September 26, 2012

MS. JANET A. ENCARNACION
Head, Disclosure Requirements
Philippine Stock Exchange
3/F Tower One and Exchange Plaza
Ayala Triangle, Ayala Avenue
Makati City

Re: Aboitiz Equity Ventures, Inc.'s 1st Quarter SEC Form 17-Q

Gentlemen:

Enclosed is a copy of Aboitiz Equity Ventures, Inc.'s (Corporation) letter to the Securities and Exchange Commission (SEC) which was filed today, September 26, 2012 in response to SEC'S comments on the Corporation's SEC Form 17-Q (Quarterly Report) for the period ended March 31, 2012 (1st Quarter).

Very truly yours,

M. JASMINE S. OPORTO
Corporate Secretary

September 26, 2012

JUSTINA F. CALLANGAN
Acting Director
Securities and Exchange Commission
SEC Bldg., EDSA, Greenhills, Mandaluyong City

Re: AEV SEC Form 17-Q for the period ended March 31, 2012

Dear Atty. Callangan:

In compliance with your letter dated August 13, 2012, which we received last September 19, 2012, we offer the following explanation on the findings cited therein:

1. **Finding – In the notes to financial statements, the requirement to disclose the nature and amount of items affecting assets, liabilities, equity, net income, or cash flows that are unusual because of their nature, size or incidents, is not complied with.**

   Response – We have complied with this requirement. Please refer to item "L. Disclosures 3. Material Events and Changes" of the SEC Form 17-Q we filed on May 15, 2012.

   In future reporting, we will enhance the above disclosure to indicate the following statement:

   Likewise, during and as of the end of the current interim period, there were no other unusual items (due to their nature, size or incidents) that affected liabilities, assets, equity, net income, or cash flows.

2. **Finding – In the notes to financial statements, the requirement to disclose the material events subsequent to the end of the interim period that have not been reflected in the financial statements for the interim period, is not complied with.**
   Response – We inadvertently failed to include the following disclosure in our interim report:

   Event After the Reporting Period

   On May 11, 2012, the Company purchased 750,000 common shares of Union Bank of the Philippines at a price of P103.00 per share, increasing its ownership in UBP from 43.27% to 43.39%.

   In future reporting, we will make sure to include the above disclosure.

3. **Finding - In the Management's Discussion and Analysis (MDA) of Financial Condition and Results of Operations, there is no comparable discussion to explain the decrease in payable to preferred shareholders of a subsidiary and the increase in pension liability.**

   Response – The above accounts are not included in the discussion since the amounts involved are so immaterial. While the % of change qualifies for the 5% materiality cap set by the SEC, in terms of peso amounts, both the account balances and amount of increase or decrease are insignificant. For payable to preferred shareholders, the account balance is only P30 million as of Mar. 31, 2012 (vs P46 million as of Dec. 31. 2011), resulting to a decrease of only P16 million. This account balance represents only 0.03% of the total consolidated non-current liabilities. For pension liability, the account balance is only P45 million as of Mar. 31, 2012 (vs P37 million as of Dec. 31. 2011), resulting to an increase of only P8 million. This account balance represents only 0.05% of the total consolidated non-current liabilities.

   In future reporting, we will change our practice to include in the discussion all accounts with changes that qualify for the 5% materiality cap, regardless of the materiality of the corresponding pesos amounts.

4. **Finding – Non-submission of the Schedule of Relevant Financial Ratios.**

   Response – We inadvertently failed to include the attached new schedule. We attach herewith as Annex "A" a copy of the Schedule of Relevant Financial Ratios.

   In future reporting, we will make sure to include this schedule.

5. **Finding – In the MDA of Financial Condition and Results of Operations, there is no discussion on any seasonal aspects that had a material effect on the financial condition or results of operations.**

   Response – We indicated the above discussion under item "L. Disclosures 2. Seasonality of Interim Operations".

   In future reporting, we will add the following statement to the above disclosure:

   During and as of the end of the current interim period, no seasonal aspect had any material effect on the Group's results of operations or financial condition.

6. **Finding – Under "Financial Instruments", there is no disclosure on "Fair Value Hierarchy".**

   Response – We have not included the above disclosure since the balances of the affected financial instruments, namely AFS investments, derivative asset and derivative liability, and the corresponding account movements are so immaterial. For AFS investments, the account balance is only P36 million as of Mar. 31, 2012 (vs P39 million as of Dec. 31. 2011), resulting to a decrease of only P3 million. This account balance represents only 0.02% of the total consolidated non-current assets. For derivative asset, the account balance is nil as of Mar. 31, 2012 and Dec. 31. 2011. For derivative liability, the account balance is only P407 thousand as of Mar. 31, 2012 (vs P8 million as of Dec. 31. 2011), resulting to a decrease of only P7.5 million. This account balance represents only 0.002% of the total consolidated current liabilities. Furthermore, since the end of the most recently completed fiscal year, there has been no change in the manner of classifying financial instruments in the fair value hierarchy or in the criteria used in determining whether the market is active or inactive.

In future reporting, we will enhance the disclosure on Financial Instruments to include the above items. Attached as Annex “B” is the updated version of said disclosure as of March 31, 2012.

We would like to request the Commission to consider this letter reply as part of the duly filed S.E.C Form 17-Q dated May 15, 2012 and to attach the same as Annex "A" to the said report.

We trust that you will find everything in order.

Thank you.

Very truly yours,

ABOITIZ EQUITY VENTURES, INC.

By:

MELINDA R. BATHAN
First Vice President/Controller

Annex "A"

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES
SCHEDULE OF RELEVANT FINANCIAL RATIOS

	FORMULA	DEC 2011	MAR 2011	MAR 2012
LIQUIDITY RATIOS				
Current ratio	Current assets / Current liabilities	2.96	2.79	3.49
Acid test ratio	Cash + Marketable Securities + Accounts Receivable+ Other Liquid Assets / Current liabilities	2.60	2.60	3.11
SOLVENCY RATIOS				
Debt to equity ratio	Total liabilities / Total equity	1.12	1.15	1.06
Asset to equity ratio	Total assets / Total equity	2.12	2.12	2.06
Net debt to equity ratio	Debt - cash & cash equivalents / Total equity	0.59	0.57	0.50
Gearing ratio	Debt - cash & cash equivalents / Total equity + (Debt - cash & cash equivalents)	37.18%	37.18%	33.43%
Interest coverage ratio	EBIT / Interest expense	5.11	4.85	5.40
PROFITABILITY RATIOS				
Operating Margin	Operating Profit / Total revenues	31.8%	34.8%	27.9%
Return on Equity	Net income after tax / Total equity	not applicable for interim reporting		

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

Fair Value of Financial Instruments

Fair value is defined as the amount for which an asset could be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction. Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models, as appropriate. A financial instrument is regarded as quoted in an active market if quoted prices are readily available from an exchange, dealer, broker, pricing services or regulatory agency and those prices represent actual and regularly occurring maket transactions on an arm's length basis. For a financial instrument with an active market, the quoted market price is used as its fair value. On the other hand, if transactions are no longer regularly occurring even if prices might be available, and the only observed transactions are forced transactions or distressed sales, then the market is considered inactive. For a financial instrument with an inactive market, its fair value is determined using a valuation technique (e.g., discounted cash flow approach) that incorporates all factors that market participants would consider in setting a price.

The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

Cash and cash equivalents, trade and other receivables and trade and other payables
The carrying amounts of cash and cash equivalents, trade and other receivables and trade and other payables approximate fair value due to the relatively short-term maturity of these financial instruments.

Fixed-rate borrowings

The fair value of fixed rate interest bearing loans is based on the discounted value of future cash flows using the applicable rates for similar types of loans.

Variable-rate borrowings and Obligations under finance lease

Where the repricing of the variable-rate interest bearing loan is frequent (i.e., three-month repricing), the carrying value approximates the fair value. Otherwise, the fair value is determined by discounting the principal plus the known interest payment using current market rates.

Customers' deposits

The fair value of bill deposits approximates the carrying values as these deposits earn interest at the prevailing market interest rate in accordance with regulatory guidelines. The timing and related amounts of future cash flows relating to transformer and lines and poles deposits cannot be reasonably and reliably estimated for purposes of establishing their fair values using an alternative valuation technique.

Redeemable preferred shares

The fair values of the redeemable preferred shares are based on the discounted value of future cash flows using the applicable rates for similar types of borrowings.

AFS investments

The fair values of AFS investments are based on quoted market prices. The publicly-traded equity securities which are owned by the group are all actively traded in the stock market.

Obligations under Power Distribution System

The fair value of long term obligation on power distribution system is calculated by discounting expected future cash flows at prevailing market rates.

Derivative asset and liabilities

The fair value is calculated by reference to prevailing interest rate differential and spot exchange rate as of valuation date, taking into account its remaining term to maturity. The Group enters into derivative financial instruments with financial institutions with investment grade credit ratings. Derivative valued using a valuation technique with market observable inputs pertains to a foreign exchange forward contract. The most applied valuation technique is forward pricing. The model incorporates various inputs including the credit quality of counterparty and foreign exchange spot and forward rates.

Fair Value Hierarchy
The Group uses the following hierarchy for determining the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities
Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly
Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data

As of March 31, 2012 and December 31, 2011, the Group held the following financial instruments that are measured and carried at fair value:

31-Mar-12

	Total	Level 1	Level 2	Level 3
AFS investments	**35,887**	**35,887**	**-**	**-**
Derivative asset	**-**	**-**	**-**	**-**
Derivative liability	**407**	**-**	**407**	**-**
	36,294	**35,887**	**407**	**-**

31-Dec-11

	Total	Level 1	Level 2	Level 3
AFS investments	39,159	39,159	–	–
Derivative asset	–	–	–	–
Derivative liability	7,580	–	7,580	–
	46,739	39,159	7,580	-

During the periods ended March 31, 2012 and December 31, 2011, there were no transfers between level 1 and level 2 fair value measurements and transfers into and out of level 3 fair value measurement.

Derivative financial instruments

The Group enters into non-deliverable short-term forward contracts with counterparty banks to manage foreign currency risks associated with foreign currency-denominated liabilities and purchases.

As of March 31, 2012 and December 31, 2011, the Group recognized derivative liability relating to these contracts amounting to P407 thousand and P7.6 million, respectively.

The movements in fair value changes of all derivative instruments for the year ended March 31, 2012 and December 31, 2011 are as follows:

	MAR 2012	DEC 2011
At beginning of year	**(7,580)**	7,347
Net changes in fair value of derivatives not designated as accounting hedges	**(258)**	(19,797)
Fair value of settled instruments	**7,431**	4,870
At end of year	**(407)**	(7,580)

The loss from the net fair value changes relating to the forward contracts amounting to P258 thousand for the period ended Mar. 31, 2012 and P19.8 million for the year 2011 are included as "Foreign exchange gains - net" under "Other income - net".