

COVER SHEET

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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)

CATHERINE R. ATAY

Contact Person

(032) 411-1800

Company Telephone Number

Current Report

1 2 3 1

Month Day

Fiscal Year

1 7 - C

FORM TYPE

0 5 1 6

Month Day

Annual Meeting

Secondary License Type, if Applicable

S E C

Dept. Requiring this Doc

Amended Articles Number/Section

10,425

Total No. of Stockholders

x

Domestic

Foreign

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. July 29, 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 June 30, 2011)
Common Stock P1 Par Value	5,521,871,821
Amount of Debt Outstanding	P 106,169,540,187
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 2011 with a consolidated net income of ₱5.6 billion (bn), recording an 11% year-on-year (YoY) expansion. Out of the total earnings contributions from the Company's strategic business units (SBU), Power accounted for 75%. Income share of the Banking and Food SBUs were at 18% and 7%, respectively.

For the three-month period in review, the revaluation of consolidated dollar-denominated loans and placements resulted to a non-recurring gain of ₱28 million (mn), versus last year's ₱428 mn. In addition, an associate company of its Power SBU booked a one-off gain, as it received cost reimbursements from the National Power Corporation relating to its fuel importation. AEV's share in this non-recurring gain amounted to ₱137 mn. Adjusting for these one-off's, AEV closed the

quarter ending June 30, 2011 with core profits of ₱5.4 bn, replicating last year's level.

On a year-to-date (YTD) basis, AEV ended the first semester of the year with a consolidated net income of ₱10.2 bn, recording a decline of 9% YoY. This translates to ₱1.85 in earnings per share. Power remained to account for the lion's share at close to 80%, which was followed by the Banking and Food SBUs with income contributions of 14% and 6%, respectively.

For the period ending June 30, 2011, the Company incurred a non-recurring gain of ₱109 mn (versus last year's ₱120 mn non-recurring loss), which resulted from the revaluation of consolidated dollar-denominated liabilities. Moreover, an additional ₱403 mn in one-off gains were logged by AEV during the period in review, as: (1) a power subsidiary effected a revenue adjustment in the first quarter of 2011 that was brought about by a favorable ruling by the industry regulator involving its ancillary services tariff structure; and (2) an associate company recovered costs relating to its fuel importation in the second quarter of 2011. Accounting for these one-off's, AEV's core earnings for the first semester of 2011 was at ₱9.7 bn, lower by 15% YoY.

Strategic Business Units

Power

Aboitiz Power Corporation (AboitizPower) ended the semester with an income contribution of ₱8.1 bn, vis-a-vis last year's ₱9.7 bn. When adjusted for non-recurring items, the Power SBU recorded a 23% YoY reduction in its earnings share, from ₱9.8 bn to ₱7.6 bn.

The power generation business contributed ₱7.8 bn, recording a 20% YoY drop. The decline in the group's bottomline performance was due to the lower average selling price and net generation recorded for the period. As a group, AboitizPower's generation business logged a 16% drop in average selling prices, given the softening of the spot market prices vis-à-vis first semester 2010 levels. The average price of electricity in the Wholesale Electricity Spot Market recorded a 55% YoY drop for the period YTD June 2011. Both demand and supply conditions that prevailed during the period in review were responsible for the weakness of the spot market prices. Demand for electricity, particularly in the island of Luzon, remained flat versus last year. Supply, in the meantime, showed increases given marked improvements on outage levels for Luzon-based powerplants. The adverse impact on earnings, however, was tempered by AboitizPower's strategic move of lowering its exposure to the spot market with the group's increased contracted capacity. On the other hand, AboitizPower's net generation for the first semester of 2011 registered a 7% YoY decline, from 4,984 GWh to 4,640 GWh. The drop in the level of generated power was mainly accounted for by reduced spot market transactions brought about by the prevailing low prices.

AboitizPower's 100%-owned Therma Luzon, Inc. (TLI), the IPP Administrator of the Pagbilao coal plant, recorded a margin squeeze for the period in review. Terms of its existing bilateral contracts do not allow TLI to cover for the increase in its fuel cost, which was mainly driven by the unfavorable global supply situation.

Ancillary services provided by AboitizPower's merchant hydro assets for the semester registered a significant improvement over last year. Storage capacities of both the Magat and Binga hydro facilities were at levels that enhanced their capability of providing ancillary services. This resulted to the higher acceptance of

Magat's nominated capacity, while the Binga hydropower plant had fresh contributions during the period in review, as its ancillary services contract only took effect in the third quarter of 2010. The combined income contribution of these assets for the first semester of 2011 significantly improved from ₱116 mn to ₱1.8 bn.

As of end-June 2011, AboitizPower's attributable capacity was at 2,331 MW, posting a 16% YoY increase. The expansion was due to the following: completion of the 16.5 MW Plant A of Hedcor Sibulan in July 2010, completion of the last unit (or 82 MW) of the 26%-owned Cebu coal powerplant in the fourth quarter of 2010, the assumption of full ownership and control over the 70 MW Bakun hydropower facility in May 2011, the acquisition of the 242 MW power barges in Navotas in May 2011, and the partial completion of the rehabilitation of the Ambuklao hydropower facility in June 2011.

Improved volumes and margin expansions resulted to a 74% YoY increase in the power distribution group's income contribution for the first semester of 2011, from ₱449 mn to ₱781 mn. AboitizPower's attributable electricity sales for the period ending June 30, 2011 grew by 3% YoY, from 1,753 GWh to 1,814 GWh. Growth was mainly a result of the strong showing of the industrial customer segment with a 7% YoY increase in attributable power consumption. The group's gross margin for the semester in review improved by 39% YoY to ₱1.32/kWh due to the shift to Performance Based Regulation scheme by Davao Light & Power Company, Inc. (Davao Light) and Visayan Electric Company, Inc. in August 2010. Moreover, Davao Light recorded a reduction in operating expenses as operation of its back-up power plant was not required given the improved power supply situation in Mindanao during the period in review.

Financial Services

The Banking SBU's income contribution for the first semester of 2011 recorded a 49% YoY improvement, ₱964 mn to ₱1.4 bn.

Union Bank of the Philippines (UnionBank) ended the semester with an earnings contribution of ₱1.2 bn, up by 36% YoY. Net interest income for the semester declined by 4% YoY to ₱3.4 bn. Total interest income dropped by 1% YoY as the decline in asset yields more than offset the expansion in earning assets. On the other hand, UnionBank's interest earnings on loans and due from other banks recorded YoY expansions of 5% and 49%, respectively. Lower average yields, coupled with the decrease in the bank's securities portfolio, resulted to the 20% YoY drop in the bank's interest earnings on trading and investment securities.

With the foregoing and on higher impairment losses booked for the period in review, net interest income, after impairment losses, was lower by 12% YoY at ₱2.9 bn.

Non-interest income for the period more than doubled to ₱4.5 bn from last year's ₱2.2 bn on hefty securities trading gains and higher premium revenues as a result of UnionBank's aggressive marketing efforts to push its subsidiary's pre-need plans. The corresponding trust fund contributions on these plans, and higher salary and employee benefits in support of the bank's business expansion, mainly drove operating expenses up by 44% YoY.

UnionBank's asset base stood at ₱235.8 bn as of end-June 2011, with a deposit level of ₱180.7 bn and a loan book of ₱76.8 bn. The bank's capital adequacy ratio improved to 17.5% from last year's 15.7%.

AEV's non-listed thrift bank, City Savings Bank (CitySavings), contributed earnings of ₱211 mn during the period, up 246% YoY. Coupled with the increase in AEV's ownership in CitySavings (from 39% to 99.3%), the higher earnings contribution could be attributed to the 40% growth in its interest income on loans and service fees. CitySavings ended the period June 30, 2011 with a total loan book of ₱7.3 bn, up by ₱1.7 bn, or 32% YoY, from ₱5.5 bn. Total resources increased to ₱10.9 bn from the 2010 year-end level of ₱9 bn. The bank's NPL ratio as of end-June 2011 was slightly over 1% while its NPL coverage ratio was at 158%. Total capital funds amounted to ₱1.5 bn with a capital adequacy ratio of close to 18%.

Food

For the first half of 2011, income contribution from AEV's Food SBU, Pilmico Foods Corporation (Pilmico), recorded a 25% YoY decline, from ₱867 mn to ₱650 mn. All business segments recorded volume increases for the period in review. Except for the swine unit, average selling prices, likewise, registered YoY improvements. However, increases in input costs weighed down the profitability across the businesses. The bottomline contribution of the flour, feeds and swine segments for the first semester of 2011 was reduced by 37%, 7% and 38%, respectively.

Financial Condition

For the semester ending June 30, 2011, the Company's consolidated assets amounted to ₱186.7 bn, up by 7% from year-end 2010 level. Cash and cash equivalents was at ₱28.9 bn, 11% higher than year-end 2010 level of ₱26.1 bn. Consolidated liabilities amounted to ₱106.2 bn, while Equity Attributable to Equity Holders of the Parent increased by 3% to ₱66.1 bn. Current ratio as of June 30, 2011 was at 2.9x (versus year-end 2010's 2.4x), while net debt-to-equity ratio was at 0.7x (versus year-end 2010's 0.7x).

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: July 29, 2011