

**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**

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Month Day

Fiscal Year

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FORM TYPE

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Month Day

Annual Meeting

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Secondary License Type, if Applicable

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Dept. Requiring this Doc

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Amended Articles Number/Section

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Total No. of Stockholders

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| X |
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Domestic

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Foreign



To be accomplished by SEC Personnel concerned

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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. **May 6, 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<br>Outstanding and Amount of Debt Outstanding<br>(as of December 31, 2010) |
|-----------------------------------|---|
| <b>Common Stock P1 Par Value</b>  | <b>5,521,871,821</b>  |
| <b>Amount of Debt Outstanding</b> | <b>P 96,649,844,765</b>   |
11. Indicate the item numbers reported herein: 9

**Item 9: Other Events**

Aboitiz Equity Ventures, Inc. (AEV or the Company) ended the first quarter of 2011 with a consolidated net income of ₱4.6 billion (bn), recording a decline of 26% year-on-year ("YoY"). This translates to an earnings per share of ₱0.83 for the period in review.

For the first quarter of 2011, one-off gains of ₱82 mn (versus last year's ₱308 mn) were booked by AEV due to the revaluation of consolidated dollar-denominated loans and placements. In addition, a power subsidiary effected a revenue adjustment that was brought about by a favorable ruling on a Motion for Reconsideration filed with the industry regulator involving its tariff structure. AEV's share in this non-recurring gain amounted to ₱266 mn. Adjusting for these one-

off's, AEV's core net income for the quarter amounted to ₱4.3 bn, which is 28% lower than last year's.

Out of the total earnings contributions from the Company's strategic business units (SBU), Power accounted for 85%. Income share of the Banking and Food SBUs were at 9% and 6%, respectively.

## **Strategic Business Units**

### ***Power***

Aboitiz Power Corporation (AboitizPower) ended the quarter with a lower income contribution of ₱3.9 bn, vis-à-vis previous year's ₱5.7 bn. When adjusted for non-recurring items, the Power SBU recorded a 34% YoY decline in its earnings share, from ₱5.4 bn to ₱3.6 bn.

The power generation business contributed ₱3.8 bn for the quarter, a 35% YoY drop. The decline in the group's bottom line performance was mainly due to the lower average selling price and net generation recorded for the period. As a group, AboitizPower recorded a 19% YoY drop in average selling prices, mainly due to the softening of the spot market prices in the first quarter. The average price of electricity in the Wholesale Electricity Spot Market recorded a 66% YoY drop for the period year-to-date March 2011. However, the adverse impact on earnings was tempered by AboitizPower's lower exposure in the spot market, as it increased the level of its contracted capacity through bilateral agreements. Cooler climate that prevailed in the first three months of the year resulted to lower demand in electricity. This mainly accounted for the 10% YoY reduction in the generation group's attributable net generation, from 2,418 GWh to 2,168 GWh.

Ancillary services provided by AboitizPower's merchant hydro assets for the quarter recorded a 311% YoY expansion. Growth in ancillary services was brought about by the higher acceptance of Magat's nominated capacity and the fresh contribution of the Binga hydropower plant, as implementation of its contract with NGCP only took effect in the third quarter of 2010. Moreover, storage capacities of both the Magat and Binga hydro facilities were close to full during the quarter in review, thus enhancing their capability of providing ancillary services. Consequent to the topline improvement resulting from ancillary services, the combined income contribution of these assets grew by 236% YoY, from ₱219 mn to ₱735 mn.

Increase in fuel costs resulted to a margin squeeze for 100%-owned Therma Luzon, Inc. (TLI), the IPPA Administrator of the Pagbilao coal plant. Coal prices during the first quarter escalated YoY given the unfavorable global supply situation. As most of the plant's bilateral contracts are based on NPC Time-of-Use rates, TLI was not able to cover the increase in its fuel cost during the period in review.

As of quarter end, AboitizPower's attributable capacity was at 2,051 MW, posting a 5% YoY increase. The growth was due to the completion of the 42.5 MW Sibulan hydro project and the 26%-owned 246 MW Cebu coal project.

Recorded expansions in volumes and margins resulted to a 107% YoY increase in the power distribution group's income contribution for the first quarter 2011, from ₱167 mn to ₱347 mn. AboitizPower's attributable electricity sales for the quarter ending March 31, 2011 grew by 6% YoY, from 841 GWh to 889 GWh. Growth was spurred mainly by a 9% YoY increase in attributable power consumption of the industrial customer segment, while the residential and commercial sectors posted marginal growth rates of 1% and 2%, respectively. Gross margin for the group improved on a YoY basis mainly due to the shift to Performance Based Regulation

(PBR) scheme by Davao Light & Power Company (Davao Light) and Visayan Electric Company in August 2010. Moreover, Davao Light's operating expenses for the period declined YoY, as operation of its back-up power plant was not required given the improved power supply situation in Mindanao during the quarter in review.

### **Banking**

Income contribution from the Banking SBU recorded an 11% YoY improvement, from ₱379 mn to ₱422 mn.

Union Bank of the Philippines (UnionBank) ended the quarter with an earnings contribution of ₱319 mn, 10% lower YoY. The bank's net interest income for the first quarter of 2011 improved by 3% YoY to ₱1.8 bn. Total interest income rose by 6% YoY as increased average levels of earning assets more than offset the continuous decline in average yields. On the same note, UnionBank's interest earnings on loans and due from other banks recorded YoY expansions of 5% and 83%, respectively. Interest income on trading and investment securities, on the other hand, contracted by 5% YoY due to lower average yields notwithstanding the expansion in the bank's average securities portfolio.

With the foregoing, net interest income after impairment losses was higher by 2% YoY at ₱1.6 bn, despite higher impairment losses for the first quarter of 2011 at ₱114 mn, a 7% increase from ₱107 mn posted for the same period last year.

UnionBank recorded a 43% YoY increase on its other income on higher service charges, fees and commissions and miscellaneous income. Miscellaneous income increased by 80% YoY, due primarily on higher premium revenues on aggressive marketing efforts to push the sale of First Union Plans, Inc.'s pre-need plans. The corresponding trust fund contributions on these plans mainly drove operating expenses up by 35% YoY.

UnionBank's asset base stood at ₱248 bn as of end of first quarter of 2011, with a deposit level of ₱194 bn and a loan book of ₱88 bn. The bank's capital adequacy ratio further strengthened to 17.5% from 15.1% as of the same period last year.

As of end-1Q2011, AEV's equity stake in UnionBank is close to 41% (versus ~39% in 1Q2010).

AEV's non-listed thrift bank, City Savings Bank (CitySavings), contributed earnings of ₱102 mn during the quarter, up 294% YoY. Coupled with the increase in AEV's ownership in CitySavings (from ~36% to 99.25%), the strong growth in the bank's interest income on loans and services, which recorded a 45% YoY expansion, accounted for the higher earnings contribution for the period. CitySavings' loan take up continued to increase as its total loan book increased by 29% YoY to ₱6.7 bn. The bank's resources as of quarter-end stood at ₱9.4 bn. The bank's NPL ratio remained at less than 1% while its NPL coverage ratio was at 169%. Total capital funds amounted to ₱1.4 bn with a capital adequacy ratio of more than 17%.

### **Food**

The Food SBU, through Pilimico Foods Corporation, recorded a 24% YoY decline in its first quarter income contribution in 2011, from ₱372 mn to ₱282 mn. Volume increases were recorded across all business segments. Except for the swine unit, average selling prices for the quarter 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 quarter of 2011 was reduced by 18%, 27% and 28%, respectively.

## Financial Condition

For the quarter ending March 31, 2011, the Company's total consolidated assets amounted to ₱180 bn, 3% higher than yearend 2010 level. Cash and cash equivalents amounted to ₱31.4 bn, 20% higher than yearend 2010 level of ₱26.1 bn. Consolidated liabilities totaled to ₱96.2 bn, while Equity Attributable to Equity Holders of the Parent increased by 7% to ₱68.9 bn. Current ratio as of March 31, 2011 was at 2.8x (versus 2010's 2.4x), while net debt-to-equity ratio was at 0.6x (versus 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: May 6, 2011