions of support from local government units (LGUs).

WPF will be drawing on the momentum of 2012 to catapult its efforts into the mainstream in 2013. Consistent with its mission and vision, it will seek to be the most reliable private weather information organization in the country.

It will continue to pursue a formal

partnership with the Department of Science and Technology (DOST) and its sub-agencies & programs (Pag-asa, ASTI and NOAH). Collaborating with DOST will improve weather forecasting and rationalize resources for wider coverage of weather stations and related devices.

WPF will step up its deployment plan and install an additional 550 AWS and 55 lightning detectors in 2013 to further strengthen its technical differentiation. Other donors will also enhance its ability to secure more weather assets. It is also targeting the completion of about 1,000 weather equipment installation in the same year.

Beyond installing the widest network of AWS in the country, WPF will find synergies in communication resources and channels of its various stakeholder partners. It will add a layer of localized weather information, which will be cascaded to all Filipinos nationwide. It will also tap local public information and disaster risk reduction networks of the various LGUs across the country. Through its private partners SM and Pilmico, WPF will aid in transmitting weather information through LCD screens in various malls, market places and retail outlets.

From a technology standpoint, WPF will continue to enhance its transmission of weather information and the accuracy of its content. It will employ SMS and social media technologies to widen its receiving audience, and enhance its website to make weather info more reader friendly.

SUSAN VALDEZ  
President  
WeatherPhilippines  
Foundation, Inc.



“ WPF will be drawing on the momentum of 2012 to catapult its efforts into the mainstream in 2013. Consistent with its mission and vision, WPF will seek to be the most reliable private weather information organization.







## Helping build a nation that can weather anything.

Committed to our nation's growth, we support the government in its aim to improve weather forecasting and disaster preparedness in the Philippines. In light of this, WeatherPhilippines Foundation was formed to collaborate with government and other scientific and private institutions.

Catering to national interest, we offer localized weather information; hence, citizens can have access to more detailed weather reports. For a country that has already withstood a thousand storms, we predict that it will withstand a thousand more. And in every moment – whatever the weather – we will be behind it.

Always.

This is the AboitizPower promise.

For more information, visit [www.weather.com.ph](http://www.weather.com.ph)