

**COVER SHEET**

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S.E.C. Registration Number

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( Company's Full Name )

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

LEAH I. GERALDEZ
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Contact Person

(032) 411-1804
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Company Telephone Number

**Current Report**

1	2		3	1
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Month Day

Fiscal Year

1	7	-	C
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FORM TYPE

0	5		1	9
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Month Day

Annual Meeting

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Secondary License Type, if Applicable

S	E	C
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Dept. Requiring this Doc

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Amended Articles Number/Section

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Total No. of Stockholders

X
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Domestic

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Foreign



To be accomplished by SEC Personnel concerned

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File Number

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Document I.D.

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Cashier

STAMPS
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SECURITIES & EXCHANGE COMMISSION

SEC FORM 17-C

CURRENT REPORT UNDER SECTION 17  
OF THE SECURITIES REGULATION CODE (SRC)  
AND SRC RULE 17.2(c) THEREUNDER

1. **November 10, 2008**  
Date of Report (Date of earliest event reported)
2. SEC Identification Number **CE02536** 3. BIR TIN **003-828-269-V**
4. **ABOITIZ EQUITY VENTURES, INC.**  
Exact name of registrant as specified in its charter
5. **Cebu City, Philippines** 6.   
Province, country or other jurisdiction of incorporation Industry Classification Code
7. **Gov. Manuel A. Cuenco Ave., Kasambagan, Cebu City** **6000**  
Address of principal office Postal Code
8. **(032) 411-1800**  
Registrant's telephone number, including area code
9. **N.A.**  
Former name or former address, if changed since last report
10. Securities registered pursuant to Sections 4 and 8 of the RSA
 

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding (as of September 30, 2008)
<b>Common Stock P1 Par Value</b>	<b>5,574,942,121</b>
<b>Amount of Debt Outstanding</b>	<b>P21,003,646,374.00</b>
11. Indicate the item numbers reported herein: 2

**Item 9: Other Events**

Aboitiz Equity Ventures, Inc. (AEV) ended the first nine months of 2008 with a total recurring net income of P3.54 billion, recording a year-on-year increase of 2% over last year's P3.46 billion. For the period in review, the company had a non-recurring loss of P161 million, which includes (1) a foreign exchange net loss of P402 million at parent and subsidiary levels, (2) a P48 million share in gains on asset sale and insurance claims made by its subsidiary, Aboitiz Transport System Corporation (ATS), and (3) a P192 million share in the reversal of provisions made by an associate company due to an arbitration settlement. This brings AEV's total net income to P3.38 billion, a 14% year-on-year drop from previous year. This translates to an earnings per share of P0.60 for the first nine months of 2008.

Aboitiz Power Corporation (AP) accounted for 71% of AEV's total income for the period in review, which was followed by the banking and food groups with

contributions of 19% and 11% of total, respectively. Meanwhile, the transport group's performance resulted to a negative earnings share for the period.

## **Business Segments**

### **Power**

Despite the reduced ownership in AP, the power group's income contribution for the period grew by 18% year-on-year, from ₱2.0 billion to ₱2.4 billion.

The power generation business accounts for the lion's share of AP's income contribution to AEV. The business ended the period with net earnings contribution of ₱1.5 billion, up 50% year-on-year. This strong showing can be attributed to the incremental earnings contributions from 2007 acquisitions, with a major contribution coming from the 232MW STEAG coal power.

Total power sold for the period recorded a 130% year-on-year expansion, from 566 GwH to 1,300 GwH. The increase was brought on by the 41% year-on-year capacity expansion, from 411MW to 578MW (acquisition of the 232MW STEAG coal power plant in November 2007 and turnover of the 175MW Ambuklao-Binga hydro plants in July 2008). Moreover, improved capacity factors for the hydro plants due to higher rainfall also led to the improvement in power generation for the period.

During the months July to September, transmission line constraints brought on by the outage at the San Jose substation in Bulacan led to lower prices for North-based power plants, including AP's 360MW Magat and 100MW Binga hydro plants. However, the Energy Regulatory Commission issued a ruling on October 20, 2008 that allowed for price adjustments based on the NPC Time-of-Use rates, covering the period July 26 to October 25. This resulted to improved prices for Magat and Binga. Starting October 26, the electricity spot market has reverted to market-driven pricing.

In the meantime, the power distribution business contributed net earnings of ₱849 million to AEV, recording an 11% decline mainly due to AEV's ownership dilution in AP. AP's distribution utilities continued to record healthy electricity sales growth rates with the first nine months of the year posting a 17% year-on-year improvement, from 1,990 GwH to 2,329 GwH. Aside from the incremental volume sales from the 2007 acquisitions, expansion in Subic Enerzone's industrial segment accounted for the strong growth of the group, with power demand increasing mainly due to the operation of the Hanjin shipyard. On an organic basis, the group recorded a growth of 5.5% year-on-year.

### **Financial Services**

The financial services group contributed net earnings of ₱651 million for the first nine months of the year, recording a 32% year-on-year decline from previous year's ₱963 million.

Union Bank of the Philippines (UBP) ended the period with an earnings contribution of ₱625 million, 32% lower than the previous year's ₱913 million. The decline was due to extraordinary income generated from trading and sale of assets in the same period last year.

Interest income from loans increased by 18% to ₱3.2 billion on the back of robust expansion in corporate, commercial and consumer finance business. Interest income on trading and investment securities also improved by 51% to ₱2.7 billion. In the meantime, interest expense on deposit liabilities and bills payable dropped

by 23% to ₱2.8 billion mainly due to reduction in deposit cost and funding requirements.

UBP's asset base stood at ₱195.3 billion as of period end, with deposit level of ₱152.5 billion. The bank's capital adequacy ratio was at 13.2%, inclusive of credit, market and operational risk charges, which remains above the industry minimum requirement of 10%.

AEV's non-listed thrift bank, City Savings Bank (CSB), contributed earnings of ₱26 million during the period in review, down 47% from the same period last year. The bank's lower earnings contribution could be attributed mainly to lower net interest margins and increased manpower costs. Total resources increased by 33% to ₱5.3 billion from 2007 year-end level of ₱4.0 billion. The bank's NPL ratio stood at 1.38% while its NPL coverage ratio was at 131%. Total capital funds amounted to ₱531 million with a capital adequacy ratio of 15%.

### **Transport**

The transport group ended the period with a net loss contribution of ₱32 million, vis-à-vis last year's net income contribution of ₱369 million.

For the period ending September 30, 2008, Aboitiz Transport System Corporation (ATS) registered total consolidated revenues of ₱9.4 billion, a 13% year-on-year improvement from previous year's ₱8.3 billion. The strong showing of the company's freight revenues and increased service fees accounted for the topline growth.

ATS' freight revenues for the period increased by 14% year-on-year to ₱5.7 billion. This growth was on the back of the company's improved international charter business, as well as the increase in rates in the domestic cargo business.

Meanwhile, the development of the company's supply chain management solutions business resulted to a 57% expansion in service fees, from ₱903 million to ₱1.42 billion. ATS continues to expand its value-added business with the purchase of Scanasia Overseas, Inc. in June 2008. Scanasia is engaged in the business of sales, marketing, warehousing and transportation of temperature-controlled and ambient food products to its customers in the Philippines. Moreover, 100%-owned Aboitiz One Distribution Inc. is constructing a new warehouse with 21,000 pallets positions located in Taguig City. Completion is expected by the last quarter of 2008.

The continued rise in fuel prices and higher charter-related expenses, however, led to a 17% increase in the company's total costs and expenses. This resulted to negative earnings for the period, compared to last year's net income of ₱481 million, which included a ₱402 million after tax gain on disposal of vessels.

### **Food**

Income contribution from AEV's non-listed food subsidiary, Pilmico Foods Corporation, recorded a 9% year-on-year drop to ₱373 million. Despite a 24% year-on-year increase in revenues, the flour business recorded a 27% year-on-year decline in earnings contribution. In the meantime, the company's swine and feeds business recorded a 128% year-on-year earnings expansion, which resulted from favorable prices and robust swine volume sales.

### **Financial Condition**

For the period ending September 30, 2008, the company's total assets amounted to ₱65.7 billion, a marginal decline from year-end 2007 level of ₱65.5 billion. Cash

and cash equivalents amounted to ₱9.0 billion, lower by ₱9.6 billion from year-end 2007 level. Total liabilities increased by 13% from year-end 2007 level to ₱21 billion, while Equity Attributable to Equity Holders of the Parent decreased by 5% to ₱36.0 billion. Current ratio as of period end was at 1.6x (versus year-end 2007's 2.5x), while net debt-to-equity ratio was at 0.05x (versus year-end 2007's -0.15x).

### **Other Developments**

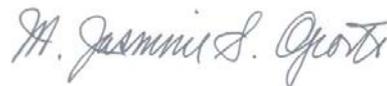
On September 23, 2008, the Board of Directors of AEV unanimously voted to accept the unsolicited offer of KGLI-NM Holdings, Inc. to buy all of AEV's shareholdings in ATS subject to a due diligence audit to be conducted by KGLI-NM. Except for the joint venture businesses with the Jebsen Group of Norway, the planned acquisition will include all the shipping and logistics businesses of ATS. The acquisition is based on an ATS equity value of ₱5 billion, or equivalent to ₱2.044 per share. The final terms of the sale will be subject to the due diligence audit and the execution of a definitive share purchase agreement between the parties. AEV owns 1,889,489,607 common shares of ATS, representing 77.10% of the total outstanding capital stock of the company.

SIGNATURE (S)

Pursuant to the requirements of the Securities Regulation Code, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

**ABOITIZ EQUITY VENTURES, INC.**

By:



**M. JASMINE S. OPORTO**

Corporate Secretary

Date: November 10, 2008