

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

Contact Person

(032) 411-1804

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	7
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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

Domestic

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Foreign



To be accomplished by SEC Personnel concerned

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File Number

LCU

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Document I.D.

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. **March 4, 2010**
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, 2009) |
|-----------------------------------|--|
| Common Stock P1 Par Value | 5,574,942,121 |
| Amount of Debt Outstanding | P42,341,235,111 |
11. Indicate the item numbers reported herein: 2

Item 9: Other Events

Aboitiz Equity Ventures, Inc.'s ("AEV" or "the Company") consolidated net income for the fourth quarter 2009 registered a 227% year-on-year ("YOY") increase, from P745 million to P2.4 billion. Out of the total earnings contributions from the business segments, power accounted for 60%. This was followed by the food, banking and transport groups pouring in 21%, 17% and 2% of the total, respectively.

For the three-month period, AEV incurred a non-recurring gain of P418 million (versus a P614 million non-recurring loss for the same period last year), which consists of (1) P369 million in foreign exchange net gains at the parent and subsidiary levels, (2) a P36 million share in the acquisition-related expenses of its

subsidiaries, (3) a ₱78 million share in the reversal of NPC charges for ancillary services, (3) a ₱43 million share in the gains booked by its transport business, and (4) a ₱36 million share in the goodwill impairment on the transport group's investment. Adjusting for these one-off's, AEV's core net income for the quarter still grew at a robust rate of 48% YOY, from ₱1.4 billion to ₱2.0 billion.

In August 2009, AEV's subsidiary, Therma Luzon, Inc. ("TLI") won in the bid for the appointment as the IPP Administrator ("IPPA") of the 700 MW contracted capacity of the Pagbilao coal-fired power plant located in Pagbilao, Quezon ("the Pagbilao IPPA"). Said bidding was conducted by the Power Sector Assets and Liabilities Management ("PSALM"). As an IPPA, TLI is responsible for the coal procurement and the dispatch/sale of the plant's generated power. Operation and maintenance of the plant remain the responsibility of the Independent Power Producer. Ownership of the plant will revert to TLI upon the expiry of the BOT period, which is in 2025. As part of the IPPA agreement, TLI will pay PSALM a series of monthly payments from the time it assumes dispatch control, which is on October 1, 2009, to August 2025. Given the nature of this transaction, TLI accounted for the Pagbilao IPPA in its financial records as a finance lease, where the company will incur non-cash expenses as a result of booking an asset and a liability. Netting out the non-cash expenses incurred by TLI, AEV's core net income in the fourth quarter of 2009 would have increased further and record a 133% YOY improvement to ₱3.2 billion.

On a full year basis, AEV ended the period with a consolidated net income of ₱8.3 billion, recording an increase of 102% YOY. This translates to ₱1.49 in earnings per share for 2009. The power group still accounted for the lion's share at 56%, followed by the banking group at 23%, the food group at 16% and the transport group at 5%.

In 2009, the Company had a non-recurring gain of ₱961 million (versus last year's ₱775 million non-recurring loss). Aside from a ₱380 million foreign exchange gain at the parent and subsidiary levels, AEV realized a non-recurring income of ₱633 million, which consists of (1) a ₱575 million reversal of impairment provision to adjust the carrying amount of the assets of Aboitiz Transport System Corporation ("ATS") in consideration of the termination of the planned sale of ATS and (2) a ₱58 million booked revenue (net of income tax provision), which represents the option money paid to AEV for the planned sale of ATS. In addition, Aboitiz Power Corporation ("AP") booked one-off costs that relate to the acquisition of the Tiwi-Makban geothermal power plants and the Pagbilao IPP Administrator contract, contributing ₱178 million to AEV's non-recurring expenses. This was offset by a ₱78 million share in the reversal of NPC charges for ancillary services to two of AP's generation companies. In the meantime, ATS booked gains on the sale of one of its vessels and its logistics business, contributing ₱84 million to AEV's non-recurring income for the period, which was offset by a ₱36 million goodwill impairment in one of its investments.

Accounting for all one-off items, AEV's core earnings was still strong at ₱7.3 billion, up 50% YOY from ₱4.9 billion. When the impact of TLI's finance lease is taken out, AEV's core net income would have reached ₱8.5 billion, up 74% YOY.

Business Segments

Power

AP ended 2009 with an income contribution of ₱4.3 billion, recording a 30% YOY increase. When adjusted for non-recurring items, the group recorded a 13% YOY

rise in its earnings share, from ₱3.6 billion to ₱4.0 billion. Netting out the non-cash expenses incurred by TLI, AP would have booked an additional ₱1.2 billion in core net income contribution, bringing its total to ₱5.2 billion, up by 45% YOY.

The power generation business contributed ₱3.6 billion for the year, recording an increase of 68% YOY. This was on the back of a 167% YOY rise in total attributable power sales, from 1,728 GWh to 4,619 GWh. The expansion mainly came from the improved generation of the hydro assets, which resulted from the higher rainfall during the year and the full-year operation of the 100 MW Binga hydro power plant. In addition, the Tiwi-Makban geothermal plants, which were turned over in May 2009, and the Pagbilao coal-fired power plant, which AP took over its dispatch control on October 1, 2009, contributed a combined energy sales of 2,653 GWh, accounting for 57% of the total sales for the year.

As of year-end 2009, AP's attributable capacity was at 1,745 MW, posting a 202% YOY increase. The growth was due to the turnover of the Tiwi-Makban geothermal power plants in May 2009, which recorded peak generation of 467 MW during the year, and the turnover of the dispatch control over the 700 MW contracted capacity of the Pagbilao coal-fired power plant.

The power distribution group's attributable electricity sales for the year grew by 6% YOY, from 3,142 GWh to 3,322 GWh. The attributable power consumption of residential and non-residential customers improved by 7% and 5%, respectively. The group's customer base still grew with the residential segment increasing by 5% and the non-residential inching up by 1%.

The power distribution business recorded a 5% YOY increase in its earnings contribution to AEV, from ₱1.1 billion to ₱1.2 billion. Healthy electricity consumption growth rates, coupled with enhancements in operating efficiencies and higher other income, offset the impact of the under recovery of cost of purchased power by AP's distribution utilities in March 2009.

Financial Services

The financial services group contributed net earnings of ₱1.8 billion in 2009, recording a 106% YOY improvement from previous year's ₱880 million.

Union Bank of the Philippines ("UnionBank") ended the year with an earnings contribution of ₱1.7 billion, up by 103% YOY. A 109% YOY increase in the bank's net income for the year, coupled with the increase in AEV's equity ownership to roughly 39%, led to the higher contribution.

UnionBank posted a record net income of ₱4.3 billion in 2009, more than doubling its income in 2008 of ₱2.1 billion. The bank's robust earnings was on top of the ₱2 billion provided for impairment losses, which made all of the bank's non-performing loans more than 100% covered.

Interest income for the year increased by 14% YOY to ₱11.9 billion. This was mainly attributable to a 30% YOY expansion in interest earnings on loans and receivables to roughly ₱7.0 billion. Total loan book as of year-end stood at ₱100.7 billion, recording an 11% YOY increase from 2008, as lending to all market segments, i.e. corporate, middle market and consumer, expanded. With interest earnings from investments and trading securities improving by 13% YOY to close to ₱4 billion, UnionBank's net interest income rose by 10% YOY, from ₱5.9 billion to ₱6.5 billion.

This is notwithstanding a 20% increase in the bank's interest expense brought about by a 20% YOY increase in deposit liabilities.

Higher net securities trading gains led to a 95% YOY increase in the bank's other income. Meanwhile, other expenses only grew by 16% YOY as Unionbank continued to implement cost containment and efficiency improvements.

UnionBank's asset base stood at ₱244 billion as of year-end, with a deposit level of ₱195 billion. The bank's capital adequacy ratio was at 16.1%, which remains above the industry minimum requirement of 10%, while loan loss reserves was at 103%.

AEV's non-listed thrift bank, City Savings Bank ("CSB"), contributed earnings of ₱96 million during the year, up 163% YOY. The bank's higher earnings contribution could be attributed mainly to the 67% growth in its interest income on loans. CSB ended the year with a total loan book of ₱4.9 billion, up by ₱1.4 billion, or 41% YOY, from ₱3.5 billion in 2008. Total resources increased to ₱6.1 billion from the 2008 year-end level of ₱4.7 billion. The bank's NPL ratio stood at less than 1% while its NPL coverage ratio was at 194%. Total capital funds amounted to ₱801 million with a capital adequacy ratio of close to 16%.

Transport

The transport group recorded a 375% YOY increase in income contribution, from ₱81 million in 2008 to ₱387 million in 2009.

The strong showing of ATS' earnings was mainly attributable to the ₱2 billion reduction in the company's operating expenses that resulted from lower fuel costs, its single largest expense. The average fuel price in 2009 was lower by 36% YOY.

ATS ended the year with consolidated revenues declining by ₱1 billion. The company's freight and passenger businesses were adversely affected by the loss of one of its ships and the subsequent temporary suspension of all its roro-passenger vessels in September 2009. The last quarter of the year was also plagued with devastating typhoons, which hampered overall operations of the company. International ship chartering business, likewise, recorded a ₱1.3 billion decline in revenues brought about by a depressed market. However, ATS' growing value added business, inclusive of supply chain, rendered a robust ₱1 billion topline expansion.

Food

For 2009, income contribution from AEV's non-listed food subsidiary, Pilmico Foods Corporation, recorded a 168% YOY increase to ₱1.2 billion. Volume expansion in the flour business offset the decline in its average selling prices resulting to a 25% YOY improvement in income contribution. Growth in volumes, coupled with improved margins that resulted from the business' enhanced cost structure (due to lower freight and raw material costs), led to a significant increase in the feeds business' income contribution, growing by 2707% YOY. Despite an 11% YOY decline in sales volume, the swine business' bottomline improved by 13% YOY due to operating efficiencies that resulted to higher margins.

Financial Condition

For the year ending December 31, 2009, the Company's total consolidated assets amounted to ₱143 billion, up by 89% from year-end 2008 level. Cash and cash equivalents amounted to ₱5.6 billion, lower by ₱9.6 billion from year-end 2008

levels. Total consolidated liabilities increased by 205% to ₱89 billion, while Equity Attributable to Equity Holders of the Parent increased by 18% to ₱44.7 billion. Current ratio as of period end was at 0.8x (versus year-end 2008's 1.9x), while net debt-to-equity ratio was at 0.4x (versus year-end 2008's 0.08x).

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

Dated: March 4, 2010