

60 YEARS
OF MAKING
LIVES BETTER



PHINMA CORPORATION
2016 ANNUAL REPORT



WHO WE ARE

PHINMA is a proudly Filipino conglomerate that seeks to make lives better and build the nation through successfully run and profitable businesses while remaining consistent with our core values of Integrity, Patriotism, Competence and Professionalism.

PHINMA GROUP'S MISSION STATEMENT

The PHINMA Group's Mission is to help build our Nation through competitive and well-managed business enterprises that enable Filipinos to attain a better quality of life. With professional and effective management as our distinctive edge, we aim to give communities, not only in the Philippines but wherever else we might find the need, improved access to the essentials of a dignified life.

In the pursuit of our Mission, we look to our tradition, our experience, our reputation, and above all, our people, as the principal factors that will enable us to achieve our lofty goals.

The PHINMA Group will demonstrate that private business can mutually serve the needs of society and the aspirations of shareholders.

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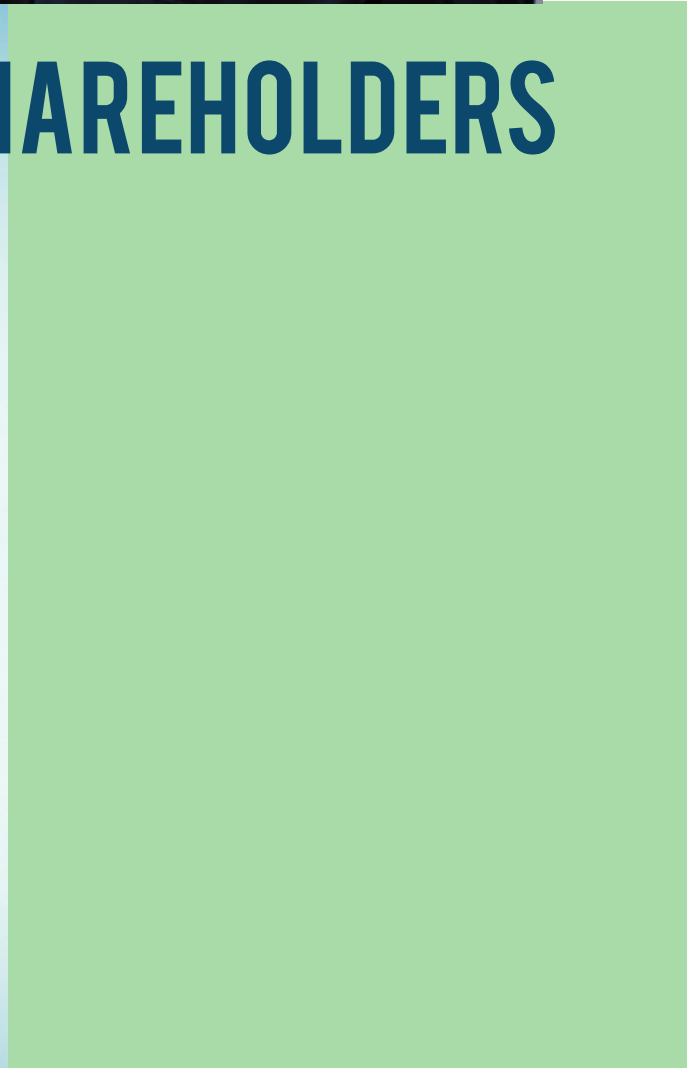
FINANCIAL HIGHLIGHTS

	2016	2015 (as restated)	2014
INCOME AND DIVIDENDS PAID (In Thousand Pesos)			
Revenues	6,302,141	5,710,138	5,366,682
Net Income Attributable to PHN Equity Holders	277,178	390,394	246,548
Consolidated Net Income	367,206	492,554	302,007
Cash Dividend	103,666	104,176	103,872
FINANCIAL POSITION (In Thousand Pesos)			
Current Assets	3,684,736	3,322,283	3,626,590
Total Assets	14,386,220	14,223,264	10,309,345
Current Liabilities	2,132,575	2,108,073	1,679,569
Non-current Liabilities	3,984,942	4,045,691	1,441,062
Equity Attributable to PHN Equity Holders	7,282,869	6,862,967	6,572,561
Total Equity	8,268,703	8,069,500	7,188,714
PER SHARE (In Pesos)			
Earnings	1.07	1.49	0.95
Cash Dividend Per Share	0.40	0.40	0.40
Book Value of Common Shares	28.12	26.47	25.24
FINANCIAL RATIOS			
Current Ratio	1.73	1.58	2.16
Debt to Equity Ratio	0.74	0.76	0.43



MESSAGE

TO SHAREHOLDERS



FELLOW SHAREHOLDERS,

In 2016, the Philippine economy posted GDP growth of 6.8%, a substantial increase from the 5.9% growth in the previous year and one of the best performances globally, outperforming even China and Vietnam. The economy continued to grow on strong investment and consumption. Public infrastructure, notably public construction, accelerated over 20% in the second half of the year. Private consumption also expanded at a respectable 6% toward the end of the year, buoyed by increased consumer confidence from low inflation and interest rates. Exports accelerated over 8% in the latter part of the year, while growth in imports recovered to over 18%. Growth, however, in the agricultural sector declined in the latter part of the year due to several typhoons. The local stock market index closed the year down 1.6%, the second straight year of decline, due to global political volatility as well as domestic political uncertainty.

Consolidated revenue of your Company in this environment amounted to P6.3 billion in 2016, an increase of 10% over the P5.7 billion posted in the previous year, due to increased revenue from our steel products business as well as from our education group following the first full year since the acquisition of Southwestern University. Consolidated net income of your Company amounted to P367.2 million, a decrease of 25% over the net income of P492.6 million posted in the previous year. Increased income contribution from our schools, our energy group, and our steel products business was offset by impairment of goodwill from our investment in our US strategic consulting company and also an equitized loss from our affordable housing affiliate. Net income attributable to shareholders of the parent amounted to P 277.2 million for the year.

2016 Highlights

PHINMA Education holds your Company's investment in 5 tertiary education schools. In 2016, the tertiary education industry was challenged by an industry-wide decrease in freshman enrolment due to the implementation of the Department of Education's new K12 curricula which adds two senior high school years. PHINMA Education rose to the challenge, eventually posting the largest senior high school enrolment for private schools in the areas where it operates. Income for the five schools in the network amounted to a total of P585.2 million for 2016, an increase of 44% from P 407.2 million in 2015. Despite the effects of K12, total network enrollment increased 7% to 54,691 in 2016. During the year, PHINMA Education's satellite campuses in Urdaneta City, Araullo

“The PHINMA Education schools continued to focus on academic quality, producing a total of six board topnotchers from four PHINMA schools in 2016.”

University South, and Cagayan de Oro Puerto contributed valuably to enrollment, offsetting the effects of K12. In 2016, PHINMA Education also strengthened initiatives ensuring students stay in school, increasing average retention to 92%. During the year, your Company also opened its niche Senior High School in Manila, *Career Academy Asia*, which caters to the upscale market for arts and design education.

The PHINMA Education schools continued to focus on academic quality, producing a total of six board topnotchers from four PHINMA schools in 2016. The year also marked the expansion of PHINMA Education overseas with the opening of the PHINMA Training Center in Yangon, Myanmar, a joint venture with a local hospital partner. The center initially offers training for nursing assistants but will eventually offer full degree programs.

In 2016, Trans-Asia Oil and Energy Development Corporation, our energy company, changed its corporate name to *PHINMA Energy Corporation* (PHINMA Energy) to combine the success of the company with the strong management brand of PHINMA. Demand for energy continued to increase with robust economic growth. In 2016, energy sales of the company’s Energy Supply group increased 33% to 2,947 GWh while the Wind Energy group separately generated 96.7 GWh from operation of the San Lorenzo Guimaras wind farm. 2016 was a milestone year as PHINMA Energy breached a billion to end the year with consolidated net income of P 1.383 billion, an increase of 53% over P906 million in 2015. Of the P 1.383 billion net income, P 367.9 million was equitized by the Company in 2016.

In February 2016, less than a year from start of its first plant, PHINMA Energy affiliate *South Luzon Thermal Energy Corporation* (SLTEC) commenced commercial operation of its second 135 MW clean coal-fired power plant. PHINMA Energy and partner AC Energy Holdings also announced the sale of a 5% and 15% stake, respectively, in SLTEC to Axia Power Holdings Philippines Corporation, a unit of the Marubeni group. The sale paves the way for PHINMA, Ayala, and Marubeni to jointly develop power projects in the future. In 2016, PHINMA Energy also commenced operation of two of the three power barges acquired from the Power Sector Assets and Liabilities Management Corporation. Together with the second SLTEC unit, these increased total generation dispatch capacity of the company to 639 MW by end of 2016, up from 455 MW in the previous year.

PHINMA Energy continued its commitment toward development of renewable energy. In 2016, the 20MW geothermal power plant of affiliate Maibarara Geothermal Inc. (MGI) was awarded *Geothermal Project of the Year* by Asian Power Magazine. MGI is currently expanding its geothermal power plant to add another 12MW line by end 2017.

Union Galvasteel Corporation (UGC), your Company's steel products subsidiary, was challenged in 2016 by upward pressure on global steel prices due to raw materials price increases and capacity cutbacks in China. Despite this, the company increased its profitability, pushing higher value products including its polyurethane line used in temperature controlled applications and its pre-engineered building structures line which employs computer aided design to introduce construction efficiencies. During the year, UGC posted revenues of P3.8 billion, a 6% increase over the previous year, and realized net income of P220.8 million, a 39% increase over 2015. In 2016, the company also used information generated by its ERP system to shorten lead times and improve customer service levels.

In 2016, PHINMA Property Holdings Corporation (PHINMA Properties), in light of the competitive market for affordable development in the National Capital Region (NCR), shifted focus to upscale vertical development and to regional affordable development. Projects such as the *SATO III Premier Suites* at the company's *ASiA Enclaves Alabang* development, featuring the company's first multi-bedroom fully-fitted out units, achieved brisk sales. The company also expanded outside of the crowded Metro Manila market, completing the first two buildings at *Arezzo Place Davao*. The company's socialized housing division on the other hand continued to be the model for socialized development in the country, with its *Bistekville 2* project gathering awards from the Quezon City Local Government Unit (LGU) for four consecutive years.



Although PHINMA Properties experienced a 74% increase in units sold and delivered in 2016 compared to the previous year, PHINMA Corporation equitized a net loss of P90.2 million due to an increase in cost of sales and operating expenses of PHINMA Properties in 2016. Moving forward, the company will develop more premiere units and affordable projects outside Manila and will leverage on its successful socialized housing model, replicating this in other LGUs and localities.

In 2016, your Company's affiliate, Coral Way City Hotel Corporation (Coral Way), through its subsidiary Krypton Esplanade Hotel Corporation, continued construction of the 191-room TRYP by Wyndham hotel. The new hotel, which opens this year, expands our available hotel rooms in the Manila Bay area and complements the existing Microtel by Wyndham Mall of Asia hotel by offering higher priced accommodations catering to a younger, more hip, and energetic clientele.

Our competitive intelligence company Fuld & Co., Inc. (Fuld US) in 2016 showed marked improvement in competing for higher value engagements, improving both its sales and cost structure. Fuld & Co. (Philippines) Inc. rolled out a campaign to increase its presence in the consulting market for government, multilateral, and aid agencies. Although revenue of Fuld US and Fuld & Co. (Philippines) Inc. (the Fuld group) decreased 4.4% to P388.7 million in 2016, the Fuld group posted a modest net income of P 7.2 million in 2016, an improvement over a net loss of P 66 million in the previous year. In 2016, your Company provided for a P 191 million impairment in the goodwill arising from its acquisition of Fuld & Co. to reflect the assessed fair value of the company.

14.4B

year-end total assets

PHINMA Corporation ended 2016 with a strong balance sheet, with total assets of P 14.4 billion and a current ratio and debt-to-equity ratio of 1.73:1 and .74:1, respectively. Your Company also has funds available for investment, should attractive opportunities arise.

We are furthermore pleased to report that, given the favorable results for the year, your Board has declared a cash dividend of P 0.40 per share which was paid on April 21, 2017.



2017 Outlook

For 2017, Government's official growth target for the Philippine economy is a range of 6.5% to 7.5%. Strong public construction expenditure in the second half of 2016 will hopefully continue in 2017, producing a multiplier effect on growth from increased consumption. Consumption spending will also remain strong aided by continued growth in revenue from the BPO industry as well as OFW remittances, backed by a stronger US dollar. Although the *Bangko Sentral ng Pilipinas* (BSP) left overnight policy rates unchanged at 3.5% in the early part of the year, a rate hike is widely expected in response to US Fed rate hikes. The BSP forecasts average inflation to increase to around 3.5% this year due to higher oil prices, a weaker Peso, and firm domestic demand.

This year, PHINMA Education looks forward to increased traction in its various senior high school programs across the schools in its network. The company also intends to further accelerate the integration of Southwestern University, aligning the school's mission and vision with that of PHINMA. Moving forward, PHINMA Education also looks forward to regional expansion and the eventual offer of full degree programs in its nursing assistant training center in Myanmar. In the future, PHINMA Education will continue to search for schools that can make significant contributions to improving lives through better education quality and value.



“PHINMA Energy looks forward to being the preferred supplier for even more customers in its drive to become a major player in the competitive retail electricity supply market.”

For the remainder of the year, PHINMA Energy looks forward to being the preferred supplier for even more customers in its drive to become a major player in the competitive retail electricity supply market. To provide the additional energy, this year the company increases baseload generation capacity by an additional 12 MW from the Line 2 expansion of affiliate Maibarara Geothermal Inc.’s geothermal plant. The company also expects to complete this year the rehabilitation of power barge 103, adding an additional 24 MW of peaking capacity. With the Maibarara Line 2 expansion and the expected rehabilitation of the power barge within the year, the total generation capacity should increase further by 32 MW by year end.

For 2017, UGC will continue to employ its strategy of promoting higher value innovative products and will also leverage on its wide distribution network to introduce new products. The company will continue to use new technology to improve service levels and customer satisfaction, ensuring lasting brand equity in a highly competitive industry.

PHINMA Properties this year will focus on more premium developments within Metro Manila, and will continue to develop affordable housing outside the NCR. The company sees potential in the rental housing market and is exploring a business model for this entry. PHINMA Properties also hopes to accelerate the roll out of its successful and award-winning socialized housing business model at other properties and localities in the country.

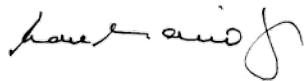
This year, Coral Way City Hotel Corporation, through a subsidiary, will complete construction of the new TRYP by Wyndham hotel, adding 195 more hotel rooms targeting a younger and trendier clientele. PHINMA Corporation, through Asian Plaza Inc., also owns 36% in Microtel Development Corporation (MDC). In January 2017, Microtel Development Corporation changed its corporate name to PHINMA Hospitality Inc. to more closely relate the Microtel Philippine franchise to the PHINMA brand.

We are of course not alone in these endeavors. We maintain committed to our suppliers, partners, creditors, and of course our customers. Our stakeholders are invaluable in our mission to provide reliable and renewable power, quality education, affordable steel products and homes, and clean and comfortable accommodations.

We would like to also express our gratitude to our management teams and employees who share in our mission to make life better in the country. It is our conviction that an ethical and well managed business leads to good returns. We also maintain our commitment to improve shareholder values for our shareholders, to whom we extend our gratitude for their steadfast support.



OSCAR J. HILADO
Chairman of the Board



RAMON R. DEL ROSARIO, JR.
President and Chief Executive Officer

“Our stakeholders are invaluable in our mission to provide reliable and renewable power, quality education, affordable steel products and homes, and clean and comfortable accommodations.”



Business Review: Energy

INTEGRATED POWER SOLUTIONS

In line with the 60th anniversary of PHINMA in 2016, Trans-Asia Oil and Energy Development Corporation embraced the name of its parent to become PHINMA ENERGY CORPORATION (PHINMA Energy), to combine the commercial success of the company with the strong brand and management expertise associated with PHINMA. PHINMA Energy Corporation is an integrated power solutions company engaged in power generation and electricity supply, renewable energy, and resource development and exploration.

Demand for energy in 2016 continued to increase in line with the growing Philippine economy. Total Energy Sales Volume was 2,947 GWH, a 33% increase from 2,216 GWH in the previous year. PHINMA Energy ended the year with P 15.47 billion in revenue from electricity sales, up 15% from P13.46 billion in the previous year. 2016 was also a milestone year as the company surpassed P1 billion in net income, ending the year with P 1.383 billion in net income, a 53% increase from P 905.9 million in net income in the previous year. In addition to income from strong growth in energy sales, PHINMA Energy also realized income in 2016 from the sale of a minority stake in one of its generation companies.

PHINMA Energy attributes its record year to the continuous and efficient operation of successfully completed power projects, increase in generation capacity, and significant expansion of market share within the competitive retail electricity market.

In February 2016, less than a year from start of operations of its first plant, South Luzon Thermal Energy Corporation (SLTEC), the company's partnership with AC Energy Holdings Inc. of the Ayala group, commenced commercial operation of its second 135MW coal fired power plant. The successful commissioning of the two plants not only increased the company's access to reliable baseload power but also broadened the company's strategic alliances within the energy industry. In December 2016, PHINMA and Ayala announced the sale of a 5% and 15% stake, respectively, in SLTEC to Axia Power Holdings Philippines Corporation, a unit of the Marubeni group. With the investment, Marubeni brings its extensive experience in thermal power to strengthen the joint venture. The investment in SLTEC validates the confidence of our partners in PHINMA Energy's management expertise and also paves the way for the three partners to build upon the relationship and jointly develop power projects in the future. PHINMA Energy remains the largest shareholder in SLTEC with a 45% interest, followed by Ayala with 35% and Marubeni with 20%. Moving forward, PHINMA Energy continues to have full control of the energy output of the two plants for its own energy supply business.

33%

increase in Total Energy Sales Volume from 2,216 GWH to 2,947 GWH in 2016

639.4 MW

Total Generation
Capacity in 2016 from
455.4 MW in 2015

After successful takeover from the Power Sector Assets and Liabilities Management Corporation (PSALM) in the previous year, PHINMA Energy commenced commercial operations of Power Barges 101 and 102, located in Iloilo, in February 2016. The two power barges contributed 64 MW to the company's dispatchable peaking power in 2016. Power Barge 103 is undertaking rehabilitation in Cebu and is expected to come online within 2017.

All told, total generation capacity under the control of PHINMA Energy increased to 639.4 MW in 2016 from 455.4 MW in 2015 due for the most part to the successful completion and commissioning of our committed projects.

The company expanded its business as a licensed Retail Electricity Supplier (RES) in 2016. Aligned with the energy industry's initiative to promote customer choice through a competitive retail market, the company made headwinds in gaining additional contracts with contestable customers who have made PHINMA Energy their preferred supplier of choice.

During the course of the year, PHINMA Energy continued to serve the power requirements of its valued industrial and commercial customers and also delivered the energy requirements of over ten electric cooperatives. By year end 2016, PHINMA Energy was able to secure customer commitment for an additional load of around 170 MW.

By early 2017, customers with a total load of over 100 MW were switched over to PHINMA Energy as their new and preferred supplier of choice. New valued customer partners included several educational institutions as well as commercial and retail clients. Moving forward, PHINMA Energy aims to be a significant player in the retail electricity market.

Providing renewable and sustainable energy is an important part of the company's mission. PHINMA Energy first ventured into wind energy with the successful completion of Trans-Asia Renewable Energy Corporation's 54-MW wind farm in San Lorenzo, Guimaras. During the year, the wind farm was able to deliver 96.7 GWh of clean and renewable wind energy to the grid. In the future, your Company looks forward to developing more projects out of its portfolio of 400MW of service contracts for wind energy development around the country.

Geothermal energy is another valuable source of sustainable and renewable energy in the country. PHINMA Energy owns a twenty-five percent stake in the 20 MW Maibarara Geothermal Inc. (MGI) power plant in Sto. Tomas Batangas. In 2016, the Maibarara geothermal plant produced 152 GWh of renewable energy and was cited by Singapore based Asian Power Magazine as Asia's 2016 Geothermal Power Project of the Year. PHINMA Energy, together with partners PetroGreen Energy Resources and PNOG Renewable Corporation, is currently undertaking an expansion of the geothermal power plant. The expansion adds an additional 12 MW line and is expected to come onstream by the third quarter of 2017, increasing total plant capacity to 32 MW. In June 2016, PHINMA Energy and Basic Energy Corporation began drilling an exploratory well at Mabini Geothermal Service Contract Number 8 located in San Teodoro, Mabini, Batangas, eventually reaching the target depth of 1,679 meters. After completing the drilling work, the two partners are currently conducting tests aimed at determining the geothermal resource in the field. Prior initial pre-feasibility studies have projected the area to yield a resource of between 20 to 60 MW.

With the 12 MW Maibarara Line 2 expansion and the expected rehabilitation of Power Barge 103 within the year, PHINMA Energy expects total generation capacity to further increase by 36 MW by end 2017.

PHINMA Energy began its corporate existence in the field of energy resource development. The significant drop in global oil prices has tapered global exploration activity. Despite this, the company, through its subsidiary, Trans-Asia Petroleum Corporation (TA Petroleum), continues to explore potential areas for energy resource development, locally and overseas in the conviction that resource exploration and development play a key role in pursuing energy self-reliance for the country. In April 2016, TA Petroleum also disclosed a proposed expansion into the midstream oil and gas sector initially through a feasibility study for the construction of a liquefied natural gas terminal in Sual, Pangasinan. The project, if deemed feasible, is envisioned to supply local gas requirements for power generation, commercial, and transport purposes.

The re-energized PHINMA Energy Corporation looks forward to greater participation in the retail electricity market as it pursues its vision to be the preferred electricity supplier of choice, serving the energy supply requirements of its customers as its contribution toward nation building and making lives better.

96.7 GWH of clean and renewable wind energy was delivered to the grid





Business Review: Education

ACCESSIBLE QUALITY EDUCATION

PHINMA Education makes life better by providing accessible quality education. PHINMA Araullo University (PHINMA AU), PHINMA Cagayan de Oro College (PHINMA COC), PHINMA University of Pangasinan (PHINMA UPang), and PHINMA University of Iloilo (PHINMA UI) provide quality basic and tertiary education to students from low income families in developing urban centers. Newly-acquired Southwestern University PHINMA (SWU PHINMA), on the other hand, provides quality education to a separate middle income market, catering to international as well as local students in Cebu and nearby areas.

In 2016, PHINMA Education (PHINMA Ed) and schools all over the country welcomed its first batch of Senior High Schools (SHS) students under the K12 program. The new curriculum resulted in a decrease in tertiary freshmen enrolment nationwide due to the two extra years required in basic education, resulting in a corresponding decrease in the demand for college teaching personnel.

During this transition, PHINMA Ed remained resilient, focusing on its main thrust – to make lives better by providing quality education for low to middle-income families. By enhancing operational efficiencies, PHINMA Ed was likewise able to retain the majority of its employees. Despite the challenges, the five schools posted the largest SHS enrolment among schools in the areas where PHINMA Ed schools operate, reinforcing their position as top performing schools in their respective regions.

PHINMA Ed has also increased the schools' geographic reach and enrolment by employing satellite campuses. PHINMA UPang first opened its Urdaneta campus in SY2015-2016 with 141 students. The campus has since grown to a population of 1,141. Likewise, PHINMA AU South and PHINMA COC Puerto campuses continue to grow as major education providers in the outlying areas where they are located.

To offset the effects of K 12 curriculum, PHINMA Ed strengthened its initiatives to ensure that students finish their education, resulting in an upward trend in student retention. Average retention for the four schools in developing urban centers increased from 88% in SY 13/14 to 92% in SY 16/17.

92%

average retention in SY 16/17 for the four schools in developing urban centers, an increase from 88% in SY 13/14

PHINMA Ed recalibrated its standards to pave the way for increased number of board passers. The schools increased the number of board passers among its graduates in education, civil engineering, mechanical engineering, nursing, dentistry, optometry, medical technology and physical therapy.

In 2016, PHINMA Ed also produced a total of 6 board topnotchers in Physical Therapy (SWU-PHINMA), Criminology (PHINMA COC), and Nursing (PHINMA UPang and PHINMA UI).

Despite the effects of K12, total PHINMA Ed enrolment increased 7% to 54,691. In 2016, income from the five schools amounted to P 585.2 million, a 44 % increase over income of P 407.2 million posted in 2015.

2016 also marked the first year of Southwestern University PHINMA (SWU-PHINMA) as part of the PHINMA Ed group. During the year, the group also opened Career Academy Asia (CAA), its first school within Manila focusing on arts and design education and catering to a more upscale market. In partnership with established Singapore institutions, First Media Design School (FMDS) and SDH, CAA offers interest-driven programs for SHS and high school graduates that additionally serve as prerequisites for entry into an international degree program.

PHINMA Education also crossed borders, bringing its mission and expertise to the greater Southeast Asia market. In 2016, PHINMA Education Myanmar Ltd. was officially established, expanding the reach of PHINMA Ed's mission to the people of Myanmar. PHINMA Ed strengthened its presence in the country by

*Total PHINMA Ed
enrolment increased
7% to 54,691*





PHINMA Education also crossed borders, bringing its mission and expertise to the greater Southeast Asia market.

opening the PHINMA Training Center in partnership with Victoria Hospital, one of the most technologically advanced hospitals in Yangon, Myanmar. At present, it offers training for nursing assistants, with the goal of eventually offering full degree programs.

Although 2016 was a challenging year, PHINMA Ed demonstrated its capability and resilience through continuing enrolment, improved retention, and strong board exam performance. Pursuant to the company's mission to make lives better for its students and their families, PHINMA Ed intends to continue introducing innovations, improving operational efficiencies, exploring new markets, and expanding its borders, providing high quality education accessible to its markets.



Business Review: Housing

SUPERIOR AFFORDABLE HOUSING

PHINMA Property Holdings Corporation (PHINMA Properties), a 35%-owned affiliate of the Company, develops affordable medium-rise condominium units and socialized housing units in Metro Manila and other areas in the country.

In 2016, the Urban Housing Division of PHINMA Properties shifted focus to more upscale horizontal and vertical developments in the National Capital Region (NCR) and regional affordable market developments in light of the highly competitive environment in the NCR. The company's socialized housing division on the other hand generated interest from Local Government Units (LGU) and Informal Settler Families (ISF) in different parts of the country due to the success of Bistekville 2 as an On Site and In City ISF relocation development. Although PHINMA Properties experienced a 74% increase in the total number of booked units over the previous year, equity in net earnings from the company decreased from P 22.3 million in 2015 to P 90.9 million in 2016 due to an increase in cost of sales and operating expenses.

Urban Housing Division

The company's Urban Housing Division continued completion of various projects in 2016. ASiA Enclaves Alabang completed its planned development of five (5) condominium buildings. The SATO III Premiere Suites featuring ASiA Enclaves' first fully-fitted out multi-bedroom units have almost sold out, with only 40 remaining units.

Arezzo Place Pasig continues to be the Urban Housing Division's top performing project. In 2016, the company finished construction of four buildings and 179 units were turned over to their respective buyers. The company plans to construct another four buildings in 2017, offering more unit improvements to buyers moving forward. Solano Hills Sucat also outperformed its sales target for 2016, leaving 70 units left to sell for this year. In 2016, the company completed construction of the last five buildings and turned over 221 units.

Hacienda Balai Quezon City in 2016 was awarded the Best Affordable Condominium Development in Metro Manila by the Philippine Property Awards. This marks the fourth time PHINMA Properties was recognized by the prestigious award-giving body. In 2016, the company finished construction of four buildings and turned over 98 units to buyers. The company plans to construct another four buildings in 2017.

Arezzo Place Davao celebrated the completion and top off ceremony of the first two buildings in 2016. The project's sales rate increased, with 326 out of 450 units reserved in the first five buildings. The construction of the third and fourth buildings will start in 2017.

Socialized Housing Division

The company's Socialized Housing Division continues to be the model for socialized housing development in the country. In 2016, the division's Bistekville 2 project garnered the Galing Pook award from the Quezon City LGU for the fourth consecutive year. The project generated several leads and referrals through endorsements from the Home Development Mutual Fund (HDMF), land owners, and LGUs, resulting in invitations to replicate the project in other properties and localities.

The company's Strikeville 4 socialized housing project introduced several pioneering initiatives, incorporating green technology that earned it an EDGE Certification, a green building certification initiated by the World Bank. Solar-powered street lights will result in estimated electricity savings of P40,000 per month for the community. The row house and town house units are also solar power ready, resulting in a 20% increase in HDMF appraisal value.

The company's L'Oasis socialized project, a five-storey walk up Medium Rise Building (MRB), is the first Public-Private-Partnership (PPP) project of the LGU of Malabon. HDMF will provide project financing for the buyers who are employees of the Malabon LGU. The project will have 136 Socialized Housing units and 538 Economic Housing units. Buildings 1 and 2 were already 80% sold before construction of the buildings commenced in November 2016.

The company's NuVista socialized project consists of 447 shell units for owner P.A. Alvarez Properties and Development Corporation in San Jose Del Monte, Bulacan. The contracting work of the project allowed PHINMA Properties to utilize manpower and equipment available nearby after the completion of the Pleasant Hills project. Similar contracting opportunities will be entertained provided there is available excess capacity and funding for the project.

Arezzo Place Pasig continues to be the Urban Housing Division's top performing project.





PHINMA Properties is expanding its various initiatives in the affordable and socialized housing sector

In 2016, the company was also endorsed by the Social Action Center of the Archdiocese of Cagayan de Oro to take over relocation projects for Sendong victims in Cagayan de Oro City. The company's successful experience in socialized resettlement projects enables it to confidently position itself to handle permanent relocation for victims of calamities such as Sendong and Yolanda.

In 2016, the company incorporated Community Developer and Construction Company (CDCC), a wholly owned subsidiary of PHINMA Properties. CDCC secured a PCAB AAA License which will enable it to enter into PPP projects for the development of properties of LGUs and other government institutions.

Moving forward, in line with its focus on development outside the NCR, the company is developing two more projects in Davao City. PHINMA Properties also recently acquired a property in Iloilo and will potentially build in the area by the first quarter of 2018. The company also sees potential in the rental housing market in the NCR and is exploring an appropriate business model for this entry.

PHINMA Properties is expanding its various initiatives in the affordable and socialized housing sector, making home ownership more accessible for Filipinos in its contribution to PHINMA's mission of making life better.

Business Review: Steel Products

LEADING MANUFACTURER & DISTRIBUTOR



In 2016, in the midst of continued robust growth in the economy, Union Galvasteel Corporation (UGC), a wholly-owned subsidiary of the Company, maintained its leadership position in the manufacture and distribution of pre-painted roofing and galvanized steel in the building materials industry. During the year there was increased construction, particularly in public sector infrastructure, as is typical in an election year.

Although the construction market was generally bullish, there were challenges in the steel industry. The strong rebound of commodity prices including steel-making materials such as iron ore and coking coal put upward pressure on prices. Prices were likewise affected as China, the largest global steel producer, cut back on capacity in compliance with the government's rationalization of domestic industries to address environmental concerns.

Notwithstanding the challenges and risks, the company posted revenue of P 3.8 billion, 6% higher than revenue in 2015. UGC posted net income of P 220.8 million, 39% higher than the 2015 net income of P 158 million, due in part to the company's aggressive strategy of pushing higher value products.

The entry of small trading firms setting up shop in major cities to distribute inexpensive lower-standard roofing materials from China heightened competition in the market for the company's traditional roofing products. The company responded with a strategy of pushing higher value products including the Polyurethane line used for industrial, commercial and residential projects with temperature controlled requirements. The company's Pre-Engineered Building Structures (PEBS) product, which the company launched in late 2015 together with other galvanized steel products for construction, also generated substantial margins. This product line employs computer aided technology to custom design steel framed building structures which are more efficient, more cost effective, and faster to set up compared to traditional construction methods. These new high value products already accounted for 30% of the company's margins in 2016.

Complementing the aggressive strategy above were operational efficiencies realized from forward planning in the procurement of materials and better management of the company's supply chain. In addition, the company's customer-centric philosophy which focused on customer experience, strengthened the brand equity of UGC in the market.

In 2016, the company also utilized information and data generated from its Oracle based ERP System to improve the customer experience. Business processes involving the sales cycle from order-taking to distribution and post-sales service were aligned for a seamless flow that resulted in shorter lead times and higher service levels. This increased focus on customer experience generated positive feedback, evidenced by high satisfaction ratings for Union Galvasteel's products and services.

UGC's strong results further strengthens the company's financial condition. Total resources at year end stood at P 2.3 billion compared to P 2.2 billion in 2015. The company remains liquid; current assets of P 1.4 billion exceed current liabilities of P 742 million. In 2016, the company also paid cash dividends of P 150 million.

UGC is prepared to face the challenges of the coming years with strong leadership, competitive strategies, and new technology and products. UGC will strengthen its product portfolio and high value services to cement its brand equity in the market, staying true to its vision of making lives better for the Filipino people.

P3.8B

revenue posted in 2016,
6% higher than revenue
in 2015

RELEVANT MARKET INSIGHTS



Fuld + Company (Fuld US) is a competitive intelligence and strategic consulting firm that provides decision-relevant strategic and market insights to clients to help improve business strategies. Fuld US helps clients address competitive challenges and illuminate big opportunities with three key services: competitive intelligence, strategic planning, and market insights.

Fuld Philippines Inc., operating under the brand Fuld Omniscope, provides strategic market research and analytics services to clients to help address information needs and support business decisions. From Manila, it provides research to support customer understanding and engagement, growth, and market monitoring and sizing.

In 2016, Fuld + Company achieved a substantial improvement in profitability as its continued repositioning as a provider of strategic consulting services began to see traction in global markets. The firm embarked on a focused effort at competing for higher-value strategic client engagements, improving its sales and marketing approaches, and improving its cost structure. Fuld + Company also continued to grow relationships with a handful of strategic accounts that represented a growing portion of revenue.

2016 was a pivotal year for Fuld + Company (Philippines) in its efforts toward bringing a different perspective to the development research space. The company laid the groundwork to extend its reach to providing consulting services to government, multilateral, and aid agencies. The firm rolled out a campaign to increase its presence in this segment, develop a deep bench of senior consultants, and adjust its processes to effectively service its new clients. By end of 2016, the company saw promising traction in this space with approximately P 30 million worth of projects expected to commence in early 2017.

The combined Fuld Group posted revenue of P 388.7 million, a 4.4% decrease from revenue of P 389.2 million 2015. The group posted a modest net profit of P 7.2 million, compared to a net loss of P 66.1 million in 2015. In 2016, PHINMA Corporation provided for an impairment of P 191 million on goodwill arising from its investment in Fuld + Co to reflect the assessed fair value of the company.



Business Review: Hotels

CONSISTENT QUALITY & VALUE

PHINMA Corporation through Asian Plaza Inc. has a 36% direct equity interest in Microtel Development Corporation (MDC). PHINMA Corporation also has a direct minority equity interest in Coral Way City Hotel Corporation (Coral Way), owner of the Microtel by Wyndham Mall of Asia hotel.

In 2017, MDC changed its corporate name to PHINMA Hospitality Inc. (PHINMA Hospitality), to more closely relate the Microtel Philippine franchise with the PHINMA brand. PHINMA Hospitality operates the 13 Microtel hotel franchises in the country and is a joint venture owner of eight of the hotels, including the flagship 150-room Microtel by Wyndham Mall of Asia hotel.

Microtel by Wyndham is an international chain of limited service hotels under Wyndham Hotel Group with 300+ properties worldwide, including 13 in the Philippines. Microtel by Wyndham pioneered the no-frills hotel concept in the country that targets the mid-market traveler. Its business model revolves around product and service consistency in terms of quality and value – focusing on providing consistently clean, comfortable and secure accommodations at value rates.

Microtel’s flagship hotel in the country is the 150-room Microtel by Wyndham Mall of Asia. The hotel’s accessibility to SMX Convention Center, SM Mall of Asia, Mall of Asia arena, and key business and leisure hubs makes it ideal for business and leisure travelers in the area. In 2016, the hotel posted Gross Revenue of P 189.1 million on an annual occupancy rate of 88.5%. The hotel posted net Income of P 13.1 million.

To complement Microtel by Wyndham Mall of Asia and to address the increased demand for accommodations from corporate accounts, leisure travelers, and attendees of meetings, conventions and exhibitions in the area, Coral Way, through its wholly owned subsidiary Krypton Esplanade Hotel Corporation, will open a 191-room TRYP by Wyndham hotel in 2017. Located along Seaside Ave, Mall of Asia complex, TRYP by Wyndham is a select-service hotel that targets today’s modern travelers, with its hip, young and energetic interiors.

TRYP is a sister brand of Microtel by Wyndham with 100+ properties in many urban cities in Europe, North and Latin America, and Australia.



PHINMA Hospitality operates the 13 Microtel hotel franchises in the country

Corporate Social Responsibility

RESPONSIVE & RESPONSIBLE CULTURE

At PHINMA, our business is our social responsibility and our social responsibility is our business. We make lives better by providing Filipinos with the essentials needed to lead dignified lives. We accomplish this through community based initiatives in arts and culture, education, environment, health, livelihood training, and shelter.

PHINMA Foundation

PHINMA Foundation (PFI) seeks to effectively harness PHINMA's resources to create a culture of service to the community and provide opportunities for Filipinos to access the essentials of a dignified life. PFI's programs include the PHINMA National Scholarship Program and the PHINMA Helpful Employees Responsible for Others (HERO) Network. PFI collaborates with the different CSR groups of the PHINMA Group while strengthening partnerships with our adopted communities and beneficiaries.

Individual Social Responsibility

PHINMA employees play a key role in the success and implementation of PHINMA's CSR programs. PHINMA's Helpful Employee Responsible for Others (HERO) Network, provides employees with opportunities to make personal contributions of their time and talent through company-led CSR programs. HERO seeks to equip, inspire, and mobilize PHINMA employees to make life better by creating a culture of service. 2016 was a record year for HERO with a volunteerism rate of 100% among employees of PHINMA Corporation.

This dedication to corporate social responsibility and employee volunteerism was highlighted in PHINMA's largest volunteer program, PHINMA Reaches Out. This was a nationwide volunteer outreach conducted last August 12, 2016. PHINMA implemented three types of CSR initiatives – environmental preservation, community building, and community development initiatives. More than 1,900 volunteers from the PHINMA community joined outreach programs in one of 38 areas nationwide.

“Reaching out to the people and doing everything we can to try and make their lives better while building our nation is at the heart of why the company exists,”

Ramon R. del Rosario, Jr.

More than 1,900 volunteers from the PHINMA Community participated in PHINMA Reaches Out last year.



Education

PHINMA believes in supporting the Filipino youth. This commitment is manifested in the different programs that provide Filipinos not only with education opportunities but with the additional support that they need.

The PHINMA National Scholarship program (PNS) celebrated its 10th Year Anniversary in 2016. PNS provides scholarships to deserving students from the University of the Philippines - Diliman and Philippine Normal University. As of 2016, it has a total of 95 scholars and 124 alumni. PNS has three components: scholarship, mentorship, and leadership programs to help students with their professional and personal growth.

PHINMA Energy actively promotes energy literacy and their environmental advocacy through the HELP Earth Program. In 2016, PHINMA Energy supported 23 HELP Earth Savers Clubs wherein students created their own initiatives. Through this program, PHINMA Energy provided workshops on science education and energy for 93 teachers in Bulacan, Subic, La Union, and Guimaras.

PHINMA Education likewise provides education and literacy programs to nearby communities. PHINMA AU's Bulilit Day Care Centers prepare young children for primary school and develop their social skills. These five adopted day care centers aim to decrease dropout rates in primary school children.

Union Galvasteel Corp. (UGC) likewise advocates education by providing computer literacy programs to schools and by providing school children with school supplies. In 2016, UGC Calamba conducted an annual computer literacy program for Ronggot Elementary School in Laguna. UGC Pangasinan spearheaded an Adopt-a-Library project in Lucao, Pangasinan which reconstructed a library and provided a computer, books, bookshelves, tables, and chairs.

95

scholars from the
PHINMA National
Scholarship Program

PHINMA's initiatives go beyond scholarship and literacy. PHINMA's projects focused on education include supporting children and schools by donating school materials and improving school facilities. PHINMA Energy supported five day care centers by providing educational tools for kids while UGC provided school supplies in different areas, including 1 million pencils to a school in Isabela as part of the One Million Pencil Program.

PHINMA is also an active participant in Brigada Eskwela, Department of Education's initiative to rehabilitate public schools. PHINMA employees volunteered by painting and repairing school facilities nationwide.

Environment

PHINMA actively supports environmental advocacies as demonstrated by the group wide reforestation activities.

PHINMA Energy continued to commit to the environment by adopting two new reforestation sites in Bulacan and Guimaras last year. A total of 13,000 indigenous trees in the two sites were planted.

PHINMA Properties completed reforesting one hectare of protected forest area in Biak-na-Bato, Bulacan as part of its reforestation initiative One Tree One Nation. Phinma Properties planted 1,111 trees in Bulacan in 2016.

PHINMA Education, Microtel and UGC are also active in environmental protection. In 2016, they conducted tree planting and mangrove planting programs in Nueva Ecija, Pangasinan, Cagayan de Oro, Laguna, Baguio, Davao, Bacolod and other sites nationwide. These tree planting initiatives would not have been possible without the support of the DENR, local government units, and different organizations.

PHINMA is also passionate in protecting rivers, coasts, and other sites through clean-up drives which were held in different parts of the country. Through the efforts of the SBUs, PHINMA has committed to supporting more reforestation programs, mangrove planting initiatives, and clean-up drives.

13,000

indigenous trees planted in Bulacan and Guimaras reforestation sites



The PHINMA National Scholarship Program has 95 scholars and 124 alumni nationwide.

PHINMA Energy planted more than 13,000 indigenous trees in Bulacan and Guimaras.



Health, Livelihood, and Other Community Initiatives

PHINMA supports other community-based initiatives that give the essentials of dignified lives to communities. These include health, livelihood, and other community-based projects.

PHINMA continued to partner with the Philippine National Red Cross for annual blood drives. PHINMA Education has committed to these health initiatives by participating in bloodletting and donation activities in the University of Pangasinan. PHINMA Education through SWU-PHINMA worked with Sacred Heart Hospital to conduct dental and medical missions.

5,000

patients from Tarlac, Davao, and Cagayan de Oro were provided check-ups, medicines, and vitamins through UGC medical and dental missions

PHINMA Energy also conducted a feeding program to improve the weight and health of 130 children in Bulacan and Guimaras. UGC held medical and dental missions, providing check-ups, medicines, and vitamins to community members in Tarlac, Davao, and Cagayan de Oro. Approximately, 5,000 patients from these communities were present at these medical missions.

PHINA Energy continues to focus on the communities' interests and to strengthen their livelihood capabilities. To date, PHINMA Energy has organized 12 different livelihood groups. They initiated training and implementation of livelihood projects in San Lorenzo. This year, PHINMA Energy strengthened their commitment to the community by establishing a San Lorenzo Pasalubong Center and by transforming their Quirino's Best project from a food processing business to a food service business.

Disaster Response

PHINMA continues to extend help to victims of calamities. PHINMA Education schools organized evacuation efforts and relief programs during Typhoon Karen and Typhoon Lawin. UGC also mobilized resources to assist fire victims in Guizo and Mantuyong towns in Mandaue, Cebu.

PHINMA demonstrates its commitment to the Filipino people through its diverse set of CSR initiatives. PHINMA constantly works to fulfilling its mission of making lives better by harnessing its resources to create meaningful initiatives in education, environment, health, livelihood, shelter, and other community-based projects.



PHINMA fulfills its mission of making lives better by harnessing its resources to create meaningful initiatives.

BOARD OF DIRECTORS



Oscar J. Hilado
Chairman



Ramon R. del Rosario, Jr.
Vice Chairman



Jose L. Cuisia, Jr.
Director



Filomeno G. Francisco
Director



Francisco L. Viray
Director



Magdaleno B. Albarracin, Jr.
Director



Roberto M. Laviña
Director



Victor J. del Rosario
Director



Eric S. Lustre
Director



Guillermo D. Luchangco
Independent Director



Roberto F. de Ocampo
Independent Director

BOARD OF DIRECTORS

OSCAR J. HILADO has been the Chairman of the Board of the Company since 2003. He is also Chairman of the Board of Phinma, Inc., Phinma Energy Corporation (formerly Trans Asia Oil and Energy Development Corporation), Phinma Property Holdings Corporation, and Union Galvasteel Corporation. He is Vice Chairman of Trans Asia Power Generation Corporation and Trans Asia Petroleum Corporation. Mr. Hilado is also a Director and Chairman of the Audit Committee of A. Soriano Corporation, First Philippine Holdings Corporation, Philex Mining Corporation, Smart Communications, Inc., and Seven Seas Resort and Leisure, Inc. He is also a Director of Digital Telecommunications Philippines, Inc. (DIGITEL), Manila Cordage Company, Beacon Property Ventures, Inc., Pueblo de Oro Development Corporation, Rockwell Land Corporation, Roxas Holdings, Inc. and United Pulp and Paper Co., Inc. He has been a Director of the Company since 1969 and is also the Chairman of the Executive Committee and Nomination Committee of the Company. He attended the Business Continuity Management Training on June 20, 2013, seminar on Corporate Governance on July 28, 2014 and the Corporate Governance and Risk Seminar in August 2015 and September 2016. Mr. Hilado is a Certified Public Accountant with a Bachelor of Science degree in Commerce from the De La Salle College in Bacolod and a Master's degree in Business Administration from Harvard Business School.

RAMON R. DEL ROSARIO, JR. is the President and CEO of PHINMA Inc. and PHINMA Corporation. He is Vice Chairman of Phinma Energy Corporation (formerly Trans-Asia Oil and Energy Development Corporation) and Chairman of Trans-Asia Power Generation Corporation, Trans-Asia Renewable Energy Corporation, Trans-Asia Petroleum Corporation, One Subic Power Generation Corporation, CIP II Power Corporation, Microtel Inns and Suites (Pilipinas), Inc. and the Chairman of the Boards of Trustees of PHINMA Education Holdings, Inc., Araullo University, Cagayan de Oro College, University of Iloilo, and University of Pangasinan. He is a director of several PHINMA-managed companies and currently serves as a member of the Board of Directors of Ayala Corporation and as Chairman of United Pulp and Paper Company of the Siam Cement Group. Mr. del Rosario obtained his BSC-Accounting and AB-Social Sciences degrees (Magna cum Laude) from De La Salle University and Master's degree in Business Administration from the Harvard Business School. He served as Secretary of Finance of the Philippines from 1992 to 1993. He is the Chairman of the Makati Business Club, Philippine Business for Education (PBED), the Integrity Initiative, and the National Museum of the Philippines and is Vice Chairman of the Ramon Magsaysay Award Foundation and Caritas (Manila). He was selected as the Most Outstanding Student of the Philippines in 1967, one of the Ten Outstanding Young Men (TOYM) of the Philippines in 1978 and the MAP Management Man of the Year in 2010. He is the brother of Mr. Victor J. del Rosario. He has been a director of the company since 2002.

MAGDALENO B. ALBARRACIN, JR. is the Vice-Chairman of Phinma, Inc. He was a former director of Holcim Philippines, Inc. and holds directorates in various Phinma companies. Dr. Albarracin is a member of the Board of Regents of the

University of the Philippines (UP) as well as Board of Trustees of U.P. Engineering Research and Development Foundation, Inc. (UPERDF). He is the Chairman of the Board of Trustees of the University of San Carlos, Cebu City. He served as Dean of the UP College of Business Administration and was President of the Asean Federation of Cement Manufacturers. Dr. Albarracin has a Bachelor of Science degree in Electrical Engineering from the University of the Philippines and a Master of Science degree in Electrical Engineering from the University of Michigan. He obtained his Master in Business Administration degree from the University of the Philippines and his Doctorate in Business Administration from Harvard University. He attended the Corporate Governance Seminar conducted by SGV in August 2015 and September 2016. He has been a Director of the Company since 1980.

ROBERTO M. LAVIÑA was appointed Senior Executive Vice President and Chief Operating Officer on July 27, 2012. Mr. Laviña is also the Senior Executive Vice President and Chief Operating Officer of PHINMA, Inc. and is concurrently the President and Chief Executive Officer of Phinma Property Holdings Corporation. He is a Member of the Board and the Senior Executive Vice President / Treasurer of Phinma Energy Corporation (formerly Trans-Asia Oil and Energy Development Corporation). He also occupies various executive posts in PHINMA-managed companies and is a Member of the Board of all the companies in the Phinma Group which include companies in power generation, education, hotels, steel roofing, property development, oil exploration, strategic consulting and insurance brokers. For the year 2015, he attended various trainings as follows: Crisis Management and Communication Planning Forum on March 19, 2015, Executive Coaching Champions to Drive Business Impact on April 29, 2015, and Corporate Governance Seminar, by SGV on August 27, 2015 and August 25, 2016. He holds a Bachelor of Arts degree in Economics from Ateneo de Manila University and obtained his Master's degree in Business Management from the Asian Institute of Management. He became a Director of the Company on May 20, 2004.

VICTOR J. DEL ROSARIO is an Economics and Accounting graduate of De La Salle University and holds a Master's degree in Business Administration from Columbia University. He was elected as director on September 15, 2008. He is the Vice-Chairman of Union Galvasteel Corporation and is the Executive Vice President and Chief Strategic Officer of PHINMA Inc. For PHINMA Corp, he is Executive Vice President and Chief Finance Officer. He is also a member of the Board of Directors of PHINMA Inc., Phinma Energy Corporation (formerly Trans-Asia Oil and Energy Development Corporation), Trans-Asia Petroleum Corporation and other PHINMA-managed companies. For the year 2015, he attended various trainings as follows: Crisis Management and Communication Planning Forum on March 19, 2015, Executive Coaching Champions to Drive Business Impact on April 29, 2015, and Corporate Governance Seminar by SGV on April 27, 2015 and September 21, 2016. Mr. Del Rosario is the brother of Mr. Ramon R. del Rosario, Jr.

JOSE L. CUISIA, JR. was the Philippine Ambassador Extraordinary and Plenipotentiary to the United States of America and non-resident Ambassador to Trinidad & Tobago, the US Virgin Islands, Grenada, Puerto Rico, the Commonwealth of Jamaica and the Republic of Haiti, Antigua & Barbuda, Barbados, the Commonwealth of Dominica, The

Federation of St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines. Ambassador Cuisia previously served the Philippine Government as Governor of the Philippine Central Bank and Chairman of its Monetary Board from 1990- 1993, was Governor for the Philippines to the International Monetary Fund and Alternate Governor to the World Bank. He was also Administrator and CEO of the Philippine Social Security System from 1986-1990. He was also appointed Commissioner, representative of the Employer's Group, for the Social Security System (SSS) from September-December 2010. He is the Chairman of the Board for The Covenant Car Company, Inc. (TCI) and the Vice-Chairman of the Board of SM Prime Holdings (SMPHI)*. He holds directorates in Manila Water Company, Inc., SM Prime Holdings, Century Properties Group, Inc., and Phinma, Inc. Ambassador Cuisia was President & CEO of Philam Life for 16 years. He obtained his BSC-Accounting and AB-Social Sciences degrees (Magna cum Laude) from De La Salle University and Master's degree in Business Administration from University of Pennsylvania. Ambassador Cuisia has been a Director of the Company since 1994.

GUILLERMO D. LUCHANGCO is Chairman and Chief Executive Officer of various companies of The ICCP Group, including Science Park of the Philippines, Inc., Pueblo de Oro Development Corp., Cebu Light Industrial Park, Inc., Regatta Properties, Inc., RFM-Science Park of the Philippines, Inc., and Manila Exposition Complex, Inc. He is Chairman of Investment & Capital Corporation of the Philippines as well as Chairman and President of Beacon Property Ventures, Inc. He is an independent director of Roxas and Company, Inc. and Phinma Energy Corporation (formerly Trans-Asia Oil and Energy Development Corp.) and a regular director of Fuld and Company, Ionics, Inc. and Ionics EMS. He was previously the Vice-Chairman and President of Republic Glass Corporation and Managing Director of SGV & Co. Mr. Luchangco received his Bachelor of Science degree in Chemical Engineering (magna cum laude) from De La Salle University, and holds a Master's degree in Business Administration from the Harvard Business School. He became an Independent Director of the Company on April 11, 2005.

DR. ROBERTO F. DE OCAMPO, OBE, became the first Filipino to receive the "Global Finance Minister of the Year" award from Euromoney. The Association of Development Finance Institutions of Asia and Pacific (ADFIAP) named him as Asian Finance Minister of the Year. He was again recognized as Asian Finance Minister of the year by Asiamoney. He is known nationally and internationally for public and international finance, having been Chairman of the APEC and ASEAN Finance Ministers as well as member of the Boards of Governors of World Bank, International Monetary Fund, and the Asian Development Bank. He was Secretary of Finance during the presidency of Fidel V. Ramos. Prior to these posts, he also served as Chairman and CEO of the Development Bank of the Philippines. He is the past president of the Asian Institute of Management (AIM) and was a member of the AIM Board of Trustees. At present he is the Chairman of the Philippine Veterans Bank and also Chairman of the Board of Advisers of the RFO Center for Public Finance and Regional Economic Cooperation, which is an ADB Regional Knowledge Hub. Dr. de Ocampo is a recipient of many international and national honors. He was named to the Ordre National de la Legion d' Honneur by the Republic of France with the rank of Chevalier. He was also conferred by Her Majesty Queen Elizabeth II the Most Excellent Order of the British Empire (OBE). He

has also been awarded the Philippine Legion of Honor, the highest honor conferred on Filipino civilians by the Republic of the Philippines. He became an Independent Director of the Company on April 2, 2009.

FILOMENO G. FRANCISCO was formerly President and Chief Operating Officer of AB Capital and Investment Corporation (ABCIC). He is currently a Director of PHINMA Property Holdings Corporation and Ginory Holdings Corporation. Mr. Francisco served on the Boards of trade organizations, Investment House Association of the Philippines, Philippine Stock Exchange Inc., PSE Foundation and Manila Stock Exchange. Mr. Francisco also held directorates in ABCIC, Cebu Holdings, Inc., Philippines Long-Term Equity Fund, Hi Cement Corporation, and United Pulp and Paper Company, Inc. He has a Bachelor of Science degree in Management Engineering from the Ateneo de Manila University. He attended the Phinma Group Audit Committee Forum in September 2013 and SGV Seminar on Corporation Governance in July 2014 as well as the Corporate Governance and Risk Seminar in August of 2015 and September 2016. Mr. Francisco was elected as director of Phinma Corporation on May 14, 2012.

FRANCISCO L. VIRAY is currently the President and Chief Executive officer and a director of Phinma Energy Corporation (formerly Trans-Asia Oil and Energy Development Corporation). He is concurrently the President and Chief Executive Officer of Trans-Asia Power Generation Corporation, Trans-Asia Renewable Energy Corporation and Trans-Asia Petroleum Corporation and Vice Chairman and Chief Executive Officer of CIP II Power Corporation and One Subic Power Generation Corporation. He is also at present a member of the Board of Directors of Arawlo University, Cagayan de Oro College and University of Pangasinan. He obtained his Bachelor of Science and Masters in Electrical Engineering degrees from the University of the Philippines and his Doctorate in Engineering degree from West Virginia University. He joined the PHINMA Group in 1999, a year after he served as Secretary of the Department of Energy from 1994 to 1998. Earlier, he was President of the National Power Corporation beginning May 1993. Dr. Viray served on the Board of Directors of Manila Electric Company, Petron Corporation, Union Cement Corporation (now Holcim Philippines, Inc.) and United Pulp and Paper Company, Inc. He became a Director of the Company in April 2013.

ERIC S. LUSTRE is the Head of Corporate Finance Department of the Investment Division and the Country Credit Officer of The Philippine American Life and General Insurance Company. He is also responsible for the real estate investment portfolio of the Company and is the Chief Executive Officer of Philam Properties Corporation. Mr. Lustre is a member of the Board of Directors of Philam-Equitable Life Assurance Company, ICCP Holdings, Inc., Science Park of the Philippines, Inc., Regatta Properties, Inc., Beacon Property Ventures, Inc. Pueblo de Oro Development Corporation, Cebu Light Industrial Park, Inc., and RFM-Science Park of the Philippines, Inc. He is also the President of the Tower Club, Inc. He has a Bachelor of Science in Business Management from Ateneo de Manila University and holds a Master's degree in Business Management major in Finance from Asian Institute of Management. He attended the SGV Corporate Governance and Risk Seminar in August 2015 and September 2016. Mr. Lustre was elected as director of Phinma Corporation on November 6, 2013.

EXECUTIVE OFFICERS



Ramon R. del Rosario, Jr.
President and Chief Executive Officer



Roberto M. Laviña
Senior Executive Vice President and
Chief Operating Officer



Victor J. del Rosario
Executive Vice President and
Chief Financial Officer



Rizalina P. Andrada
Vice President - Finance



Roderick Y. Barro
Vice President



Nanette P. Villalobos
Assistant Vice President - Treasury



Pythagoras L. Brion, Jr.
Senior Vice President and Treasurer



Regina B. Alvarez
Senior Vice President - Finance



Cecille B. Arenillo
Vice President - Treasury
and Compliance Officer



Rolando D. Soliven
Assistant Vice President -
Internal Audit



Troy A. Luna
Corporate Secretary



Giles R. Katigbak
Investor Relations Officer

CORPORATE GOVERNANCE

The Board of Directors, officers and employees of Phinma Corporation (PHN) commit themselves to the principles of good governance, as contained in its Manual of Good Corporate Governance approved in August 2002 and as amended in March 2004, February 2008, March 2011 and June 2014. PHN believes that good governance is an integral component of sound business management and exerts every effort necessary to ensure compliance within the organization.

COMPLIANCE OFFICER

The Chairman of the Board designates a Compliance Officer who reports to the Chairman of the Board. Because PHN is a publicly-listed company, the appointment of Compliance Officer is properly disclosed to the Securities and Exchange Commission.

The Compliance Officer's duties include monitoring compliance with the provisions and requirements of the Manual of Good Corporate Governance, identifying compliance risks, determining violations and recommending appropriate penalties.

Updates and changes to the Annual Corporate Governance Report (ACGR) were submitted to the SEC on January 7, May 26 and August 16, 2016. The ACGR for the Calendar Year 2016 following the old 2009 Code is due for submission to the SEC on or before May 31, 2017. As of December 31, 2016, the Company substantially complied with the principles and best practices contained in the Manual on Good Corporate Governance. There were no sanctions imposed on any director, officer or employee for non-compliance.

As required by the Philippine Stock Exchange, the Corporation submitted last March 21, 2016, a Compliance Report on Corporate Governance for Year 2015. For the said year under review, the Corporation is compliant with all guidelines except for Section 2.3. For the year 2016, the Company has submitted its Compliance Report on Corporate Governance last March 29, 2017.

The Compliance Officer and the Internal Auditor monitor the Corporation's compliance with the Manual and the timely submission of reports and disclosures to both SEC and PSE. In addition, the Corporation monitors the SEC and PSE circulars or memorandums on corporate governance and amends the Manual, if necessary.

BOARD OF DIRECTORS

Composition

As of December 31, 2016, the Board of directors consists of 11 members, nominated in accordance with the By-Laws of the Company. In compliance with the legal requirement of SEC for publicly listed corporations, PHN's Board of Directors includes two (2) independent directors. The independent directors hold no interest or have no relationship with the corporation that may hinder their independence from the corporation or management or would interfere with the exercise of independent judgment in carrying out their responsibilities.

During the year, the Board of Directors held four (4) regular board meetings and one organizational meeting. The details of the matters taken up during the Board meetings are detailed in the Definitive Information Statement sent to shareholders.

The attendance of the directors in the Board meetings is as follows:

DIRECTORS	2016 Board Meetings				
	Mar 4 Regular	Apr 14 Organizational	May 12 Regular	Jul 29 Regular	Nov 4 Regular
OSCAR J. HILADO	P	P	P	P	P
MAGDALENO B. ALBARRACIN, JR.	P	P	P	P	P
RAMON R. DEL ROSARIO, JR.	P	P	P	P	P
JOSE L. CUISIA, JR.	A	A	P	P	P
VICTOR J. DEL ROSARIO	P	P	P	P	A
ROBERTO M. LAVIÑA	P	P	A	P	P
FILOMENO G. FRANCISCO	P	P	P	P	A
ROBERTO F. DE OCAMPO	P	A	P	P	P
GUILLERMO D. LUCHANGCO	P	P	P	A	P
FRANCISCO L. VIRAY	P	P	P	P	P
ERIC S. LUSTRE	P	P	P	P	P

P: Present A: Absent

Board Committees

To assist it in discharging its duties and responsibilities, the Board constitutes committees which directly report to the Board in accordance with duly approved procedures.

As of December 31, 2016 the board committees and its members were as follows:

DIRECTORS	BOARD COMMITTEES				
	AUDIT and RISK OVERSIGHT	EXCOM	NOMINATION	COMPENSATION	RETIREMENT
OSCAR J. HILADO		Chairman	Chairman	Member	Chairman
MAGDALENO B. ALBARRACIN, JR.	Member	Member			Member
RAMON R. DEL ROSARIO, JR.		Member	Member	Member	
JOSE L. CUISIA, JR.		Member		Chairman	
VICTOR J. DEL ROSARIO	Member				Member
ROBERTO M. LAVIÑA					Member
ROBERTO F. DE OCAMPO	Chairman			Member	
FILOMENO G. FRANCISCO	Vice-Chairman				
GUILLERMO D. LUCHANGCO		Member	Member		

Nomination Committee

The Nomination Committee is composed of three (3) directors, one of whom is an independent director. The Nomination Committee pre-screens and shortlists all candidates nominated to become members of the board of directors, taking into account factors such as age, number of directorships/ active memberships and officerships in other corporations, experience from other boards, knowledge of the industry of the Corporation, knowledge of finance and accounting, and contacts of value to the Corporation.

In April 2017, the Nomination Committee, after a review of the qualifications of the candidates, submitted to the Board of Directors the list of qualified nominees.

Compensation Committee

The Compensation Committee is composed of four (4) directors, one (1) of whom is an independent director. The duties and responsibilities of this committee include establishing policies on executive remuneration, ensuring that the compensation is consistent with the corporation's culture, strategy and control environment, and strengthening policies on conflict of interest, salaries and benefits and compliance with statutory requirements.

Audit and Risk Oversight Committee

The Audit and Risk Oversight Committee is composed of four (4) members of the Board, one (1) of whom is an independent director who is also the Chairman of the committee. The Committee assists the board of directors

of PHINMA Corporation in fulfilling its oversight responsibilities for the financial reporting process, the system of internal controls, the audit process, risk management process, and the Company’s process for monitoring compliance with laws and regulations.

In 2016, the Audit Committee held eight meetings, four of which were on risk management. Overall attendance was 91%. The Committee reviewed the audited financial statements for 2015 and the interim statements for the quarters ending March 31, June 30, and September 30 for the year 2016. The Committee also endorsed to the Board of Directors the nomination of SGV and Co. as the company’s external auditor for 2016. The Committee approved the Internal Audit plan for 2016, reviewed the audit reports, and evaluated Internal Audit’s performance. The Audit Committee reviewed the activities related to the Business Resiliency and Integrity Assurance programs and also performed a self-assessment of the committee’s performance against the approved Audit Committee Charter, in line with the guidelines issued by the Securities and Exchange Commission.

Attendance

AUDIT AND RISK OVERSIGHT COMMITTEE	YEAR 2016							
	Mar 3	Mar 9	Mar 11	May 10	Jul 28	Aug 23	Aug 26	Nov 3
ROBERTO F. DE OCAMPO	P	A	P	P	P	P	A	P
FILOMENO G. FRANCISCO	P	P	P	P	P	P	P	A
MAGDALENO B. ALBARRACIN, JR.	P	P	P	P	P	P	P	P
VICTOR J. DEL ROSARIO	P	P	P	P	P	P	P	P

P: Present A: Absent

EXTERNAL AUDITOR

The external Auditor contributes to the enforcement of good governance through independent examination of the financial records and reports of PHN.

On April 14, 2016, the stockholders, upon recommendation of the Audit Committee and the endorsement by the Board of directors, approved the appointment of SGV & Co. as PHN’s external auditor. Mr. Johnny F. Ang is the partner in charge for CY 2016. On March 22, 2017, SGV & Co. issued its report on the financial statements for the year ended December 31, 2016, stating that the financial statements present fairly, in all

material respects, the financial position of the company and that the same are in accordance with Philippine Financial Reporting Standards.

There have been no disagreements with the independent accountants on any matter pertaining to accounting principles or practices, financial statement disclosures or auditing scope or procedure.

The Company is in compliance with SRC Rule 68, paragraph 3(b) (iv) requiring the rotation of external auditors or engagement partners who have been engaged by the company for a period of five (5) consecutive years or more. Mr. Ang has been the audit partner of the Company for four (4) years.

The Company accrued the following fees for professional services rendered by SGV and Co. for the past two years:

INTERNAL AUDIT

Year	Audit Fees	Tax Fees	Other Fees
2016	P 3,500,000	-	-
2015	3,700,000	-	-

PHN has an independent Internal Audit organization that reports directly to the Board of Directors, through the Audit Committee, and administratively to Senior Management. The Group Internal Audit (GIA) team provides PHN with professional assurance and consulting services that are designed to add value and improve operations. Consistent with its thrust to become better business partners, Group Internal Audit helps PHINMA Corporation accomplish its objectives by bringing a systematic and disciplined approach to evaluating and improving the effectiveness of PHINMA’s risk management, control, and governance processes.

To ensure the independence of Group Internal Audit, the Audit Committee reviewed and approved the GIA Charter which outlines internal audit’s purpose, reporting relationships, authorities and responsibilities. Through this Charter, the internal auditors are kept free from interference by any element in the organization in matters of audit selection, scope, procedures, frequency, timing, or report content. Likewise, members of Group Internal Audit do not have any direct operational responsibility or authority over any of the activities audited, and as such are further prohibited from implementing internal controls or engaging in any other activity that may impair the auditor’s judgment.

Under the GIA Charter, GIA performed various internal control reviews of the Company and its subsidiaries and affiliates. Based on the results of these reviews, Group Internal Audit reported that overall controls are adequate and effective.

DISCLOSURE AND TRANSPARENCY

PHINMA Corporation commits itself to high standards of disclosure and transparency. In addition to submitting annual and quarterly financial information and other statutory requirements, the corporation promptly discloses to the SEC and PSE material information such as declaration of dividends, investments and divestments and other items. The disclosures are also uploaded to the company website for the benefit of the public.

CODE OF CONDUCT

We believe that our commitment to ethical business practices, good corporate governance and social responsibility is vital and integral to the pursuit of our Mission to help build our Nation through competitive and well-managed business enterprises.

The PHINMA Code of Business Conduct (the “PHINMA Code”), founded on the PHINMA core values of integrity, patriotism, competence and professionalism, embodies this unwavering commitment, and sets forth policies and guidelines on the following :

- Conflict of Interest
- Insider Trading
- Gifts and Gratuities
- Sexual Harassment
- Anti-Fraud
- Whistleblowing and Non-retaliation

INTEGRITY ASSURANCE

PHINMA Integrity Summit

The PHINMA Group held the 2nd Integrity Summit with the theme “Nurturing a Culture of Integrity.” The PHINMA Integrity Summit is an annual event that brings together key stakeholders including Directors, SBU Heads, Senior Management and Integrity Officers to share best practices and provide business units with actionable steps to further strengthen their ethical culture.

The event featured leading industry executives and experts including Mr. James Lafferty, CEO of British American Tobacco, Mr. Mike Enriquez, Senior Vice President of GMA Network Inc. for Radio, Mr. Benjamin Azada, Principal Consulting Leader of PricewaterhouseCoopers Philippines and Mr. Jose Cortez, Executive Director of Integrity Initiative.

ASEAN Corporate Sustainability Summit and Awards 2016

Out of 15 nominees from ASEAN countries, PHINMA Group’s Integrity Assurance Program was declared as Winner in the Ethics and Governance Category of the 2016 ASEAN Corporate Sustainability Summit and Awards. PHINMA was recognized for its unwavering commitment in upholding the highest levels of governance and business ethics over and beyond compliance requirements through its Integrity Assurance Program.

PHINMA Ed and UGC Integrity Roadshows

PHINMA Education (Phinma Ed) and Union Galvasteel Corporation (UGC) officially launched the Integrity Assurance Program in their respective business units. Both sessions were facilitated by the Integrity Officers and

the discussions centered on PHINMA Core Values, PHINMA Code of Business Conduct and Integrity Hotlines.

Following the first sessions, PHINMA Education rolled out the program to its schools. Last August and November, all employees, faculty members and deans of Cagayan de Oro College and University of Iloilo underwent the Integrity Roadshows. Similarly, UGC rolled out the program to its branches in La Union, Davao, Cebu, Cagayan de Oro and Nueva Ecija.

Vendor Integrity Program

Following the implementation of Vendor Integrity Program (VIP) in PHINMA, Inc. and PHINMA Corporation, Phinma Properties also started its first session of vendor orientation.

Under the program, all existing and new vendors of Phinma Properties will be asked to sign the Integrity Pact and Integrity Pledge. Under the Integrity Pact, PHINMA and its vendors agree that all negotiations and transactions between the parties will be done in an ethical, transparent and fair manner. The Integrity Pledge, on the other hand, is a document that expresses public and private companies’ commitment to uphold and institutionalize ethical practices in their organizations.

CORPORATE DIRECTORY

Energy

PHINMA ENERGY CORPORATION
(formerly Trans-Asia Oil and Energy
Development Corporation)
11th Floor, PHINMA Plaza
39 Plaza Drive, Rockwell Center, Makati City
Tel: (632) 870-0100
www.transasia-energy.com

Education

PAMANTASAN NG ARAULLO
(ARAULLO UNIVERSITY), INC.
Barangay Bitas, Maharlika Highway
Cabanatuan City, Nueva Ejica
Tel: (044) 464-3399
www.au.phinma.edu.ph

CAGAYAN DE ORO COLLEGE
Max Suniel St., Carmen
Cagayan de Oro City, Misamis Oriental
Tel: (088) 858-5867
www.coc.phinma.edu.ph

UNIVERSITY OF PANGASINAN
Avelino Street, Dagupan City
Pangasinan
Tel: (075) 522-5635
www.up.phinma.edu.ph

UNIVERSITY OF ILOILO
Rizal Street
Iloilo City
Tel: (033) 338-1071
www.ui.phinma.edu.ph

SOUTHWESTERN UNIVERSITY
Urgello Street
Cebu City
Tel : (032) 415-5555
www.swu.edu.ph

CAREER ACADEMY ASIA
5th Floor, PHINMA Plaza
39 Plaza Drive, Rockwell Center, Makati City
Tel. : (632) 896-9537
www.careeracademy.asia

PHINMA EDUCATION HOLDINGS, INC.
2nd Floor, PHINMA Plaza
39 Plaza Drive, Rockwell Center, Makati City
Tel: (632) 896-9537

Housing

PHINMA PROPERTY HOLDINGS CORPORATION
29 Epifanio Delos Santos Avenue
Mandaluyong City
Tel: (632) 533-7777
www.phinmaproperties.com

Steel Products

UNION GALVASTEEL CORPORATION
Chipeco Avenue Extension
Barangay Real, Calamba City
Tel: (049) 545-0085
www.uniongalvasteel.com.ph

12th Floor, PHINMA Plaza
39 Plaza Drive, Rockwell Center, Makati City
Tel: (632) 870-0548

Hotels

MICROTEL MALL OF ASIA
Coral Way Avenue cor. Seaside Boulevard
SM Mall of Asia Complex, Pasay City
Tel: (632) 403 -3333
www.microtelbywyndham-manila.com

PHINMA HOSPITALITY, INC.
(formerly Microtel Development Corporation)
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39 Plaza Drive, Rockwell Center, Makati City
Tel: (632) 870-0302

Strategic Consulting

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www.fuld.com

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