

**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	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
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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. **August 5, 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 June 30, 2010) |
|-----------------------------------|---|
| <b>Common Stock P1 Par Value</b>  | <b>5,521,871,821</b>  |
| <b>Amount of Debt Outstanding</b> | <b>P91,557,188,443</b>  |
11. Indicate the item numbers reported herein: 9

**Item 9. Other Events**

Aboitiz Equity Ventures, Inc. ("AEV" or "the Company") ended the second quarter of 2010 with a consolidated net income of P5.0 billion, recording an increase of 149% year-on-year ("YoY"). Out of the total earnings contributions from the business segments, power accounted for 79%. Income share of the banking and food groups were at 11% and 10%, respectively, offsetting the negative contribution of the transport group.

For the three-month period, AEV incurred a non-recurring loss of P428 million (versus a P121 million non-recurring loss for the same period last year), which resulted from the movements in the peso-dollar exchange rate. Adjusting for this one-off, AEV's core net income for the quarter grew at a very robust rate of 155% YoY, from P2.1 billion to P5.5 billion.

On a year-to-date (“YTD”) basis, AEV ended the period with a consolidated net income of ₱11.3 billion, recording an increase of 228% YoY. This translates to ₱2.04 in earnings per share for the first semester of 2010. The power group still accounted for the lion’s share at 85%. The banking and food groups’ income share were roughly the same at 8%, offsetting the transport group’s negative share for the first six months of the year.

For the period ending June 30, 2010, the Company incurred a non-recurring loss of ₱120 million (versus last year’s ₱430 million non-recurring income), which resulted from the revaluation of consolidated dollar-denominated liabilities. Accounting for this, AEV’s core earnings for the first semester of 2010 was at ₱11.4 billion, up 279% YoY.

## **Business Segments**

### ***Power***

AP ended the semester with an income contribution of ₱9.7 billion, a significant increase from ₱1.2 billion from the same period last year. When adjusted for non-recurring items, the group recorded a 593% YoY rise in its earnings share, from ₱1.4 billion to ₱9.8 billion.

The power generation business contributed ₱9.8 billion, recording an increase of 1127% YoY. This was on the back of a 356% YoY rise in total attributable power sales, from 1,093 GWh to 4,984 GWh. The Tiwi-Makban geothermal power plants, which were turned over to AP in May 2009, had a full six months contribution in 2010. In addition, fresh contributions from the Pagbilao coal-fired power plant, the power barges, one unit of the Sibulan hydro power plant and two units of the Cebu coal-fired power plant augmented AP’s attributable net generation for the period.

As of end-June 2010, AP’s attributable capacity was at 2,014 MW, posting a 93% YoY increase. The expansion was due to the assumption of the dispatch control over the 700 MW contracted capacity of the Pagbilao coal-fired power plant in October 2009, the takeover of the two 100 MW power barges in the first quarter of this year and the start of operations of the 26 MW unit of the Sibulan hydro power plant in March 2010 and the two 82 MW units of the 26%-owned Cebu coal-fired power plant in February and May 2010.

The power distribution group’s attributable electricity sales for the first half of the year grew by 9% YoY, from 1,603 GWh to 1,753 GWh. Growth was spurred by increases in attributable power consumption of the residential, commercial and industrial customers, recording YoY increases of 6%, 5% and 12%, respectively. The group’s customer base still grew with the residential, commercial and industrial segments increasing by 5%, 3% and 4%, respectively.

Despite the strong growth in AP’s attributable electricity sales, the power distribution business recorded a 7% YoY decline in its earnings contribution, from ₱485 million to ₱449 million, due to increases in operating expenses for the period. AP’s distribution utility in Mindanao was forced to run its back-up power plant to provide the much-needed power to the Mindanao Grid. The implementation of the new systems loss allowance in January 2010, from 9.5% to 8.5%, also resulted to additional costs absorbed by two of AP’s distribution utilities.

## *Financial Services*

The financial services group contributed net earnings of P964 million in the first semester of 2010, recording a 7% YoY improvement from previous year's P899 million.

Union Bank of the Philippines ("UnionBank") ended the semester with an earnings contribution of P903 million, up by 4% YoY. Net interest income for the semester increased by 11% to P3.5 billion. This was mainly attributable to a 19% reduction in the bank's interest expense. Total interest income decreased by 4% YoY to P5.9 billion. Lower average loan yields for the period coupled with the 6% YoY decline in the bank's loan portfolio resulted to a 10% YoY drop in the bank's interest earnings on loans and receivables, from P3.5 billion to P3.2 billion. In the meantime, interest earnings from investments and trading securities improved by 11% YoY to P2.3 billion, as the expansion on securities portfolio more than offset the decline in average yields.

The bank recorded a 10% YoY decline in its other income, as trading gains and service charges, fees and commissions for the period dropped by 27% and 10% YoY, respectively. UnionBank's cost containment efforts tempered the growth of the bank's other expenses at 6% YoY, from P2.8 billion to P2.9 billion.

UnionBank's asset base stood at P240.4 billion as of semester-end, with a deposit level of P193.6 billion and a loan book of P74.7 billion. The bank's capital adequacy ratio was at 15.7%, while non-performing loans cover was at 109%.

AEV's non-listed thrift bank, City Savings Bank ("CSB"), contributed earnings of P61 million during the period, up 105% YoY. Coupled with the increase in AEV's ownership in CSB (from 34% to 39%), the higher earnings contribution could be attributed to the 49% growth in its interest income on loans and service fees. CSB ended the period June 30, 2010 with a total loan book of P5.5 billion, up by P1.6 billion, or 40% YoY, from P3.9 billion. Total resources increased to P7.5 billion from the 2009 year-end level of P6.1 billion. The bank's NPL ratio stood at 1% while its NPL coverage ratio was at 172%. Total capital funds amounted to P959 million with a capital adequacy ratio of close to 17%.

## *Transport*

The transport group ended the semester with a net loss contribution of P120 million, a reversal from last year's net income contribution of P384 million.

The Aboitiz Transport System (ATS) Corporation ("ATS") ended the semester with consolidated revenues of P6.7 billion, recording an 8% YoY increase from P6.2 billion. The company's international ship chartering business and supply chain solutions, specifically trading and third party logistics, drove the topline growth for the period. Meanwhile, both the local freight and passage businesses saw an overall reduction in their financial performance for the period. The company operated with very limited capacity for the first half of the year, as most of its SuperFerry vessels and freighters were on regular maintenance and drydocking. The local freight and passage businesses turned in revenues of P2.5 billion and P1.5 billion, respectively, recording a 6% and 14% YoY decline, respectively.

ATS registered a net loss of P152 million for the semester in review. This was mainly attributable to the 25% YoY increase in operating expenses to P6.9 billion. Average fuel prices reversed its trend and recorded a rise of 40% YoY during the period.

## ***Food***

For the first half of 2010, income contribution from AEV's non-listed food subsidiary, Pilmico Foods Corporation ("Pilmico"), recorded a 125% YoY increase to P867 million. Growth was evident across all businesses. Income contribution from the flour business grew by 249% YoY as volume expansion offset the adverse impact of lower average selling prices. Growth in volumes, coupled with improved margins that resulted from the softening of raw material prices, led to a 51% YoY increase in the feeds business' income contribution. Improvements in both sales volume and selling prices led to a 175% YoY expansion in the swine business' bottomline.

## **Financial Condition**

For the semester ending June 30, 2010, the Company's consolidated assets amounted to P157.3 billion, up by 10% from year-end 2009 level. Cash and cash equivalents was at P8.3 billion, 49% higher than year-end 2009 level of P5.6 billion. Consolidated liabilities amounted to P91.6 billion, while Equity Attributable to Equity Holders of the Parent increased by 19% to P53.4 billion. Current ratio as of June 30, 2010 was at 1.24x (versus year-end 2009's 0.79x), while net debt-to-equity ratio was at 1.02x (versus year-end 2009's 1.28x).

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.**



**LEAH I. GERALDEZ**  
Assistant Corporate Secretary

Date: August 5, 2010