

**COVER SHEET**

C E 0 2 5 3 6

S.E.C. Registration Number

A B O I T I Z E Q U I T Y V E N T U R E S , I N C .

( Company's Full Name )

A B O I T I Z C O R P O R A T E C E N T E R

G O V . M A N U E L C U E N C O A V E .

K A S A M B A G A N , C E B U C I T Y

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

**LEAH I. GERALDEZ**

Contact Person

**(032) 411-1804**

Company Telephone Number

**Current Report**

1 2 3 1

Month Day

Fiscal Year

1 7 - C

FORM TYPE

0 5 1 7

Month Day

Annual Meeting

Secondary License Type, if Applicable

S E C

Dept. Requiring this Doc

Amended Articles Number/Section

Total No. of Stockholders

X

Domestic

Foreign

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To be accomplished by SEC Personnel concerned

File Number

\_\_\_\_\_ LCU

Document I.D.

\_\_\_\_\_ Cashier

STAMPS

**Remarks** = pls. Use black ink for scanning purposes

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 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 September 30, 2010) |
|-----------------------------------|--|
| <b>Common Stock P1 Par Value</b>  | <b>5,521,871,821</b>   |
| <b>Amount of Debt Outstanding</b> | <b>P91,593,184,789</b>   |
11. Indicate the item numbers reported herein: 9

**Item 9: Other Events**

Aboitiz Equity Ventures, Inc. ("AEV" or "the Company") ended the third quarter of 2010 with a consolidated net income of P5.6 billion, recording an increase of 128% year-on-year ("YoY"). Out of the total earnings contributions from the business segments, power accounted for 80%. Income share of the banking and food groups were at 18% and 7%, respectively, offsetting the negative contribution of the transport group.

For the three-month period, AEV incurred a non-recurring income of P528 million (versus a P114 million non-recurring gain for the same period last year). The movements in the peso-dollar exchange rate resulted to P832 million in non-recurring gains due to the revaluation of dollar-denominated loans and placements on a consolidated basis. This was offset by AEV's share in a one-time refinancing cost incurred by an associate of AEV's power subsidiary. Adjusting for these one-

off's, AEV's core net income for the quarter still grew at a very robust rate of 117% YoY, from ₱2.3 billion to ₱5.0 billion.

On a year-to-date ("YTD") basis, AEV ended the period with a consolidated net income of ₱16.8 billion, recording an increase of 187% YoY. This translates to earnings per share of ₱3.05 for the period in review. The power group still accounted for the lion's share at 83%. The banking and food groups ranked second and third with income shares of 11% and 7%, respectively, offsetting the transport group's negative share for the first nine months of the year.

For the period ending September 30, 2010, the Company incurred a non-recurring gain of ₱408 million (versus last year's ₱543 million non-recurring income), which resulted from a ₱712 million foreign exchange net gain that was offset by a one off refinancing cost of one of its power subsidiary's associates. Accounting for these non-recurring items, AEV's core earnings for the period January to September 2010 was at ₱16.4 billion, up 208% YoY.

## **Business Segments**

### **Power**

For the first nine months of 2010, AP recorded an income contribution of ₱14.2 billion, a significant increase from ₱2.9 billion in the same period last year. When adjusted for non-recurring items, the group recorded a 356% YoY rise in its earnings share, from ₱3.0 billion to ₱13.8 billion.

The power generation business contributed close to ₱14 billion, recording an increase of 519% YoY. This was on the back of a 195% YoY rise in total attributable power sales, from 2,489 GWh to 7,340 GWh. The Tiwi-Makban geothermal power plants, which were turned over to AP in May 2009, had a full nine months contribution in 2010. In addition, fresh contributions from the Pagbilao coal-fired power plant, the power barges, the Sibulan hydropower plant and two units of the Cebu coal-fired power plant augmented AP's attributable net generation for the period.

As of end-September 2010, AP's attributable capacity was at 2,030 MW, posting a 94% 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. Additional capacities resulted from the takeover of the two 100 MW power barges and the start of operations of the 42.5 MW Sibulan hydropower plant and the two 82 MW units of the 26%-owned Cebu coal-fired power plant.

The power distribution group's attributable electricity sales for the first nine months of the year grew by 9% YoY, from 2,460 GWh to 2,677 GWh. Growth was spurred by increases in attributable power consumption of the residential, commercial and industrial customers, recording YoY increases of 6%, 5% and 11%, respectively. The group's customer base still grew with the residential and non-residential segments increasing by 5%, and 3%, respectively.

The strong showing of AP's attributable electricity sales during the period January to September 2010, coupled with improved margins, resulted to a 12% YoY rise in the distribution group's income contribution, from ₱847 million to ₱948 million. The shift to the Performance Based Regulation scheme of AP's two distribution utilities in August 2010 and the full nine months effect of a rate increase (under the Return on Rate Base scheme) implemented by one of its distribution utilities in

September 2009 enabled the business to offset the increase in costs incurred during the first half of 2010, which resulted from: (1) higher operating expenses due to the forced operation of the back-up power plant of AP's distribution utility in Mindanao; and (2) the additional costs absorbed by two of AP's distribution utilities resulting from the reduced systems loss allowance (from 9.5% to 8.5%).

### **Financial Services**

The robust performance of both Union Bank of the Philippines ("UnionBank") and City Savings Bank ("CSB"), coupled with the increased ownership of AEV in both, resulted to a net earnings contribution of ₱1.9 billion in the first nine months of 2010, up 39% YoY.

UnionBank ended the period in review with an earnings contribution of ₱1.8 billion, up by 37% YoY. Net interest income for the first nine months of 2010 increased by 7% YoY to ₱5.2 billion. This was mainly attributable to a 15% YoY reduction in the bank's interest expense. Total interest income decreased by 3% YoY to ₱8.7 billion on lower asset yields notwithstanding increased average levels of earning assets. The bank's interest earnings on loans and receivables dropped by 10% YoY, from ₱5.2 billion to ₱4.7 billion, primarily on lower average loan yields for the period. In the meantime, the expansion in securities portfolio, which more than offset the decline in average yields, resulted to the 8% YoY improvement in interest earnings on investments and trading securities to ₱3.3 billion.

Impairment losses declined for the period by 72% YoY, from ₱1.1 billion to ₱315 million, to cover for additional non-performing loans booked this year, as non-performing loans were more than fully covered as of end-2009. This brought net interest income after impairment losses to ₱4.8 billion, up 30% YoY.

The bank recorded a 7% YoY increase in its other income, as net trading gains rose by 31% YoY offsetting recorded declines in service charges, fees, commissions and miscellaneous income. UnionBank's cost containment efforts tempered the growth of the bank's other expenses at 7% YoY, from ₱4.3 billion to ₱4.6 billion.

UnionBank's asset base stood at ₱239.1 billion as of September 2010, with a deposit level of ₱183.8 billion and a loan book of ₱81.2 billion. The bank's capital adequacy ratio was close to 17%, while non-performing loans cover was at 95%.

As of end-September 2010, AEV's equity stake in UnionBank is close to 41% (versus 39% as of end-September 2009).

CSB, AEV's non-listed thrift bank, contributed earnings of ₱110 million during the period, up 97% YoY. Coupled with the increase in AEV's ownership in CSB (from 34% to 41%), the higher earnings contribution could be attributed to the 47% growth in its interest income on loans and service fees. CSB ended the period September 30, 2010 with a total loan book of ₱6.4 billion, up by ₱1.7 billion, or 36% YoY, from ₱4.7 billion. Total resources increased to ₱8.1 billion from the 2009 year-end level of ₱6.1 billion. The bank's NPL ratio stood at less than 1% while its NPL coverage ratio was at 218%. Total capital funds amounted to ₱1.1 billion with a capital adequacy ratio of close to 17%.

### **Transport**

The transport group ended the period September 2010 with a net loss contribution of ₱374 million, a reversal from last year's net income contribution of ₱331 million.

The Aboitiz Transport System (ATS) Corporation ("ATS") ended the period in review with consolidated revenues of ₱9.6 billion, up 10% YoY from ₱8.7 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. It was only in the third quarter when ATS' whole fleet was in full operations. The company operated with very limited capacity in 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 ₱3.5 billion and ₱2 billion, respectively, recording a 3% and 6% YoY decline, respectively.

Total cost and expenses increased by 24% YoY to ₱10.1 billion. Higher international charter rates and fuel prices were mainly accountable for the rise in costs.

### **Food**

For the period ending September 2010, income contribution from AEV's non-listed food subsidiary, Pilmico Foods Corporation ("Pilmico"), recorded a 69% YoY increase to ₱1.2 billion. Growth was evident across all businesses. Despite lower average selling prices, both the flour and feeds divisions' income contribution recorded YoY increases of 141% and 12%, respectively, as volume expansion drove bottomline performance. Improvements in both sales volume and selling prices, coupled with lower input costs and enhanced operating efficiencies of company-owned farms, led to a 160% YoY expansion in the swine business' bottomline.

### **Financial Condition**

For the period ending September 30, 2010, the Company's consolidated assets amounted to ₱164.5 billion, up by 15% from year-end 2009 level. Cash and cash equivalents was at ₱12.1 billion, 117% higher than year-end 2009 level of ₱5.6 billion. Consolidated total liabilities amounted to ₱91.6 billion, while Equity Attributable to Equity Holders of the Parent increased by 32% to ₱59.2 billion. Current ratio as of September 30, 2010 was at 1.25x (versus year-end 2009's 0.79x), while net debt-to-equity ratio was at 0.86x (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.**

By



**M. JASMINE S. OPORTO**  
Corporate Secretary

Dated: November 5, 2010