

Aboitiz Eyes

The Official Publication of the Aboitiz Group
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Feature:

Aboitiz HR Rides
a New Bus



Outlook 2016

R E V I E W 2 0 1 5

POWER ■ BANKING & FINANCIAL SERVICES ● FOOD ■ LAND ● INFRASTRUCTURE
CONSTRUCTION ■ SHIPBUILDING ● CORPORATE SOCIAL RESPONSIBILITY



ERRAMON I. ABOITIZ
President & CEO
Aboitiz Group



The Aboitiz Group is now at the cusp of creating shared value, redefining the role of our businesses in our communities and society-at-large, as we aim to drive economic and social development together.

In 2015, the global economy was feeling the effects of the drop in oil price, the unrest in the Middle East, the refugee crisis in Europe, the Federal Reserve's increase of interest rates, and the devaluation of many emerging market currencies. Against this backdrop, the Philippine economy remained resilient closing the year with an estimated 6.0%* GDP growth while keeping inflation rates low at an average of 1.4%. Analysts foresee our economy to continue on a high-growth pattern in 2016 despite the shaky market opening this January and the uncertainty a national election brings.

The World Bank projects the country will achieve 6.4% growth this year, sustaining its reputation as among the fastest growing economies in the region. This projection is echoed by the HSBC report "The Road to 2050", which cited the Philippines as a bright spot in the region alongside Vietnam.

With this exciting growth prospect, we believe there are substantial growth opportunities for our core businesses in the country.

AEV 2015 earnings

The Group experienced an anticipated drop in earnings last year mainly because of lower contributions from our power and banking strategic business units (SBUs). But this decline does not, in any way, affect the fundamental value of our businesses. We remain on track with our strategic growth plans for all our SBUs. AboitizPower continues to contribute the lion's share, approximately 75%, of the Group's net income, with the balance coming from banking, food, and land. We will start

seeing a more diversified income stream when earnings from our infrastructure business unit come in this year.

Outlook 2016:

Looking Ahead to Sustainable Growth

Each of our businesses has the potential for higher financial return and growth, as well as sufficient scale and capability to deliver long-term value for all our stakeholders. In the subsequent pages of this Outlook Issue, the CEOs of our SBUs will share operating highlights and their outlook for their respective businesses. All our business units have now aligned and remain focused on our Group's strategic pillars: to grow and expand our business, increase stakeholder engagement, build human capital, and carry on execution excellence in everything we do.

Overall, we have had a good start on the international front with AboitizPower in Indonesia and Pilmico in Vietnam. We remain on the lookout for growth opportunities that



NEW REVENUE SOURCE. AEV expects a more diversified income stream when earnings from the infrastructure business units come in 2016.

fit into our investment and risk parameters, and where we can add value based on our competencies and experience.

Our entry in the infrastructure sector represents an excellent opportunity for us to be involved in nation building. We compete in this space because it has scale, has good growth prospects, and is vital to economic progress. We are making steady progress toward building our new infrastructure leg through Republic Cement Group and Apo Agua's bulk water project. We expect these projects to drive up and diversify our future revenues, as well as reap the benefits of growth strategies we had put forth early on.

We find ourselves at the right time and place to take advantage of growth opportunities in this new business leg. With the government set to frontload infrastructure spending this year, increasing it further to 5% of GDP, much is riding on Public-Private Partnership (PPP) projects. These will address the growing demand for better and modern infrastructure, which is critically important to support the country's economic growth.

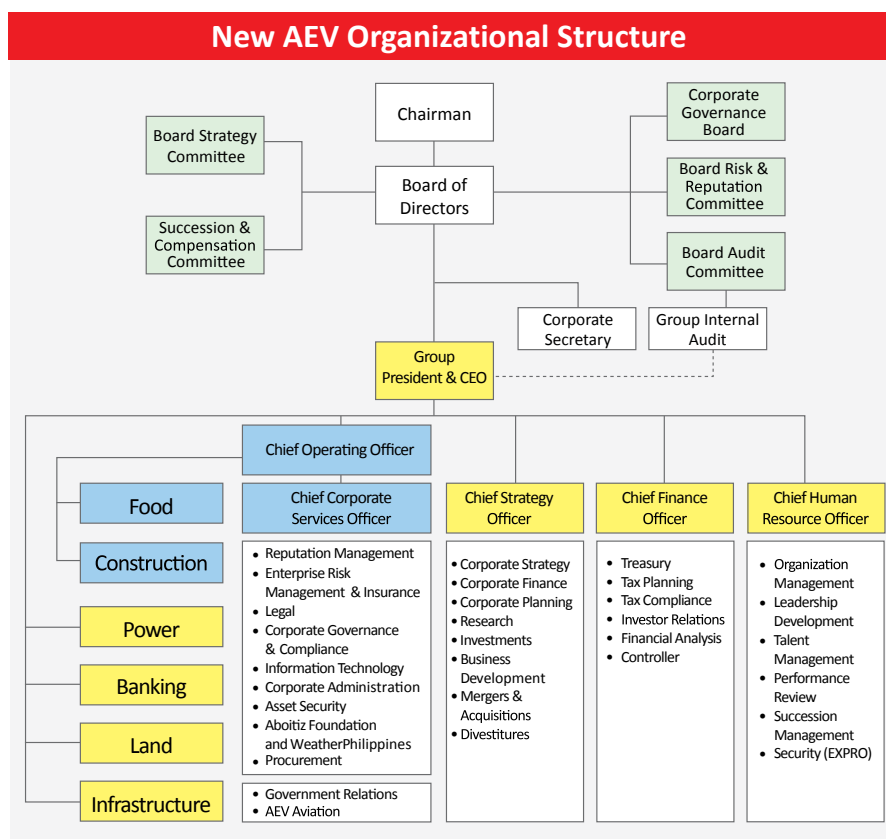
Our AEV Business Development team is keeping its ears close to the ground on these PPP projects while they monitor developments on projects of interest such as the LRT-2 O&M, Laguna Lakeshore Expressway Diike, and the bundled regional airports. The team is also on the lookout for other potential investment opportunities here and abroad for our other core businesses.

We also recognize that delivering sustainable growth is only part of the work that we need to do. The other part is making sure we are not putting at risk what we have already built so far. We are keenly understanding and mitigating our risk exposures so we can turn these risks into opportunities and make informed decisions to ensure we achieve our strategic goals.

Strengthening Our Organization

We recently implemented changes to the organization structures of AEV and AboitizPower. We believe these moves will effectively strengthen our organization and our leadership capabilities to successfully execute our long-term strategic plans.

Only a strong team can drive excellent performance – especially at a time of growth amid a challenging business environment. We aim to continuously strengthen our leadership team and cultivate a unique performance culture. We will continue to equip our A-People with the essential competencies to excel through leadership development and competency



building programs. We have always taken pride in our leadership excellence, producing leaders from our ranks. Currently, 72% of our top executives are homegrown talents.

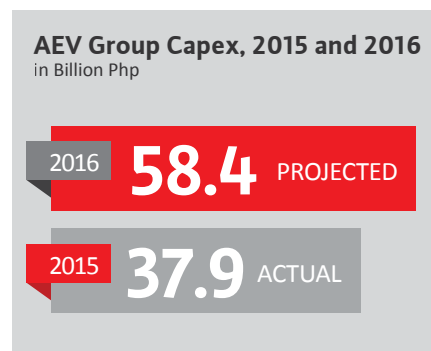
To further strengthen our organizational capability and sustain our leadership performance, HR is now in the process of taking Group talent management into a new level of governance. It is maximizing synergies across the Group, developing and implementing more effective and efficient HR solutions for the SBUs through an enterprise-wide HR management system. Txabi will share more about our talent management strategy in this Outlook Issue.

Celebrating Milestones and Creating Shared Value

This year, City Savings Bank marks its golden anniversary, celebrating 50 years of serving customers guided by its "Simple is Good" philosophy. From a small thrift bank in Cebu in 1965, it has grown to 100 branches nationwide by yearend 2015. The bank will continue to widen its reach, demonstrating the value of financial inclusivity in helping more people of moderate means. We thank and congratulate the CitySavings teams for achieving this milestone, one that would make bank founders Don Ramon Aboitiz and Timo Abellana truly proud.

We expect to celebrate more milestones as we pursue our relentless execution of our strategic plans guided by our BetterWorld sustainability mindset: we can do well by doing good, always making the right long-term decisions that balance the interests of people, planet, and profit. We are ready to confront the challenges of a changing world – addressing climate change, preserving our limited resources, and creating inclusive growth for everyone.

The Aboitiz Group is now at the cusp of creating shared value, redefining the role of our businesses in our communities and society-at-large, as we aim to drive economic and social development together. While we will capitalize on the opportunities that come our way, we will always stay true to our mission of creating long-term value for all our stakeholders.





ANTONIO R. MORAZA
President & COO
AboitizPower

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This year is going to be a very interesting one that will challenge our agility and imagination. We need to think out of the box and look for new ways to enhance our revenue and returns.

Power

The year that passed was one of extreme activity. In our effort to get the foundation of 1AP built, we have had multiple initiatives all throughout the organization from the SBUs, BUs, and on to our Corporate Support Units. I must take this opportunity to thank everyone for their dedication, time, and effort spent.

Looking back, we may have tried to chew more than we could, putting more pressure on everyone. The results though were excellent and I am extremely proud of the outcome.

Moving into 2016, we will have both units of our Davao baseload plant generating energy. We are in the final stages of commissioning and should declare commercial operations for the second unit within the month of February. It was a rough start, but all indications are we have a good plant that can deliver high reliability.

Our first solar venture in Negros Occidental should also be operational by February.

Our other projects in Pagbilao, Bukidnon, and Cebu are progressing well and should come in on-time and on-budget, and these will add to our capacity by 2017 and early 2018. The 8.5-MW hydroelectric power plant along Maris South Canal in Isabela, a project of SNAP and the National Irrigation Administration (NIA), is set to be completed by November 2017.

Our Distribution Business experienced healthy growth in 2015 and we feel that 2016 will be good as well. We continue to look for ways to expand our business to take advantage of our expertise.

Several of our major initiatives like asset management, Hyperion, Project Forward, 1AP, ISO, Risk Management, Stakeholder Engagement, and the review of policies and procedures are nearing completion or are continuously evolving. We will be feeling the positive effects of these initiatives shortly.

In our strategic planning process, we formed a view of the future, keeping in mind the following:

- 1) EPIRA worked in that it has attracted many private companies to participate in the power industry, specifically the generation sector.



UNIFIED PURPOSE. SBUs, BUs, and Corporate Support Units are closely working together to form a view of the future organization, demonstrating continuous evolution towards 1AP.



STAND AND DELIVER. The company continues to look for ways to expand its business, taking advantage of its expertise while recognizing the need to shift activities to greenfield and brownfield projects, as well as acquisitions.

There are plants being built all over the country. Mindanao, which is still on island mode and not connected to the rest of the country, will most likely suffer from an over capacity by 2017. Less so in Luzon and the Visayas but still the growth in supply will exceed demand. This will result in greater competition and squeezed margins. We foresee this environment to prevail for quite some time so we have to adapt to this new norm with greater efficiency, reliability, and lower cost.

2) As a result, we must innovate.

We have to employ unique strategies for Sales and Trading and continue to analyze and uncover opportunity. It's out there, we just need to look harder.

Likewise, we in AP must take advantage of our portfolio. We have one of the biggest and most diverse portfolios of power plants, with varying sizes that use different fuels and are able to supply power over a full spectrum of needs.

3) Privatization has slowed down dramatically.

Government has not pushed this effort very aggressively. Also, there are actually not too many interesting assets left. So we need to shift our activities to greenfield and brownfield projects, as well as acquisitions.

We are likewise looking at opportunities internationally. Our recent reorganization where we split M&A from Project Execution will provide better focus. Both these sections have beefed up their teams so

we can pursue more possibilities at the same time. We are behind in locating and finalizing new projects.

4) Prices for fuel in 2015 dropped dramatically. But will this continue at these levels for a prolonged period? It has greatly benefitted the consumer with lower prices of electricity and transportation. LNG (liquefied natural gas) is going to be a game changer. When it will begin to play a role in the Philippine power industry is a matter of time.

This year is going to be a very interesting one that will challenge our agility and imagination. We need to think out of the box and look for new ways to enhance our revenue and returns.



EMMANUEL V. RUBIO
 Executive Vice President and COO
 Power Generation Group

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Now that competition is becoming tougher with new plants starting to go online, we have to sustain our competitive position for our power plants. We also need to look at how we can thrive over our continuing exposure to a weak grid infrastructure.

Generation

2015 was another great year for the AboitizPower Generation Group. Looking through our performance, we have fortified our operations by ensuring that each Business Unit (BU) is gearing towards growth and excellence.

For the year 2015, our generation portfolio increased to a total attributable net sellable capacity of 2,402MW. The addition came from Hedcor's 14-MW Sabangan hydro power plant in Mt. Province, our first venture in the said province, and the much-awaited commercial operations of Therma South's 300-MW Davao baseload plant in Mindanao, which now serves its customers with reliable power supply. This year, we will welcome our first solar power project in San Carlos City, Negros Occidental in the second quarter, and the ongoing construction projects, namely the 68-MW Manolo Fortich Hydro of Hedcor in Bukidnon, 8.5-MW Maris Canal Hydro of SNAP and NIA in Isabela, 300-MW Cebu Baseload of Therma Visayas, Inc. and the 400-MW Pagbilao III Expansion in Quezon Province – all will remain on track for their completion by 2017.

As we set foot in 2015, we embarked on a goal to step up our safety excellence within

the Group. However, out of our 6.5 million man-hours, we recorded a total of eight lost time injury cases, one case each for restricted work and medical treatment, and 30 first aid cases. These figures are higher than what we had in the previous year. This is the reason we developed the Safety, Health, Environment, and Quality (SHEQ) Performance Reporting Procedures and Incident Reporting Procedures to standardize incident reporting across all BUs, making it easy for us to monitor, analyze, and provide subsequent corrective measures for long-term improvement. On account of the 20 vehicular incidents we had last year, we also designed a Road Transport Safety Management System to set standards and strict safety measures in road transportation, which includes an approved Safe Driving Policy to be cascaded this year.

Despite these incidents, we are looking at improving our performance by adhering to our set standards and measures to build a mindset



GROWING PORTFOLIO. AboitizPower's generation portfolio increased to a total attributable net sellable capacity of 2,402MW.



POWERING A BETTER FUTURE. President Benigno Aquino III was guest of honor at the launch of the Therna South 300-MW Davao baseload plant. As new power generation facilities come online, the Generation Group will continue efforts to preserve its relationships with industry partners while working through the dynamic environments of permitting and regulations for greenfield sites and existing operations.

that safety is integral to our operations strategy and in anything that we do.

With our goal to achieve world-class operations, we pursued various certification initiatives across the Group, specifically Quality Management Systems (QMS 9001), Environmental Management Systems (EMS 14001), and Occupational Health & Safety Systems (OHSAS 18001), for all our operating facilities. We have certified 85% of our facilities with at least one international standard certificate. We also have developed asset management plans aligned to ISO 55001 with the goal of achieving lowest lifetime operating asset cost.

We implemented and executed our Asset Management Systems Plan in 2015 and we are proud to share that Maximo is already live as our maintenance management system tool for asset management. We have also built our Reliability Centered Maintenance Practices, and continuously monitor, report, and compare our reliability key performance indicators against our targets and industry benchmarks. We also established standard practices and procedures to mitigate our asset risks. Our plan in 2016 is to ensure we efficiently use our existing tools, drive operations excellence, and maximize our plants' availability.

Stakeholder Engagement played an important role in our operations in 2015 with

our goal to improve our relationships with key stakeholders. We saw enthusiasm and support from our BU team leaders and members who underwent the Stakeholder Relationship Management (SRM) workshops and we are looking forward to the implementation of their engagement plans this year. We will continue to use our goodwill, specifically our CSR initiatives and ER 1-94, to maximize our relationship with our host communities.

Our people remain to be the core of the Group. In 2015, our initiatives were focused on building skillsets through Future Workforce Planning (FWP), specifically with the creation of a leadership pipeline. We approved the Future Workforce Plan Process to be implemented in 2016, and our 70% internal and 30% external ratio on hiring leadership roles is on target.

Guided by our company values of teamwork and innovation, a total of 76 Quality Improvement Programs (QIP) were submitted in 2015 as part of our Inyovation program. We've seen the extent of our team members' support to the program through projects that create business growth, improved operations, stakeholder engagement, and reduced costs. Notably, we are proud of our Hedcor Kabisigs for winning two AEV Passion Team Awards last year for their Inyovation projects.

We are excited for the rest of the Inyovation projects to be implemented in their respective

areas and win awards in this year's Passion Team Awards. We will continue to build the 1AP culture among our BUs, and implement talent management programs and improvements to prepare our workforce for new challenges.

This year will be another challenging year for us as a group. Our strategies and targets will require us to fervently focus in order to achieve them. Starting off, regulatory compliance would definitely keep us on our toes. Our greenfield sites and existing operations will need to work through the dynamic environments of permitting and regulations. We will have to preserve our relationship with industry partners amidst differences that can impact our partnership. Now that competition is becoming tougher with new plants starting to go online, we have to sustain our competitive position for our power plants. We also need to look at how we can thrive over our continuing exposure to a weak grid infrastructure. Lastly, organizing our people to manage growth agenda in the group will push us to our limits when it comes to competency building, engaging and preserving our talents.

Staying ahead of our game in 2016, our mission remains the same – to deliver reliable, reasonable, and responsible energy. And amidst the challenges, we will keep our promise to our customers, partners, and team members to pursue our vision of A Better Future.



JAIME JOSE Y. ABOITIZ
 Executive Vice President & COO
 Power Distribution Group

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With the ever-increasing demand for quality and reliable power, AP DU prepares for the future by building more infrastructure in its sub-transmission and distribution networks for more robust, reliable and flexible systems.

Distribution

Our Distribution Utilities (DU) showed very good kilowatt-hour (kWh) revenue growth in 2015. On a consolidated beneficial basis, kWh sold increased by 6% over the previous year in spite of the power shortage experienced in Mindanao. Individually, Davao Light grew by 4%, Cotabato Light by 10%, VECO and SFELAPCO both by 2%, while our four EnerZones collectively by 19% on the strength of the entry of LiMA EnerZone into our distribution portfolio.

Our overall customer base grew by a healthy 4.8% to 882,000 customers.

Increased investor confidence in the vibrant economies of Davao, Cebu, and Cotabato can be gleaned from the increased stream of new real estate, hotels, malls, manufacturing, and business processing sectors that entered these franchise areas.

In our EnerZones, 2015 saw the entry of LiMA EnerZone (LEZ) with AboitizLand acquiring the economic zone in LiMA from Alsons. This significantly increased the EnerZones' contribution to the portfolio. Additionally, there was a significant 12% kWh growth contributed by the increased shipbuilding activity of Hanjin in our Subic EnerZone (SEZ) franchise.

In Mindanao, power supply issues persisted due to the continued generation deficiency problems of Agus and Pulangi coupled with the

unexpected downtime of the 200-MW STEAG power plant. This resulted to rotating outages in Davao and Cotabato. Outages in Cotabato were aggravated by transmission line bombings.

The brownouts, however, were minimized in the Cotabato Light and Davao Light franchise areas because, aside from operating our standby power plants in both areas, we implemented the Interruptible Load Program (ILP) where participating large customers utilized their own generators. AboitizPower first developed the ILP concept in 2010 and we are proud to say that it is now a model replicated throughout the country.

Towards the end of 2015, supply in Mindanao eased with the operation of AboitizPower's Therma South, which provided additional supply.

All our other utilities did not experience any significant supply shortages because we had signed timely power supply contracts.



QUALITY OF SERVICE. The Distribution Group prepares for the future by building more infrastructure in its sub-transmission and distribution networks for more robust, reliable, and flexible systems.

In terms of operational efficiency, all our utilities' systems losses remained significantly lower than the government-mandated cap of 8.5%. This resulted to savings that benefit our customers directly through a reduction in power costs.

Striving for unified goals and values, the 1AP program of AboitizPower was cascaded to all team members across the group. This is aimed at unifying and anchoring our goals with the strategic pillars and values set by the company.

The Business Process Improvement (BPI) team, which was started in 2014, continued in helping streamlining our work processes to improve overall productivity and efficiency of the distribution group. The BPI team is a combined inter-company group envisioned to bring productivity gains by institutionalizing best practices and policies across the entire DU group.

Continued process improvements have resulted to increased service delivery to our customers. Our performance numbers for same-day electrical service connections, as well as response times to emergency resolution, continue to improve and have never been better. On average, we connect a new customer 50% within the same day and 100% within 24 hours. We also respond to emergency calls 70%

within 30 minutes. We will continuously strive to improve our service delivery numbers.

Also in 2015, the group went live in VECO with Oracle's Meter Data Management (MDM) solution as a perfect complement to our upgrade to version 2.4 of Oracle's Customer Care and Billing (CC&B) solution. The MDM is critical to the group's drive towards installing more smart meters in the medium to long term.

The group also continued to roll out its AGILA geographic information system (GIS), which is a new Google-based system that was implemented to replace its ageing in-house GIS system.

We completed the full transition to shared service for Accounting and IT services, a major undertaking that started in 2014. All accounting, finance, and IT-related services are now 100% shared under the Accounting and IT services located in Cebu. This will improve overall efficiency and reduce manpower-related costs. Additionally, the group went live with Oracle's Hyperion Budgeting and Consolidation system, which is designed to improve overall cost analysis and savings.

VECO has completed the first two phases of its implementation of the government's ER 1-94 program for rural electrification while Davao

Light has completed 28 projects that now serve 2,183 additional customers.

Davao Light has successfully undertaken the first ever Underground Distribution System (UDS) in Davao City. The company will continue to undertake UDS improvements on an annual basis to help improve the livability as well as contribute to a more robust network. A similar project was undertaken in Cebu in 2014.

In terms of network improvements, VECO undertook projects designed to improve reliability, increase distribution capacity, and reduce systems losses. Davao Light, meanwhile, added 79MVA of additional transformer capacity and LiMA EnerZone started construction of an additional 50-MVA transformer to bring N-1 reliability, which will be energized in early 2016.

The DU group takes its CSR very seriously as it is an integral part of our strategy to be the neighbor of choice. In line with this continuing initiative, the group built 11 classrooms, rewired 549 classrooms, supported 482 scholars, and built or refurbished 12 vocational laboratories.

Lastly, the group again provided much-needed help to electric cooperatives in Sorsogon and Mindoro by sending 5 crews to help restore power that was disrupted by typhoon Nona in December.



THE BUSINESS OF RESPONSIBILITY. CSR is an integral part of the DU strategy, paving the way to 11 classrooms built, 549 classrooms rewired, 482 scholarships granted, and 12 vocational laboratories refurbished or built.



OUR NEW HOME. Davao Light and HEDCOR completed the construction of their joint headquarters last year.

2016 OUTLOOK

For 2016, beneficial kWh growth is expected to be slightly less at 6%. Davao Light is expected to grow by 5%, VECO by 9%, Cotabato Light by 6%, SFELAPCO by 3%, and our EnerZones by 1%. These forecast numbers are expected to rise during the May 2016 polls; historically, energy sales increases during elections.

In our bid to further increase energy sales, the DU group brought in a Business Attraction Executive to better understand investor needs and hopefully translate these to influencing investors to locate their businesses in our franchise areas.

To complement this initiative, the DU group will take on a more active role in promoting their franchise areas by conducting investment fora for local and foreign chambers of commerce. Growth opportunities are seen for the EnerZones, especially in the SEZ and LEZ areas as these are increasingly good investment destinations for foreign investors.

With the ever-increasing demand for quality and reliable power, AP DU prepares for the future by building more infrastructure in its sub-transmission and distribution networks for more robust, reliable, and flexible systems. The group plans to add 133MVA of additional capacity in Davao, 96MVA in Cebu, and 50MVA in LiMA EnerZone. The UDS will also be continued in Davao and Cebu to improve reliability and livability. A more extensive use of Tree Wire will be deployed in urban areas to improve safety and reduce outages. Cotabato Light will continue to further improve its network backbone to improve reliability.

In Mindanao, the power shortage may still continue due to the extended dry weather conditions until April 2016 brought about by El Niño. Meanwhile, Davao Light's contract with PSALM expired in December 2015 and the company will see its new contract be substantially reduced. To address this, Davao Light added a reliable 100MW from AboitizPower's Therna South unit and started to enlist new generating contracts from Alsons', Western Mindanao Power Corporation and Southern Philippines Power Corporation as well as San Miguel Power's new plant, which is projected to go online towards the last quarter of 2016. All our other utilities have already signed power supply contracts that should ensure a steady and reliable supply throughout the year.

As the Retail Competition and Open Access (RCOA) policy goes into a more concrete implementation, the group is well positioned to retaining majority of our contestable customers. VECO sees the opportunity to implement Time of Use (TOU) as one tool. We intend to be their partner of choice. We will continuously engage our contestable customers by providing information, knowledge, and training on power use and buying, as well as giving them options to reduce their operating costs.

To further improve service, the Oracle CC&B 2.4 and MDM — an application that can handle multiple, large volume reads and is compatible with smart grid devices — will be rolled out in all the remaining utilities. Our AGILA GIS system will also be further enhanced and implemented.

We expect to install more Hawkeye Smart Elevated Meter Clusters in areas of

concentrated high losses. The system is the first of its kind in the country and is the result of two years of development in close coordination and cooperation with Vision Metering of the US. The system is a compact group of smart meters designed to reduce losses, improve operating parameters, and enable remote service connection and disconnection.

The Oracle Utilities Customer Self Service (OUCSS) will go live in response to increasing customer demand for online transactions and real-time information via mobile devices and the Web. Soon, customers will also be able to apply for service, make payments, or lodge complaints through OUCSS.

The AboitizPower Distribution Mobile App, initially launched internally in late 2015, will enable customers to make inquiries on billing and other service needs via smartphones once launched in the first quarter of 2016.

Davao Light and Cotabato Light completed the construction of their new headquarters last year. The construction of LiMA EnerZone's new office will be finished in early 2016. We are excited to move into our new homes to better serve our customers in these areas.

We will further support the education thrust of our CSR programs by building and rewiring more classrooms. In coordination with TESDA, we will push for vocational training programs for electricians and linemen.

Moving forward, we will relentlessly pursue the modernization of our services with renewed vigor in delivering value for our customers and stakeholders as a unified Distribution Group.



JUSTO A. ORTIZ
Chairman & CEO
UnionBank

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We continue to stay grounded on our purpose as articulated in the FOCUS 2020 roadmap, that is to “Make Da Diff” in the lives of others by connecting and enabling communities through Smart Banking in the spirit of Ubuntu.

Banking

2015 was a year of change for us in UnionBank. As part of our FOCUS 2020 strategy, we shifted from proprietary trading to an accrual business model, focusing on customer centricity and channel expansion where the generation of net interest income and fee-based income becomes the dominant source of revenues. We focused on growing our customer loan portfolio and our Hold-to-Collect (HTC) portfolio, and reducing the negative drag in margins coming from low-yielding assets which are funded by high-cost deposits. As a result of this shift to accrual business, we posted among the highest customer income growth as compared to our listed peer banks.

2016 OUTLOOK

For 2016, we expect a strong growth in customer businesses supported by loan expansion. This will partly offset the decline in our 2015 net income and will serve as the foundation for growing our core recurring income. Following the shift in our business strategy, we will grow our earning assets to increase our leverage, leading with the corporate loan product, to match the level maintained by our peer banks.

In terms of funding, we shall continue our current accounts and savings accounts (CASA) generation, anchored on leveraging our corporate relationships using our award-winning cash management solutions. We will do this by also offering products and services to the communities of suppliers and distributors of our existing customers. This strategy provides us with the assurance that the accounts will

be relatively low risk given the risk profile of its principals, particularly as we introduce financing schemes to community members to expand our commercial/SME banking loan book.

The aforementioned strategies would mean that our operating income shall now mainly come from customer revenues in the form of accrual income. We foresee that core recurring income (net interest income and fees) as a percentage of net revenues will significantly increase compared to trading and other non-core bank revenues.

As we move to make the most of the changing landscape, we continue to stay grounded on our purpose as articulated in the FOCUS 2020 roadmap, that is to “Make Da Diff” in the lives of others by connecting and enabling communities through Smart Banking in the spirit of Ubuntu.





CATALINO S. ABACAN
President & COO
CitySavings



As we celebrate our golden anniversary, we will remain relevant in our niche market by continually living up to our tagline of “Simple is Good” and our brand promise of “Straightforward Banking”.

Banking

2015 saw City Savings Bank meeting our financial and business expectations amid intensifying competition, as we continued to delight our teacher-partners and expanded to new markets through the deployment of simpler processes coupled with our superior brand of service.

We embarked on a strategic roadmap of reinforcing our operational foundation to create space in anticipation of greater business volume, realigning the expertise of our teams and reinforcing their capabilities. We also rekindled relationships, both internal and external, especially with our partners in schools and in DepEd offices.

To provide convenience to our clients in doing business with us, we added 19 more branches and 16 Loan Processing Outlets (LPOs) to our network. As such, CitySavings ended 2015 with 100 branches and offices across the country.

2016 OUTLOOK

2016 will be a landmark year as we launch our much-awaited GSIS Pension Loans product. Through this simple and innovative program, we will serve the needs of a new segment of clients as they embark on the next stage of their lives.

We will break new ground in service and technological excellence, putting into production our Loan Ranger program, bringing the Bank closer to its clients. We will continue to develop our mobile platform and optimize our processes, building capacity to support our fast-growing business.

We will continue to strengthen our synergy with our parent, UnionBank, as we grow our business.

To further bolster our relations with our key stakeholders through our corporate social responsibility (CSR) program, we started new initiatives such as Project Synergy. This is in partnership with the Ramon Aboitiz Foundation (RAFI) Kool Adventure Camp that focuses on leadership and values-based competency building. We will continue to explore other CSR initiatives that will create a lasting impact on the lives of our teachers and school beneficiaries in their respective communities.



TRUE TO ITS VALUES. CitySavings continued to delight teacher-partners and expanded to new markets through the deployment of simpler processes coupled with superior brand of service.

CitySavings would not be where it is today had it not been for its original visionaries, Don Ramon Aboitiz and Teotimo Abellana, who had laid the groundwork so well. After them, equally capable leaders Don Eduardo Aboitiz, Jon Ramon Aboitiz, Enrique Abellana, and Rene Almendras took over with a similar fervor. Then the team from both families composed of Erramon Aboitiz, Mikel Aboitiz, Agnes Lacson, and William Paradies continued with their great management of the bank.

As we celebrate our golden anniversary in 2016, we will remain relevant in our niche market by continually living up to our tagline of “Simple is Good” and our brand promise of “Straightforward Banking”.

Guided by our values of integrity, superior service, teamwork, continuous innovation, and assumed responsibility coupled with pure dedication, CitySavings is here to stay for the communities we serve.



1. **SOLID FOUNDATIONS.** The bank strengthens its operational foundation to create space in anticipation of greater business volume, realigning team expertise and reinforcing capabilities.
2. **GROWING OUR FOOTPRINT.** Ending 2015 with 100 branches and offices across the country, CitySavings continues to expand its space ahead of anticipated greater business volume.
- 3 and 4. **STAKEHOLDER ENGAGEMENT PROGRAM.** Project Synergy, a partnership between CitySavings and RAFI-KAC, focuses on developing leadership and values-based competency building for public school teachers.



LORENZO T. OCAMPO
President
PETNET



Being part of the Aboitiz Group adds equity that allows us to significantly expand our branch network. Our existing and soon-to-open branches will be utilized to provide greater access and convenience for UnionBank and CitySavings customers.

Financial Services

2015 marked the start of a brighter future for PETNET with changes in the scale and business model brought about by our being part of the Aboitiz Group. Our 2,000-branch network, composed of company-owned and sub-agent locations, has been primarily utilized to service Western Union customers and provide complementary services such as money exchange, bills payment, cellphone loads, and micro-insurance.

We have gone on an aggressive branch expansion program with the entry of AEV as our new majority owner in mid-2015. On behalf of City Savings Bank, we rolled out DepEd teachers' salary loans in 305 company-owned branches in the third quarter and piloted GSIS pension loans in three outlets (Commonwealth, Talon 1, and 11th Avenue) involving 400 pension registrants in November. We also rolled out the Personal Accident Insurance Program or "Accident Protect" last year.

2016 OUTLOOK

While a stricter regulatory framework is likely to slow remittance growth in 2016, Western Union is one of the few companies that is expected to benefit from it, given its substantial investment in compliance in the last 5 years. As a Western Union agent with significant expansion plans, we are expected to grow much faster than the industry.

Certainly, the full-blown execution of the loan origination program on behalf of City Savings Bank is a top priority for 2016. We will continue to push this program targeting 100,000 transactions for the year.

PETNET is set to do a brand reboot to effectively communicate the expanded services available, as well as the new ownership and its values. This exercise has been an exciting one for management and we are keen to roll this out.

Being part of the Aboitiz Group adds equity that allows us to significantly expand our branch network. Our existing and soon-to-open branches will be utilized to provide greater access and convenience for UnionBank and CitySavings customers. Public school teachers should be able to walk into any PETNET location and process a loan in half an hour. This arrangement is a triple win for the customer, the bank, and PETNET.

Finally, we will continue to align, and thereby step up, our corporate governance and risk management processes with those of AEV. We look forward to embodying the Aboitiz Way. After being a stand-alone business for the last 17 years, it feels great to have a "big brother" with the resource, expertise, and guidance that will take our organization to the next level.



WELCOME ADDITION. Being part of the Aboitiz Group adds equity that has led PETNET to significantly expand its branch network, roll out CitySavings's DepEd teachers' salary loans, and pilot GSIS pension loans.



SABIN M. ABOITIZ
President & CEO
Pilmico



This year, we take on innovation as an approach to triumph over the growing complexities of our business. We believe that by challenging the status quo, identifying new approaches, getting out of our comfort zone and embracing change, we can continue the strong growth momentum of 2015.

Food

2015 was a year of breaking barriers for the Food Group.

True to our vision of being Partners for Growth, Pilmico has been consistent in delivering business growth across our Flour, Feeds, and Farms businesses guided by the unified Aboitiz strategies of business growth, execution excellence, stakeholder engagement, and human capital development. Pilmico's growth in 2015 was likewise backed by our conscious effort to add value in everything that we do.

2015 did not come without hurdles with volatile commodity and forex markets threatening our costs and thinning out margins. The first year of the ASEAN integration has likewise created a borderless business environment, which has increased competition, challenging our hold in the markets that we operate. However, we took these as an opportunity to be better at buying our raw materials and become a preferred brand to our customers through better products and services.

Our Flour business held steady, delivering a stable volume growth alongside industry levels. This, despite stiff competition with new flour mills coming in and the influx of cheaper imported flour, which continue to challenge local flour prices.

The establishment of our Representative Offices in Vietnam and Indonesia in 2015 has resulted to the successful start of

our Flour Export Program in Hong Kong, Vietnam, and Indonesia.

Although the introduction of our flour products to neighboring countries has proven to be challenging, the setting up of our export business has helped us prepare for the ASEAN integration. This critical step towards global competitiveness has helped us open doors for more potential cross-border partnerships, learn new markets and new products, and strengthen our firm's competencies.

Feeds Philippines enjoyed healthy volume growth rates over the last five years and has continued to outperform industry growth. We continue to be among the biggest players in the animal feeds industry.

2015 was a banner year for the Feeds Philippines business, as it delivered better-than-expected volume growth and margins. This was achieved through a two-pronged strategy of developing purposive sales and marketing



MODERN PIER FACILITY. Pilmico's new Pier 2 at its Iligan complex supplements its existing international port facility and hastens the unloading of raw materials for faster distribution of finished goods to our customers.

programs, and intensifying our focus on people development for our salesforce.

Internationally, 2015 was a groundbreaking year for Pilmico as we celebrated our first year of operations in our Vietnam aqua feedmill business through Pilmico VHF. Today, we enjoy an 8% market share of the Mekong Delta aqua feeds industry as we continue to supply the feeds requirement of Vinh Hoan Corp., one of Vietnam's largest pangasius exporters.

In order to keep up with demand, we continue to aggressively grow our Farm business through the significant expansions in our farm facilities and sow level. Despite the double digit volume growth, we have kept our position in the market with major competitors growing just as fast.

To ensure business growth, we have gone beyond live hog selling and entered the higher-margin meat selling business. Our Farms now offer carcasses and boxed meat products to institutional customers. Likewise, the Farms business has diversified into the poultry industry with its layers farm, which produces chicken eggs.

2015 was an important year in laying out a solid expansion plan in support of a sustainable future growth – the construction of 8 plants to scale up production.

These included 3 feed mill expansions across all sites – Iligan, Tarlac, and Vietnam, all of which will be operational by the second quarter of 2016.

Add to that, our continued thrust to beef up our Farms business by building a new breeder farm, nursery farm, 2 growing finishing farms, and our first infrastructure investment in the poultry segment – a layer farm.

We have likewise finished the building of a new pier facility in Iligan, which will supplement our existing international port facility. The new port will hasten the unloading of raw materials and make the distribution of finished goods to our customers faster.

Our stakeholder engagement strategy clearly resonates with our vision of being our customer's Partner for Growth. With the decline of the backyard farming industry in the Philippines, Pilmico has actively supported backyard farmers, who are significant stakeholders in our feeds business by intensifying our advocacy program *Mahalin Pagkaing Atin*.

We expanded its thrust beyond providing rehabilitation and livelihood programs for backyard farmers stricken by natural disasters in 2013, and transformed it into our main stakeholder engagement program. *Mahalin Pagkaing Atin* now addresses technical and commercial concerns of farmers, helping them grow their businesses.

In 2015, we conducted 20 *Mahalin Pagkaing Atin* events nationwide, reaching a customer base of over 15,000 and gaining the recognition abroad. Together with our communication agency partner, GeiserMaclang Marketing Communications, it won Gold in the 2015 Asia-Pacific Stevie Awards under the 'Communications/PR - Campaign: Investor Relations' category. The campaign was recognized for championing sustainable entrepreneurship by igniting pride and preference for local produce.

In October, the International Business Awards held in Toronto, Canada also recognized *Mahalin Pagkaing Atin*, this time as the Silver

Stevie winner for its initiative to promote sustainable entrepreneurship in the public service category.

Our ability to expand our business has been possible with our belief that values drive results. We take the Aboitiz values of integrity, teamwork, innovation, and responsibility as our compass in organizational development and in building a strong Pilmico culture.

In 2015, we launched Project Me, a self-driven career management program. It aims to build better leaders with team members taking charge of their own development through continuous education, experiences, and exposure.

Project Me was likewise supported by the launch of AHEAD, the Pilmico Learning Hub. The Farm Academy was the first module rolled out under AHEAD in 2015. It featured a structured and purposive developmental program dedicated to continuous learning, education, and competency building of our team members in the areas of veterinary medicine and farm management.

Our ability to select the right talent and develop them is key to our success. In 2015, we launched the Pilmico Junior Veterinary & Animal Science Congress, the first of its kind in the industry, which gathered 40 of the brightest veterinary medicine and animal science students in the country. This is one of our talent attraction programs for our Farms and Feeds businesses to support their aggressive expansion plans.

The business growth we experienced in 2015 is testament to the benefit of investing in our team members' training and development.



MEETING THE DEMAND. Pilmico is aggressively growing its Farm business through significant expansions in facilities and increasing sow level to 14,000 heads.



PARTNERS FOR GROWTH. *Mahalin Pagkaing Atin* events address technical and commercial concerns of farmers, helping them grow their businesses.



PROMISING VIETNAM. After a full year in the Vietnam aqua feedmill business, Pilmico VHF now enjoys an 8% market share of the Mekong Delta region's aqua feeds industry.

2016 OUTLOOK

ASEAN economies have demonstrated resilient growth over the last three years, supported by strong domestic consumption and investments.

The Philippine economic forecast for 2016 remains positive with GDP projected to grow the highest among its ASEAN peers, driven by private and government spending. Election-related spending is seen to support domestic demand through May 2016.

However, inflation forecast is also expected to be higher with El Niño seen to increase commodity prices and the oil price rebound anticipated in 2016. Interest rates are likewise seen to rise given the recovery of the US.

These economic indicators provide a preview of the challenges and opportunities we face in 2016. We expect a more discriminating consumer base – demanding quality products at lower costs. With interest rates on the rise, we see an increasing cost of capital for our investments. Despite these challenges, we view them as opportunities to test our resiliency and improve our efficiencies as we expect competition to get tougher both on the domestic and regional fronts.

Our four-pronged long-term strategies will continue to be our compass as we work toward building a purpose-driven, fully-integrated food company with an expanded customer reach in the ASEAN.

Our main challenge is balancing the competing demands of existing core businesses while building new ones. This means growing

and protecting both our market and margins.

We have several projects in the pipeline to continue to grow and diversify our businesses in the country:

Feeds:

- Operationalize new feeds production capacities in Iligan
- Add feed products and related services

Farms:

- Increase sow level to 14,000 heads
- Build additional farm facilities
- Accelerate capability-building for meats business
- Operationalize new layers farm with monthly output of 4 million eggs

Flour:

- Export flour around ASEAN region
- Build Pilmico Research & Training Bakery in VisMin
- Build and operate a commissary

ASEAN:

- Operationalize new aqua feed mill in Vietnam
- Export aqua feeds in ASEAN
- Pursue other opportunities in the region through mergers and acquisitions

To support our evolving business enterprise, we continue to equip our team with tools, both systems and processes, to ensure efficiencies and execution excellence. For 2016, we are

rolling out seven major systems initiatives, among them, the Oracle HCM, Dealer Management System, and Budget Automation. All systems are expected to improve internal information systems and integrate external customers to push sales.

Our quest for growth has brought us to new frontiers here and abroad and will provide our team members endless opportunities for both professional and personal growth and development. In line with our brand promise of being Partners for Growth, we likewise create opportunities for employment and help local economies especially in the communities where we operate.

People development continues to be our highest priority and focus because we believe that we can deliver our strategies by building better leaders. Our expansion across the region will demand higher levels of competency and skill so we will continue to develop a learning organization.

Exciting times are ahead in 2016 for our Learning Hub, AHEAD, as we launch two new modules. The Feeds Academy will help build technical competency to equip our Feeds salesforce while the CFO Curriculum will build strong and well-rounded finance, accounting, credit and collection, and tax teams.

We were the forerunner in the Aboitiz Group of self-driven career management through Project Me and in its second year, we continue to bank on the program for developing our team members.

We believe that by doing good, we can do well and build a sustainable enterprise. Our *Mahalin Pagkaing Atin* advocacy will continue to be our flagship corporate social responsibility and stakeholder engagement program and we will continue to widen our reach nationwide in building sustainable livelihood for farmers.

We have remained resilient through the years and the keys to our success are People and Culture, because we believe that values drive results. In 2015, we committed to adding value in everything that we do.

2016 will pose new challenges for the Food Group with rapid changes happening in the industries we do business in. This year, we take on innovation as an approach to triumph over the growing complexities of our business. We believe that by challenging the status quo, identifying new approaches, getting out of our comfort zone and embracing change, we can continue the strong growth momentum of 2015.



ANDONI F. ABOITIZ
President & CEO
AboitizLand

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We will continually fulfill our brand promise of creating enduring, assuring, and nurturing communities and further strengthen our relationship with customers and partners.

Land

At AboitizLand, we know our achievement as a company is linked to the communities we build and the homes we create.

Although we achieved considerable financial gains within the real estate development industry, we have experienced anticipated challenges in the business. These difficulties allowed us to delve deeper to improve the way we mitigate critical areas of AboitizLand. Proper investments on people, processes, and systems were put in place to respond to these adversities. Despite these, our strategic growth plans remain intact as we pursue to further strengthen our business.

The organization grew by 20% to gear up for aggressive growth in the coming years, enabling a more vigorous participation at the national level.

Determined to sharpen our focus in creating unparalleled outputs, we forged a strategic partnership with Metaphil, Inc., another Aboitiz company, for them to provide us with the highest level of expertise in construction services. With this relationship, we will deliver the AboitizLand brand promise to our *vecinos* and reinforce our position in the industry

One of Amoa's success factors is our partnership with several corporate organizations, especially those within the Aboitiz Group. Our special corporate financing scheme provided an opportunity for employees to achieve their dreams of owning a home via a good discount and budget-friendly financing plan.

We are pleased with and inspired by the Priveya Hills Phase 3 sales performance. It only proves that the profound trust of Cebu's high-end real estate market in the AboitizLand brand has not wavered.

More than just offering bare spaces, we also captured the market for ready-for-occupancy condominium units in Cebu City's urban districts. We presented the market with furnished units designed with space-saving features at The Persimmon Studios that allow even more convenience for our *vecinos*. About

RESIDENTIAL

Certain projects in our residential business unit did remarkably well in 2015. Amoa, the company's 60-hectare mid-end residential community located in Compostela, Cebu, was successfully launched. Sales volume hit 300% over the annual sales target.



REDEFINING DESTINATION SHOPPING. The Outlets at Pueblo Verde continues to attract both merchants and shoppers with innovative products and creative pricing.

70% of the studio units have already been sold, both to OFWs and locals, end-users and investors alike.

COMMERCIAL

The commercial spaces created and sustained by AboitizLand have stamped their mark on the retail landscape, particularly in Cebu. The commercial business unit grew by 30% year-on-year as major retailers joined AboitizLand's already expansive roster of merchants, demonstrating increased confidence in our capacity to facilitate the attainment of their development goals.

The Outlets at Pueblo Verde continues to attract shoppers with innovative products and creative pricing. It has also drawn merchants into its fold wherein over 80% of the spaces at The Outlets expansion was fully leased out on its opening. The market has responded well to year-round discounts making The Outlets an enthralling destination not only for Cebuanos, but also for the growing number of tourists coming to Cebu each year.

In the last quarter of 2015, The Outlets welcomed the latest element of its neighborhood destination concept. The opening of Fork in the Road, a cluster of homegrown restaurants offering Cebu's best-loved choices, provided business solutions to food outlets to reach a wider market. Its opening coincided with the second anniversary of The Outlets at Pueblo Verde.

The Outlets at Pueblo Verde's expansion and the introduction of Fork in the Road are

testaments to our commitment to continuously look for ways to improve, innovate, and nurture partnerships in every community we develop.

INDUSTRIAL

Our industrial communities West Cebu Industrial Park, Mactan Economic Zone 2, and LiMA Technology Center capitalized on the interest in industrial space with the latter exceeding its industrial land sales targets by 10% in 2015, contributing the lion's share of the company's consolidated income.

We have established where we will set our sights and efforts in 2015. We are in constant negotiations with foreign companies and prospective locators, many of whom have expressed serious interest in putting up a presence in our industrial parks, opening doors for potential partnerships and definitively growing the business.

As opportunities for expansion abound, we have kept highly professional relations with our existing locators and provided them with incomparable benefits within our industrial zones.

2016 OUTLOOK

We will build on our performance in 2015 with progress in 2016. Specifically, we will continue projects that have been started and scan the horizon for bigger and brighter opportunities.

Considering the current growth trends and our expansion plans already in place, there is no letup in our land banking efforts. We are expecting a significant increase in capital

expenditure to ensure that we will have appropriate resources and support future developments.

We will become stronger on the national scene. We will be launching three residential projects in Luzon – two in the north and one in the south.

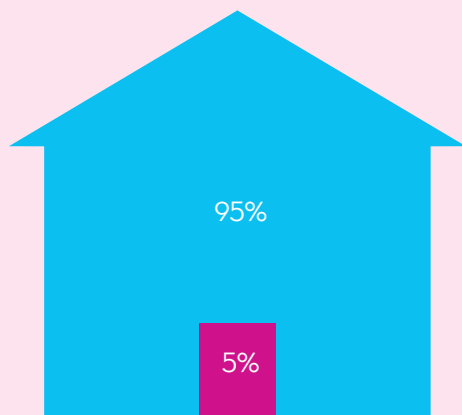
In Cebu, we will maintain our position as the respected and trusted leader in the industry. We will do this with the launch of more noteworthy projects in northern and western Cebu.

Among our first celebrations in 2016 will be the launch of the first project under the Cebu District Property Enterprise, Inc. (CDPEI), our partnership with Ayala Land, Inc. We recently closed the deal with our anchor tenant for the commercial mall in this development.

In 2016, we will be more resilient despite adversity. We will bolster our Cebu market share while managing the challenges of being a new entrant in Luzon. With land banking and all other strategic investments, we will steer to be ahead while keeping our eye on the ball.

Taking the quantum leap, we understand more than ever what it means to grow responsibly—with discipline grounded in our commitment. Today, I have no doubt that our values are driving our ability to fulfill our brand promise of creating enduring, assuring, and nurturing communities.

We will sustain this enviable momentum, keeping the accomplishments of 2015 as the yardstick towards aiming higher and achieving more in 2016.



Your dream home.

Your way in.

A 5% discount awaits all Aboitiz employees.
AboitizLand gives you a way into your dream home.
Email jean.millor@aboitiz.com for your way in.



ECOZONE SPIKE. AboitizLand's industrial communities capitalized on the interest in industrial space with LiMA Land exceeding its industrial land sales targets by 10% in 2015.



ERRAMON I. ABOITIZ

President & CEO
Aboitiz Group



**The year ahead
sees us building on
the foundations
of our RCBM and
Apo Agua bulk
water projects
while aggressively
establishing
footholds in
other priority
infrastructure
sectors.**



Infrastructure

We literally cemented the foundations of AEV's infrastructure leg in 2015.

Barely two years after defining our new strategic direction to play a key role in the emerging Philippine infrastructure space, we are now not only a significant player in the local basic building materials sector but also well on our path to becoming a major player in the bulk water space.

Together with our partner, CRH, we successfully acquired the Lafarge cement assets in the Philippines, allowing us to be currently invested in the nation's second largest local cement manufacturing and distribution group of companies. Relunched as Republic Cement & Building Materials, Inc. (RCBM), Republic Cement Iligan, Inc. (RCII), Republic Cement Mindanao, Inc. (RCMI), and Republic Cement Services, Inc. (RCSI), our six cement facilities across Luzon, Visayas, and Mindanao produce over 25% of the cement requirements of the country. Worth highlighting as well is that Republic Cement's brands are not only the most prominent names in the individual home builder construction segment but also the most sought after products for the rapidly growing infrastructure bulk cement segment.

We also entered the bulk water space when we were awarded the 30-year concession to supply the Davao City Water District with 300 million liters per day of bulk water tapped from the Tamugan River. Together with JV Angeles Construction Corporation,

one of the Philippines's largest water infrastructure contractors, we formed Apo Agua Infraestructura Corp. (Apo Agua), which will develop, build, and operate the country's biggest bulk water facility.

Parallel to closing these major transactions, we continued to actively participate in the Public-Private Partnership (PPP) arena despite our highly controversial loss of the 47-km CALAX project last year. Through the efforts of our Infrastructure team, we are geared up to participate in many of the landmark PPP projects coming in early 2016.

2016 OUTLOOK

The year ahead sees us building on the foundations of our RCBM and Apo Agua bulk water projects while aggressively establishing footholds in other priority infrastructure sectors. We have our eye on eventually breaking into newer infrastructure spaces, so we seek to deepen our project execution bench in order to convert inevitable wins into successful businesses.



MARKET LEADERSHIP. Republic Cement's brands are not only the most prominent names in the individual home builder construction segment but also the most sought after products for the rapidly growing infrastructure bulk cement segment.



NEW HORIZONS. In building on the foundations of its infrastructure business, Aboitiz will also be aggressive in establishing footholds in other priority infrastructure sectors while continuing initiatives to reach out to key stakeholders to gain crucial community support.

Bulk Water

After onboarding the Apo Agua leadership team in late 2015, all our efforts are now focused on obtaining the requisite local and national permits and approvals for the P10-billion facility to start construction within the year. We will continue rolling out stakeholder engagement programs to ensure that we get the support of communities directly affected by the project. Once permits are in place, we expect the three-year project construction period to begin.

Cement and Building Materials

After several months of post-merger integration efforts and analysis, numerous operational and commercial initiatives will be rolled out at Republic Cement in order to take an already good operation to greater heights. The priorities will be on enhancing operational productivity while ensuring that we can fully capitalize on our market reach and top of mind brands. Moreover, we are in the process of finalizing key expansion initiatives that will allow us to maintain our national market share in the rapidly growing building and construction markets.

PPP

We will continue to pursue selective PPP leads as the government opens up unique opportunities in key infrastructure segments. While most of the sectors are generally new to us, we expect to invest time and resources in finding the right local and international partners that can provide the market and technical know-how needed to successfully run the concessions.

The first half of the year sees us finalizing our bid preparations for the following game-changing PPP projects:

1. **LRT 2 O&M privatization** – Partner: SMRT (Singapore’s largest rail operator);
2. **Laguna Lakeshore Expressway Dike project** – Partners: Ayala Land, SM, and Megaworld;
3. **Regional Airports** (Iloilo, Bacolod, Bohol, Laguindingan, and Davao) – Partners: Vinci Airports S.A.

Beyond the 2016 national elections, we will continue to track opportunities in the dynamic airport, toll road, rail, and water

sectors – both on a PPP and unsolicited basis. While the new administration may take time to decide on whether to continue with PPPs and other privatizations, our view is that any new government will continue to focus on the urgent need to upgrade the nation’s sub-standard infrastructure environment.

The Aquino administration has already allocated a record P766.6 billion (or roughly 5% of the 2016 GDP) of the national government’s P3.0-trillion budget this year for critical infrastructure spending. Note that this level of public infrastructure investment is close to what our regional peers spend regularly on their own core infrastructure needs. In this context, our overarching objective is to be well positioned to provide the necessary building and infrastructure solutions to capitalize on the government’s thrust for continued heavy infrastructure investment. Whether our investments will be on roads, airports, rail, or water, our goal is to supply innovative infrastructure solutions while always ensuring that Filipinos can continue to build their dreams one cement bag at a time.



NAPOLEON R. PE, JR.
 President & CEO
 Metaphil



Metaphil will continue to grow a workforce of *kauban*, the heart and soul of the organization, as well as build partnerships with reliable suppliers, subcontractors, and service providers.

Notes:

* *Kauban* is the local term for teammate. It signifies people working together to achieve more.

***Bugsay* is the local term for paddle. It signifies the individual's acceptance of responsibility and accountability in achieving a common goal or destination.

Construction

For the Aboitiz Construction Group, Inc. (Metaphil), 2015 was a year of good project and risk management. Sales of P2.7 billion is 0.4 billion or 18% higher than in 2014. As projected, both margin and net income after tax (NIAT) are lower than in 2014.

The bulk of our sales still comes from local construction works, particularly in mining and power. At its peak, these projects employed 4,250 people.

2015 was also the start of the AboitizLand-Metaphil relationship. Both companies expect to draw on each other's strengths to produce better business results in building houses and outlets.

2016 OUTLOOK

Lower sales in 2015 is attributed to unrealized awards. However, 2016 starts with a sales backlog of P2 billion. Close to 50% is attributed to construction works for a large power plant in Mindanao while about 25% is from recurring works in shipbuilding businesses of Tsuneishi Heavy Industries in Balamban, Cebu, and Hanjin Heavy Industries in Subic.

Our work for Hanjin presents business opportunities for growth in terms of recurring works and overall performance for Metaphil and our team members. Workforce can easily increase by a thousand.

We are also keen on pursuing potential construction and maintenance works through Republic Cement Group, which is part of the Aboitiz Group's new infrastructure leg.

We continue to serve more affiliates and pursue international projects as we build a

global name. The awarding of additional major works, not just from existing clients but from previous ones as well, is highly anticipated.

As Metaphil grows, we will continue to focus on delivering RISQ (Reliability, Integrity, Safety, and Quality) fueled by the *kauban** spirit and armed with the *bugsay***. We will continue to build our workforce through partnerships with TESDA, schools, and skills training centers. This year, we also expect to forge a partnership with DSWD, thus living out the Aboitiz BetterWorld mindset of 'doing well by doing good'.

Metaphil will continue to grow a workforce of *kauban*, the heart and soul of the organization, as well as build partnerships with reliable suppliers, subcontractors, and service providers. We believe that the *kauban* spirit, driven by our passion for better ways, will turn 2016 into our next best year ever.



OUR GREATEST ASSET. As Metaphil grows, the focus on delivering RISQ (Reliability, Integrity, Safety, and Quality) continues as it builds its workforce through partnerships with TESDA, schools, and skills training centers.



AKIHIRO MISHIMA
President
Tsuneishi



With the help of our 13,000-strong workforce, we are taking steps towards improving our construction progress rate and cost efficiency. Our focus will remain on creating high-quality ships.

Shipbuilding

Since its establishment in Balamban, Cebu in 1994, Tsuneishi Heavy Industries (Cebu), Inc. has achieved major milestones towards further developing Asia's leading shipyard.

In 2015, the year began with a management shift, appointing me as Tsuneishi's President and Katsuhiro Danjo as Vice President.

This change has likewise seen the appointment of the first Filipino presidents from our group companies: Silvino Oliamot at K&A Metal Industries, Inc., Alex Alasco at Asian Craft (Cebu), Inc., and Segismundo Exaltacion Jr. at Tsuneishi Technical Services who also became a member of the board of directors last year.

2015 also saw a major milestone for three companies under Tsuneishi Group Philippines – the 20th anniversary of Asian Craft (Cebu), Inc., Tsuneishi Accommodation (Cebu), Inc., and Cebu Asiatic Shipping & Port Services, Inc. As we celebrated this achievement, we carefully reevaluated our commitment to our clients and our vision to be the best shipbuilder in the world.

As a testament to our strong commitment to provide outstanding products and services, Tsuneishi received the PEZA Hall of Fame award as Outstanding Exporter in the Large Enterprise Category. Tsuneishi was named Outstanding Exporter for three consecutive years, from 2012 to 2014.

2016 OUTLOOK

With all these developments in the past year, we resolve to do even better in 2016. With the help of our 13,000-strong workforce, we are taking steps towards improving our construction progress rate and cost efficiency. Our focus will remain on creating high-quality ships.

These steps will bring us toward achieving our goal of getting the number one share for Handymax and Kamsarmax orders as well as being the leader in the after service industry.

In order to achieve all these, we need to focus on developing our human resources by investing in their education. We work side by side with our mother company in Japan to help our Filipino workforce gain expertise in shipbuilding according to Japanese technology and know-how. This is done by sending our team members to Japan where they can develop their engineering, technical, and administrative skills, all of which can help strengthen the Philippines's position as the host of Asia's leading shipyard.

As 2016 presents various challenges not only to the world's economies but also to the shipbuilding industry, we are prepared to come from a strong place to face the demands of the industry.



GO FOR NUMBER 1. Tsuneishi sets its sights on having the biggest share for Handymax and Kamsarmax orders and is taking steps towards improving construction progress rate and cost efficiency.



SUSAN V. VALDEZ

President
Aboitiz Foundation
WeatherPhilippines Foundation



We will strengthen stakeholder engagement through effective communication and strategic partnerships. We will tap on these partnerships to create a bigger collective impact as we build internal competency through better people, systems, and processes.

Corporate Social Responsibility

As the Aboitiz Group businesses continue to grow, our role to lead by doing good and making a difference is taking on bigger challenges as we move towards the next level of corporate social responsibility (CSR) and sustainable development. Our programs have evolved to deliver longer-term benefits, involving bigger projects with positive sustainable impact of national scope, and stronger stakeholder engagement.

2015 Highlights

In 2015, the Department of Education recognized the Aboitiz Group as its biggest private partner not only for its Adopt-A-School program but also across all its education-related initiatives. We firmly believe that education is where we can create the greatest impact; we will therefore pursue and advance our efforts in this area because a better-educated youth means a better Philippines.

In observance of World Environment Day last June 5, we signed a partnership with the Department of Environment and Natural Resources, which enrolled our A-Park trees under its National Greening Program. The Aboitiz Group is now the agency's biggest partner in its nationwide reforestation program. We have already planted 3.8 million trees as of December 2015 and our target is to plant 6 million more by 2020.

We opened the Aboitiz Cleanergy Park in Davao City, our fulfilled commitment to provide a sanctuary to the endangered hawksbill turtle or pawikan, and the other 66 species that thrive in the eight-hectare biodiversity haven.

For enterprise development, we continue to partner with different cooperatives in implementing various small-to-medium livelihood projects nationwide. As an accredited technical training provider, the Foundation also conducts skills training for cooperative members to ensure the long-term viability of their entrepreneurial pursuits.

In times of disaster, communities in need can always count on the immediate assistance of the Aboitiz Foundation and Aboitiz Group business units. Together with fellow team members and volunteers, we conducted relief operations for families affected by typhoons Lando and Nona.



EDUCATION FOR A BETTER WORLD. The Aboitiz Group is DepEd's biggest private partner not only for its Adopt-A-School program but also across all its education-related initiatives.

EDUCATION



29,000 scholarships



890 classrooms



78 teachers trained



25 technical-vocational high schools



10 special science elementary schools



Since 2011, Aboitiz and AGAPP have spent over **P124 million** to build **216** Silid Pangarap classrooms in **108** schools nationwide, benefitting **40,320** preschoolers.

Data as of Dec. 2015

ENVIRONMENT



A-Park

3.8 million trees planted

Aboitiz Cleanergy Park



17 nest



1,876 Pawikan hatchlings

Data as of Dec. 2015

ENTERPRISE DEVELOPMENT



91 No. of partners



493 No. of loan packages



P164M Approved loans



23,118 Beneficiaries

Data as of Dec. 2015

HEALTH AND WELL-BEING



4,421

families provided with relief packs (typhoons Lando and Nona)



8

barangays re-energized in Oriental Mindoro (typhoon Lando)

WeatherPhilippines's #WeatherWiser campaign continues to help build a disaster-resilient nation. Last year, Ayala Corporation, Pilipinas Shell Foundation, and Philippine Disaster Resilience Foundation joined our growing roster of partners in accelerating the disaster preparedness of local government units (LGUs), businesses, and the general public. Our Platinum Donors agreed to increase their annual donation to P3.5 million each to support WeatherPhilippines. Their generosity will enable us to sustain operations and knowledge-sharing initiatives over the next 10 years.

In 2015, WeatherPhilippines launched its free mobile app for iOS and Android devices, bringing its localized weather forecasting capability to more Filipinos. Delivering timely and accurate weather data is backed up by our

network of automated weather stations (AWS) installed nationwide.

We continue to conduct Weather 101 and Tropical Cyclone 101 training for LGUs and private organizations, teaching them to integrate extreme weather events into their business continuity planning and operations management. The trainings are complemented by our #WeatherWiser Ka Na Ba? video series on www.weather.com.ph and on Facebook, allowing us to reach a wider audience.

Since disaster resilience is one of the focus areas of our BetterWorld program, Aboitiz signed last year the Manila Declaration organized by Philippine Business for the Environment, and also joined as pioneering member of the Water Alliance formed by Philippine Business for Social Progress. The

former is aligned with our carbon emission reduction efforts while the latter is compatible with our resource efficiency program.

What we do in CSR and sustainability has been shaping the role of Aboitiz in the discussion on sustainable development, especially after the launch of the United Nation's Sustainable Development Goals (SDG). For instance, supporting the Manila Declaration and Water Alliance will allow Aboitiz to achieve one of the SDGs on climate action. Our CSR flagship programs will be able to contribute to attaining the other 17 SDGs that aim to make life better for everyone in our planet. The SDGs complement our CSR and sustainability strategy implementation and even shape the communication of our BetterWorld actions.

2016 Outlook

This year, we are set to implement our CSR strategy guided by the 2016 Aboitiz Foundation Strategic Pillars: Program Development, Stakeholder Engagement, and Capability Building. These focus areas will further embed CSR and sustainability into our organizational culture as both can have material effects on our overall performance.

We will start measuring the effectiveness of our CSR initiatives based on social impact and identify the changes that have been made by our flagship programs. We will strengthen stakeholder engagement through effective communication and strategic partnerships. We will tap on these partnerships to create a bigger collective impact as we build internal competency through better people, systems, and processes.

For WeatherPhilippines, we will mobilize more communities to help build a #WeatherWiser Nation. We will focus on seamlessly providing localized weather information for users while the website will be re-designed to become the go-to source for all things weather-related in the Philippines.

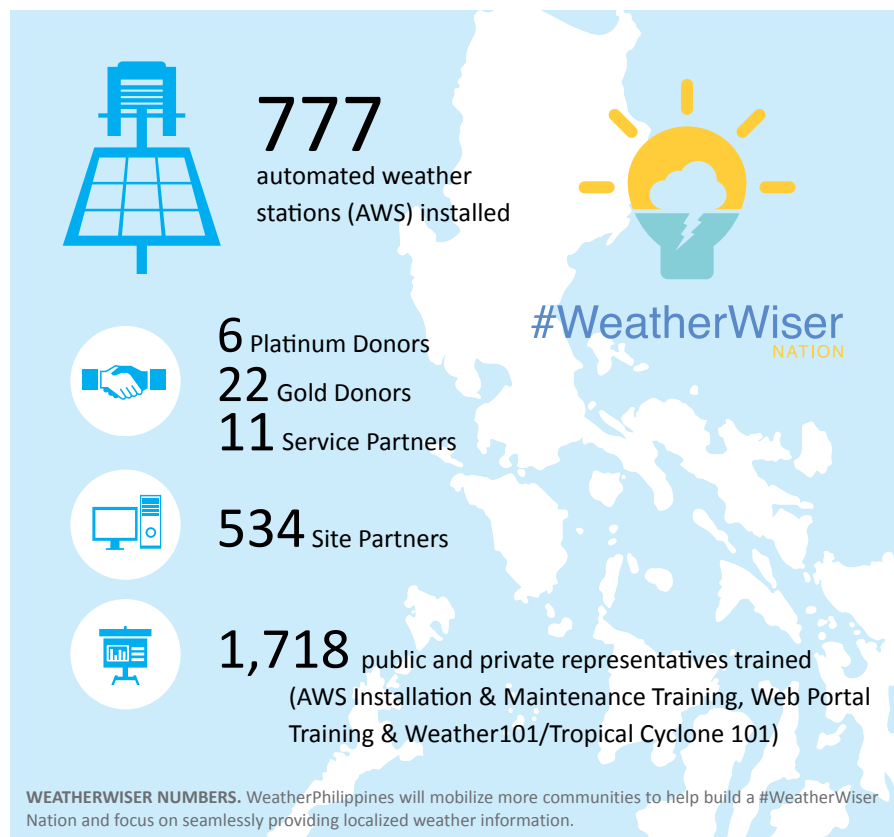
To encourage more partners to invest on weather technology and knowledge, we will institutionalize value-adding development initiatives for donors, sponsors, and LGU partners.

We look forward to a more resilient 2016 with Filipinos utilizing weather information not just for disaster preparedness, but also for business continuity and sustainable development.

Building a Culture of Creating Shared Value

Given the increased size and scope of the Aboitiz Group, we face greater expectations to help address a variety of society's challenges, from socio-economic inequality to building resilient communities. While we are already doing many things right now, we know that we need to do even more. Therefore, our evolution will continue onwards to creating shared value (CSV).

In brief, CSV is about generating value for business and society by addressing societal needs as a core part of business. It involves addressing an unmet need of society, which businesses can help solve profitably because they already have, or can develop, products or services that will solve that need. It is about



WILDLIFE HAVEN. Aboitiz Cleanergy Park embodies the Group's commitment to provide a sanctuary for the endangered hawksbill turtle or pawikan and 66 more species thriving in the eight-hectare biodiversity haven.



sustainable business development and is therefore an opportunity for linking social value creation to increased business value creation.

We look up to the success story of Nestlé, which has integrated CSV into its business strategy. From a company founded 150 years ago selling a life-saving infant cereal, it has grown to become a global leader in nutrition, health, and wellness today. Its growth has enabled it to help improve the lives of millions of people – through its products and services as well as through employment, its supplier

networks, and the contribution it makes to economies around the world.

This is the same path we would like to take and our Aboitiz BetterWorld mindset is preparing us for this next leg of our sustainability journey. Moving forward, our CSR strategy combined with our sustainability efforts, will seize new opportunities, address challenges, and respond to changing stakeholder needs. All these we will do while remaining true to our BetterWorld commitment to create a sustainable enterprise that we can entrust to future generations.

Aboitiz HR Rides a New Bus

Chief Human Resource Officer Txabi Aboitiz often talks about HR by borrowing the analogy from Jim Collins's book "From Good to Great" that likens HR and the organization to people riding a bus. He says, "A company is like a bus and the work of HR is all about getting the right people on the bus, getting the wrong people off the bus, and getting the right people to sit on the right seats." This succinct yet truthful description makes the job of HR sound rather simple and easy.

But do we really know what it takes to get the right people on the bus? Maybe the trickier question is how do you get the wrong people off the bus? And how can you tell if you really are seated on the right seat in the organization? This is the time when our leaders start to seek out HR so they can collaborate and arrive at the best answer. Oftentimes though, the answers are not very simple because people issues largely vary from team to team, leader to leader, company to company.

In a recent presentation, Group CEO Montxu Aboitiz stated, "It is not the lack of financial resources but the lack of having the right talent in the organization that poses the biggest threat for us in achieving our goals." CEOs rank human capital as the biggest challenge for them today. Almost 40% of C-suite leaders feel that inadequacies in human capital and

talent management are key reasons why organizations are not achieving desired financial and growth rates.

As a consequence of the growing awareness of the importance of building human capital, the Group HR set out to organize itself to be able to better respond to this call. Today, it is riding a new bus and the people are sitting on new and better seats that feel right for everyone.

What Has Changed?

Early last year, the Group HR embarked on a learning journey, seeking the best way for the team to collaborate more toward identifying, conceptualizing and rolling out better HR solutions faster and more effectively. The time to market is essential especially for a fast growing organization like Aboitiz.

Throughout this journey, the team recognized and developed a deeper appreciation of the many admirable HR

programs and initiatives that exist in different strategic business units (SBUs) and business units (BUs) across the Group but it had to find a better way of harnessing these and gain a more coherent and deliberate talent management and people strategy. It had to take HR beyond just the regular sharing of best practices to a whole new level of truly integrating, harmonizing, synergizing, and, ultimately, moving toward governance.

Thus, the CORE HR team was formed and it is made up of the top Corporate Center and SBU HR leaders. The team will:

- Determine the Group initiatives that must be executed collectively
- Formulate and get Group Mancom approval of our people strategy
- Clarify the role of the Corporate Center and the SBUs within a matrix structure
- Oversee the execution of our people strategy



"The Aboitiz HR's new business model holds the promise of allowing it to better lead, engage, reinvent, and reimagine. We have only just taken the first exciting step."

-Txabi Aboitiz

The team has realized that in order to deliver solutions faster, it had to break itself into smaller clusters to work on certain areas of focus:

- Cluster 1** To develop a more cohesive talent management strategy
- Cluster 2** To promote a widespread Aboitiz culture
- Cluster 3** To develop a more prominent talent attraction & integrated workforce strategy
- Cluster 4** to deliver superior HR results and analytics

This early, the clusters have already made some headways worth mentioning. Cluster 1 has completed a policy harmonization across all BUs that will pave the way towards standardizing systems and processes to allow best practices from each BU to be commonly adopted by all. This achievement will enable the use of a common HR enterprise technology to drive strategic HR management.

Cluster 2 has established a general framework for culture building and engagement that will eventually foster and strengthen The Aboitiz Way in each BU.

Cluster 3 has developed a Future Workforce Planning policy and process that will enable leaders to couple their long-term strategic business plans with workforce plans. This will allow them to anticipate and prepare for the kind of talent and competencies that the business will require not only for today but more importantly, for tomorrow.

Cluster 4 has gotten the nod of all BU HR heads and CEOs to subscribe to CEB, an online learning resource for the latest on the HR and Organization Management Research Library that can immediately propel the Group HR to become best in class. It is also readying the HR talent pipeline by identifying and developing hot talent among HR practitioners in the Group.

The Promise of a New HR Order

As the saying goes, you can't expect a different result unless you try a different way of doing things. The people-related challenges posed by our business today require a new HR order — one that makes it more agile, forward thinking, and bolder in its solutions. Thankfully, it has the strong support of the company's most senior leaders, an essential ingredient for the new HR order to succeed. The Aboitiz HR's new business model holds the promise of allowing it to better lead, engage, reinvent, and reimagine. We have only just taken the first exciting step.

Aboitiz Core HR



Txabi
AEV



Nancy
AEV



Cindy
AboitizPower



Sye
AboitizPower



Michelle
UnionBank



Nina
AEV



Anji
AEV



Mia
AEV



Gie
Pilmico



Amale
AboitizLand

We are a team of diverse HR business partners and A-people champions committed to achieve the Aboitiz Groupwide Talent Management Program that will drive continuous growth and competitive advantage.

**ONE
TEAM
ONE
MISSION**



Talent Optimization & Rewards *"Right people in the right seat"*

Amale Jopson
Sye Aniga

Michelle Rubio
Anji Azuelo
Mia Zamora

Nina Pedro



The Aboitiz Way

"The Aboitiz Way - Our culture"

Michelle Rubio
Anji Azuelo

Gie Polanco
Nina Pedro
Rae Camahalan

Liz Clarete



Strategic Workforce Planning, Attraction & Organization Design

"Right people on, wrong people off"

Cindy Rivera
Amale Jopson
Mia Zamora

Ana Aleta
Ricky Lacson



HR Competence *"Superior HR competence"*

Nancy Lim
Amale Jopson
Nina Pedro
Natasha Neri

ON-CALL MEMBERS

Anji Azuelo
Gie Polanco
Cindy Rivera

Sye Aniga
Michelle Rubio
Txabi Aboitiz

Carl Borromeo
Marty Macariola