

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


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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 3, 2011**
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)
Common Stock P1 Par Value	5,521,871,821
Amount of Debt Outstanding	P 91,593,184,789
11. Indicate the item numbers reported herein: 9

Item 9: Other Events

Aboitiz Equity Ventures, Inc.'s ("AEV" or "the Company") consolidated net income for the fourth quarter of 2010 registered a 107% year-on-year ("YoY") increase, from PhP2.4 billion ("bn") to PhP5.0 bn. Out of the total earnings contributions from the Company's four strategic business units ("SBU"), Power accounted for 90%. Income share of the Banking and Food SBUs were at 12% and 5%, respectively, offsetting the negative contribution of the Integrated Transport and Logistics SBU.

For the three-month period, AEV incurred a non-recurring loss of PhP379 million ("mn"), versus a PhP418 mn non-recurring gain for the same period last year. On top of a PhP4 mn share in the reversal of NPC charges for ancillary services in 2010, AEV recorded a PhP74 mn in non-recurring gains due to the revaluation of consolidated dollar-denominated loans and placements. This was offset by the

PhP456 mn recognized loss on the sale of AEV's equity stake in Aboitiz Transport System Corporation ("ATS") in December 2010. Adjusting for these one-off's, AEV's core net income for the quarter grew at a very robust rate of 168% YoY, from PhP2.0 bn to PhP5.4 bn.

On a full year basis, AEV ended the period with a consolidated net income of PhP21.9 bn, recording an increase of 163% YoY. This translates to PhP3.96 in earnings per share for 2010. The Power SBU still accounted for the lion's share at 85%. The Banking and Food SBUs ranked second and third with income shares of 12% and 7%, respectively, offsetting the negative share of the Integrated Transport and Logistics SBU.

In 2010, the Company incurred a non-recurring gain of PhP30 mn (versus last year's PhP961 mn non-recurring income), which consists of: (1) PhP786 mn in foreign exchange net gains; (2) a PhP4 mn share in NPC charges that were reversed; (3) a PhP304 mn share in refinancing cost of one of the Power SBU's associates; and (4) the PhP456 mn loss booked for the sale of ATS. Accounting for these non-recurring items, AEV's core earnings was still strong at PhP21.8 bn, up 197% YoY from PhP7.3 bn.

Strategic Business Units

Power

Aboitiz Power Corporation ("AP") ended 2010 with an income contribution of PhP19.1 bn, a significant increase from 2009's PhP4.3 bn. When adjusted for non-recurring items, the Power SBU recorded a 362% YoY rise in its earnings share, from PhP4.0 bn to PhP18.7 bn.

The power generation business contributed PhP18.6 bn for the year, recording an increase of 424% YoY. The robust performance was attributable to improved pricing and volume sales. Average selling prices for bilateral contracts and transactions in the spot market recorded significant YoY improvements of 13% and 181%, respectively. Meanwhile, total attributable power sales grew by 111% YoY, from 4,619 GWh to 9,762 GWh. Full year contributions from assets acquired in 2009, coupled with fresh contributions from completed Greenfield plants and purchased assets in 2010, augmented AP's attributable net generation for the year. As of end-2010, AP's attributable capacity was at 2,051 MW, posting an 18% YoY increase. The expansion was due to the takeover of the two 100-MW power barges and the completion of the 42.5-MW Sibulan hydropower plant and the 26%-owned 246-MW Cebu coal-fired power plant.

Another source of earnings growth for the power generation business was the ancillary revenues of AP's hydropower plants, particularly Magat and Binga. Revenues from these offset the adverse impact of lower generation by the two facilities in 2010, which was brought about by the El Nino phenomenon. Total earnings contribution of the two assets recorded a 240% YoY expansion.

The power distribution group's attributable electricity sales for the year grew by 9% YoY, from 3,322 GWh to 3,606 GWh. Leading the pack was the industrial segment recording an 11% YoY growth, while residential and commercial accounts registered 6% and 5% YoY expansions, respectively. The group's customer base still grew with the residential segment increasing by 4% and the non-residential inching up by 3%.

The strong showing of AP's attributable electricity sales during the year, coupled with improved margins, resulted to a 23% YoY rise in the distribution business'

income contribution, from PhP1.2 bn to PhP1.5 bn. The shift to the Performance Based Regulation scheme of AP's two distribution utilities in August 2010 and the full year 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 year, which resulted from (1) higher operating expenses due to forced operation of the back-up power plant of AP's Mindanao-based distribution utility in the first half of 2010; 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%).

Banking

The robust performance of both Union Bank of the Philippines ("UnionBank") and City Savings Bank ("CitySavings"), coupled with the increased ownership of AEV in both, resulted to a net earnings contribution of PhP2.6 bn in 2010, up by 45% YoY.

UnionBank ended the year with an earnings contribution of PhP2.3 bn, up by 35% YoY. Net interest income in 2010 increased by 9% YoY to PhP7.1 bn. This was mainly attributable to a 13% YoY reduction in the bank's interest expense. Total interest income marginally declined by 1% YoY to PhP11.8 bn, as increased average levels of earning assets countered the effect of lower asset yields. The bank's interest earnings on loans and receivables dropped by 9% YoY to PhP6.4 bn, primarily on lower average loan yields. In the meantime, the expansion in securities portfolio, which more than offset the decline in average yields, resulted to the 10% YoY improvement in interest earnings on investments and trading securities to PhP4.4 bn.

Net interest income after impairment losses was up by 46% YoY to PhP6.5 bn. For the year 2010, UnionBank booked PhP524 mn in impairment losses to cover for additional non-performing loans ("NPLs") booked during the year. This amount was 73% lower than the previous year's impairment losses of PhP2.0 bn, as the bank set aside higher provisions for loan losses due to its strong earnings performance last year.

The bank recorded a 4% YoY increase in its other income, as net trading gains rose by 39% YoY offsetting lower miscellaneous income. UnionBank's cost containment efforts tempered the growth of the bank's other expenses at 9% YoY, from PhP5.9 bn to PhP6.5 bn, which was driven primarily by increased business volume.

UnionBank's asset base stood at PhP253 bn as of yearend, with a deposit level of PhP192.5 bn and a loan book of PhP95 bn. The bank's capital adequacy ratio strengthened to 17% from 16.1% last year.

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

AEV's non-listed thrift bank, CitySavings, contributed earnings of PhP315 mn during the year, up 228% YoY. Coupled with the increase in AEV's ownership in CitySavings (from 34% to 99.25%), the higher earnings contribution was attributable to the 40% YoY growth in its interest income on loans and service fees. CitySavings ended the year with a total loan book of PhP6.5 bn, up by PhP1.6 bn, or 32% YoY. Total resources increased to PhP9.0 bn from the 2009 yearend level of PhP6.1 bn. The bank's NPL ratio stood at less than 1% while its NPL coverage ratio was at 202%. Total capital funds amounted to PhP1.3 bn with a capital adequacy ratio of more than 18%.

Integrated Transport and Logistics

The Integrated Transport and Logistics SBU recorded a 312% YoY decline in income contribution, from an income of PhP387 mn in 2009 to a net loss of PhP821 mn in 2010. The net loss incurred includes impairment provisions made by the new owners of ATS, net of the gains on sale of an ATS subsidiary. Excluding these, ATS' negative contribution to AEV would have been reduced to PhP296 mn.

For the most part of 2010, Aboitiz Transport System ("ATS") operated with very limited capacity, as a large number of its SuperFerry vessels and freighters were on regular maintenance and drydocking. It was only in the last quarter when ATS' whole fleet was in full operations. Both local freight and passage businesses saw an overall reduction in their financial performance for the year. Earnings were also adversely affected by higher fuel costs and international charter rates.

Food

The Food SBU, through Pilmico Foods Corporation, recorded a 25% YoY improvement in its 2010 income contribution, from P1.2 bn to P1.5 bn. Despite lower average selling prices, the flour division's income contribution posted a 79% YoY improvement, as volume expansion drove bottomline performance. Improvements in both sales volume and selling prices in 2010, coupled with lower input costs and enhanced operating efficiencies of company-owned farms, led to a 34% YoY expansion in the swine business' earnings for the year. In the meantime, lower average selling price and higher input costs countered the feeds division's volume expansion, which resulted to a 9% YoY decline in earnings.

Financial Condition

For the year ending December 31, 2010, the Company's total consolidated assets amounted to PhP175 bn, up by 22% from yearend 2009 level. Cash and cash equivalents amounted to PhP26.1 bn, 367% higher than yearend 2009 level of PhP5.6 bn. Consolidated liabilities totaled to PhP96.7 bn, while Equity Attributable to Equity Holders of the Parent increased by 44% to PhP64.3 bn. Current ratio as of yearend was at 2.4x (versus 2009's 0.8x), while net debt-to-equity ratio was at 0.7x (versus 2009's 1.3x).

Other Developments

On December 28, 2010, the sale of the respective shareholdings of AEV and Aboitiz & Company, Inc. ("ACO") in ATS to Negros Navigation Co., Inc. ("NENACO") was consummated after the closing conditions for the sale were met. The purchase price was PhP1.8813 per share. It was on December 1, 2010 when the Board of Directors of AEV voted unanimously to accept the offer of NENACO to buy AEV's shareholdings in ATS. NENACO offered to buy the respective equity stake of AEV and its major shareholder, ACO, in ATS on a per share purchase price to be computed based on an ATS equity value of USD105 mn or equivalent to approximately USD0.043 per share. The equity value includes all the logistics and shipping businesses of ATS except its interest in its joint venture companies with the Jepsen Group of Norway. AEV's and ACO's shareholdings in ATS represented 77.24% and 15.96%, respectively, of the outstanding common shares of ATS.

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

A handwritten signature in cursive script, appearing to read "M. Jasmine S. Oporto".

M. JASMINE S. OPORTO

Corporate Secretary

Dated: March 3, 2011