

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) 411-1800									
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Company Telephone Number

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Month Day

Fiscal Year

3rd Quarterly Report

1	7	-	Q	
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FORM TYPE

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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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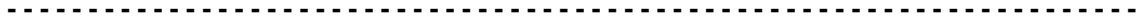
Total No. of Stockholders

X

Domestic

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Foreign



To be accomplished by SEC Personnel concerned

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File Number

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES
REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER

1. For the quarterly period ended September 30, 2008
2. Commission identification number CE02536 3. BIR Tax Identification No. 003-828-269-V
4. Exact name of issuer as specified in its charter ABOITIZ EQUITY VENTURES, INC.
5. Province, country or other jurisdiction of incorporation or organization Cebu City, Philippines
6. Industry Classification Code: (SEC Use Only)
7. Address of issuer's principal office Postal Code
Gov. Manuel A. Cuenco Avenue, Kasambagan, Cebu City, Philippines 6000
8. Issuer's telephone number, including area code
(032) 2312580
9. Former name, former address and former fiscal year, if changed since last report
N.A.

10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

Title of each Class	Number of shares of common stock outstanding and amount of debt outstanding
<u>Common stock, P1.00 par value</u>	<u>5,574,942,121</u>
<u>Total debt</u>	<u>P21,003,646,374</u>

11. Are any or all of the securities listed on a Stock Exchange?
Yes [] No []
- If yes, state the name of such Stock Exchange and the class/es of securities listed therein:
Philippine Stock Exchange Common

12. Indicate by check mark whether the registrant:
- (a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26

and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports)

Yes [] No []

(b) has been subject to such filing requirements for the past ninety (90) days.

Yes [] No []

PART I--FINANCIAL INFORMATION

Item 1. Financial Statements.

Please refer to the financial statements and schedules attached herewith

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Top Five Key Performance Indicators

Management uses the following indicators to evaluate the performance of registrant Aboitiz Equity Ventures, Inc. ("AEV" or the "Company" or the "Parent Company") and its subsidiaries (the Company and its subsidiaries are hereinafter collectively referred to as the "Group"):

1. EQUITY IN NET EARNINGS OF INVESTEES

Equity in net earnings (losses) of investees represents the group's share in the undistributed earnings or losses of its investees for each reporting period subsequent to acquisition of said investment, net of goodwill impairment cost, if any. Goodwill is the difference between the purchase price of an investment and the investor's share in the value of the net identifiable assets of investee at the date of acquisition. Equity in net earnings (losses) of investees indicates profitability of the investments and investees' contribution to the group's consolidated net income.

Manner of Computation: Investee's Net Income (Loss) x Investor's % ownership - Goodwill Impairment Cost

2. EARNINGS BEFORE INTEREST, TAXES, DEPRECIATION & AMORTIZATION (EBITDA)

The Company computes EBITDA as earnings before extra-ordinary items, net finance expense, income tax provision, depreciation and amortization. It provides management and investors with a tool for determining the ability of the group to generate cash from operations to cover financial charges and income taxes. It is also a measure to evaluate the group's ability to service its debts and to finance capex and working capital requirements.

3. CASH FLOW GENERATED

Using the Statement of Cash Flows, management determines the sources and usage of funds for the period and analyzes how the group manages its profit and uses its internal and external sources of capital. This aids management in identifying the impact on cash flow when the group's activities are in a state of growth or decline, and in evaluating management's efforts to control the impact.

4. CURRENT RATIO

Current ratio is a measurement of liquidity, calculated by dividing total current assets by total current liabilities. It is an indicator of the group's short-term debt paying ability. The higher the ratio, the more liquid the group.

5. DEBT-TO-EQUITY RATIO

Debt-to-Equity ratio gives an indication of how leveraged the group is. It compares assets provided by creditors to assets provided by shareholders. It is determined by dividing total debt by stockholders' equity.

All the key performance indicators were within management's expectations during the period under review.

Despite the anticipated decline in earnings of the banking associates, equity in net earnings of investees registered a 6% year-on-year growth. This increase was attributed to the fresh income contributions from newly-acquired power companies which more than made up for the decrease in earnings of the banks.

The decrease in EBITDA was attributable to the decrease in operating margins of the transport and food groups. This decrease was partially offset by the increase in equity in net earnings of associates. The fresh and full nine-month contributions of the newly-acquired companies, i.e., STEAG State Power Corporation (STEAG) and East Asia Utilities Corporation (EAUC), boosted this growth in equity earnings.

Despite the challenging economic environment and external market volatilities, the group has consistently managed its cashflows and operations effectively, generating positive cash inflows and registering healthy financial ratios. This strong financial position enables the group to deliver higher value directly to its shareholders, while continuing to invest in its growth opportunities.

	SEPT 30/2008	SEPT 30/2007	DEC 31/2007
EQUITY IN NET EARNINGS OF INVESTEES	2,504,233	2,359,217	
EBITDA	6,181,640	6,423,804	
CASH FLOW GENERATED:			
Net cash provided by (used in) operating activities	123,060	(5,343,493)	
Net cash used in investing activities	(6,075,188)	(1,169,863)	
Net cash provided by (used in) financing activities	(3,623,652)	14,309,319	
Net Increase (Decrease) in Cash & Cash Equivalents	(9,575,780)	(7,795,963)	
Cash & Cash Equivalent, Beginning	18,568,226	8,009,957	
Cash & Cash Equivalent, End	8,980,489	15,561,150	
CURRENT RATIO	1.61		2.48
DEBT-TO-EQUITY RATIO	0.47		0.39

Financial Results of Operations

For the nine-month period ended September 2008, AEV and subsidiaries posted a consolidated recurring net income of P3.54 billion, a year-on-year increase of 2% over last year's P3.46 billion.

The group recorded a non-recurring net loss of P161 million, which included (1) a foreign exchange net loss of P402 million at parent and subsidiary levels, (2) a P48 million share in gains on asset sale and insurance claims made by its subsidiary, Aboitiz Transport System Corporation (ATS) and (3) a P192 million share in the reversal of provisions made by an associate company due to an arbitration settlement. This brought AEV's consolidated net income to P3.38 billion, a 14% year-on-year drop from previous year, and correspondingly resulted in a decrease in earnings per share from P0.69 to P0.60.

Aboitiz Power Corporation (AP) continued to account for the bulk of AEV's income at 71%. This was followed by the banking and food groups with contributions of 19% and 11% of total, respectively. Meanwhile, the transport group's performance resulted to a negative earnings share for the period.

Despite AEV's ownership dilution in AP, the power group continued to be AEV's main earnings contributor for the period with its income contribution growing by 18% year-on-year, from P2.02 billion to P2.40 billion. This was on the back of a consolidated total revenue growth of 14% year-on-year. The power generation business shored in the bulk of AP's income contribution to AEV. The business ended the period with net earnings contribution of P1.50 billion, up 50% year-on-year. This strong showing can be mainly attributed to the incremental earnings contributions from 2007 acquisitions, with major contributions coming from the 232MW STEAG coal power plant. Total power sold for the period recorded a 130% year-on-year expansion, from 566 GwH to 1,300 GwH. The increase was brought on by the 41% year-on-year capacity expansion, from 411MW to 578MW (acquisition of the 232MW STEAG coal power plant in November 2007 and turnover of the 175MW Ambuklao-Binga hydro plants in July 2008). Moreover, improved capacity factors for the hydro plants due to higher rainfall also led to the improvement in power generation for the period.

On the other hand, the power distribution business contributed net earnings of P849 million to AEV, recording an 11% decline mainly due to AEV's ownership dilution in AP. AP's distribution utilities continued to record healthy electricity sales growth rates with the first nine months of the year posting a 17% year-on-year improvement, from 1,990 GwH to 2,329 GwH. Aside from the incremental volume sales from the 2007 acquisitions, expansion in Subic Enerzone Corporation's (SEZ) industrial segment accounted for the strong growth of the group, with power demand increasing mainly due to the operation of the Hanjin shipyard. On an organic basis, the distribution group recorded a growth of 5.5% year-on-year.

The financial services group contributed net earnings of P651 million for the current period, 32% lower than previous year's P963 million. Union Bank of the Philippines (UBP) ended the period with an earnings contribution of P625 million, 32% lower than the previous year's P913 million, while City Savings Bank (CSB), contributed earnings of P26 million, down 47% from the same period last year.

The transport group ended the period with a net loss contribution of P32 million, vis-à-vis last year's net income contribution of P369 million. The group generated negative operating margins during the current period as a result of the 17% increase in total costs and expenses which more than offset the 13% increase in consolidated revenues.

Income contribution from AEV's non-listed food subsidiary, Pilmico Foods Corporation (Pilmico), amounted to P373 million, a 9% drop from the previous period. Despite a 24% year-on-year increase in revenues, the flour business recorded a 27% year-on-year decline in earnings contribution. In the meantime, the company's swine and feeds business recorded a 128% year-on-year earnings expansion, which resulted from favorable prices and robust swine volume sales.

Material Changes in Line Items of Registrant's Income Statement

Consolidated net income attributable to equity holders decreased by 14% due to the following:

Gross profit for the first nine months of 2008 amounted to P1.88 billion, a 17% decline from the P2.27 billion posted during the same period last year. The 20% or P4.23 billion hike in costs and expenses more than offset the 17% or P3.83 billion growth in consolidated revenues

The power group reported a combined 11% or P122 million increase in operating margins, mainly as a result of the fresh revenue contributions of newly-acquired companies, Mactan Enerzone Corporation (MEZ) and Balamban Enerzone Corporation (BEZ) and increase in sales by Cebu Private Power Corporation (CPPC) and Hedcor, Inc. (Hedcor). Growth in sales was due to higher dispatch by CPPC and higher amount of rainfall for Hedcor during the current period compared to those of last year.

The food group reported a 23% drop in margins (P652 million vs P847M million) as revenues increased only by P1.52 billion while costs and expenses rose by P1.71 billion. The 24% boost in sales was attributed to better selling prices in its flour business, strong volume sales for its swine business and favorable prices for both swine and feeds businesses. Higher costs of raw materials and freight resulted in a 31% increase in operating costs.

Despite operating at reduced capacity due to vessel sales and repair, ATS's total consolidated revenues grew by 13% year-on-year, from P8.3 billion to P9.4 billion. Robust freight revenues coupled with increased service fees generated from its supply chain management services led to the topline growth. This increase was offset by the 6% reduction in passage revenues. The decline was largely a result of the overall reduction in passenger ferry capacity brought about by vessel sales and the conversion of excess passage capacity of some vessels to freight. Two vessels also underwent repair during the second quarter of the current year. Moreover, the industry continued to face fierce competition from the airlines. The continued rise in fuel prices and higher charter-related expenses led to a 17% increase in the company's total costs and expenses and eroded ATS's margins. As a result, the transport group reported negative P224 million operating margins during the period under review, vis-à-vis previous period's P87 million positive margins.

Share in net earnings of associates registered a 6% increase (P2.50 billion vs P2.36 billion) primarily due to the fresh and full nine-month income contributions of newly-acquired power generation associates, i.e., SN Aboitiz Power - Magat Inc. (SNAP-Magat), EAUC and STEAG, and higher contribution from Luzon Hydro Corporation (LHC) due to higher margins and reversal of provisions due to an arbitration settlement. EAUC, SNAP-Magat and STEAG started contributing to AEV consolidated income only in April, May and November 2007, respectively. For the period under review, the group's share in income of these associates amounted to P1.58 billion, making up 63% of total equity earnings.

The over-all increase in share in net equity earnings was partially reduced by the decrease in the income contributions of banking associates, UBP and CSB. Their combined earnings contribution declined by 32% to P651 million during the current period under review. UBP posted a net income of P1.61 billion, a 27% decrease from the similar period last year, mainly due to the generation of exceptional gains from trading and sale of assets in 2007 which was not duplicated in 2008. The decline in these gains during the current period more than offset the 10% growth in net interest income. The improvement in net interest income was due to the robust expansion in its corporate, commercial and consumer finance business and higher interest yield on its trading and investment securities. Likewise, AEV's non-listed thrift bank, CSB, ended the current period with a P76 million net income, down 47% from previous year's P143 million, mainly due to lower net interest margins and increased manpower costs.

Other Income amounted to P611 million, 14% lower than the P809 million recorded in 2007. This was substantially due to the lower gain on sale of assets recorded during the current period, offset by an improvement in foreign exchange differential (FX gain of P20 million in 2008 vs. FX loss of P325 million in 2007) as a result of the depreciation of the peso in 2008.

The overall decline in consolidated operating income was further offset by the 24% decrease in net finance expense, from P50 million net finance expense in 2007 to P38 million net finance expense in 2008. Higher average cash balances maintained at AP parent company level and decrease in average debt accounted for this improvement. Provision for income tax decreased by 22% as a result of the lower taxable income reported by the group.

The P306 million increase in net income attributable to minority interests was mainly due to AEV's ownership dilution in AP, from 100% during the 1st semester of 2007 and 73% during the 3rd quarter of 2007 to 75.69% as of September 2008, as a result of the AP initial public offering in July 2007 and additional purchase of AP shares by AEV in 2008.

Changes in Registrant's Resources, Liabilities and Shareholders Equity

Assets

Compared to year-end 2007 levels, consolidated assets slightly increased from P65.50 billion in December 2007 to P65.38 billion in September 2008, due to the following:

- a. Inventories increased by 106% (P3.18 billion vs P1.54 billion) due to higher wheat inventory carried by Pilmico as of September 2008.
- b. Trade and Other Receivables rose by 20% from P4.25 billion to P5.09 billion, mainly due to the increase in the transport group's trade receivables as a result of higher freight revenues.
- c. Other Current Assets increased by 24% from P1.62 billion to P2.01 billion mainly due to higher unapplied VAT input taxes and accumulation of unutilized prepaid taxes by AEV and ATS parent companies. These prepaid taxes represent creditable taxes withheld by customers and creditable senior citizen discounts which can be used as payment for future income taxes by these companies.
- d. Property, Plant & Equipment (PPE) and Investment Properties registered a combined increase of 19% from P10.8 billion to P12.85 billion, substantially due to the acquisition of power utility equipment and a piece of land, and additional costs incurred for the on-going construction of the Sibulan hydro plant.
- e. Investments and Advances totaled P30.63 billion, up by 18% from year-end 2007 level of P25.96 billion. This increase was mainly attributed to the following: a.) acquisition of the 175MW Ambuklao-Binga hydropower complex and investments in the Toledo coal project in the total amount of P4.40 billion; and b.) extension of stockholder's advance amounting to P272 million to Redondo Peninsula Energy, Inc. (RP Energy)
- f. Goodwill increased by 15%, from P1.57 billion to P1.80 billion, due to the additional goodwill recognized in 2008 on the acquisition of a new transport subsidiary, Scanasia Overseas, Inc.
- g. Deferred tax assets increased resulting from the transport group's generation of net operating loss carry over (NOLCO) on which deferred tax benefit was set up.

The above increases were partially offset by the following decreases:

- a. Cash & Cash Equivalentents stood at P8.98 billion, 52% lower than the P18.57 billion reported as at year-end 2007. This decrease was mainly due to AEV parent's payment of P3.47 billion in cash dividends to common shareholders and purchase of P1.60 billion

worth of AP and AEV shares. AP parent also reported a lower cash balance mainly due to its P4.5 billion capital infusion into new associates, SN Aboitiz Power-Benguet (SNAP-Benguet) and Cebu Energy Development Corporation and acquisitions of the remaining shares in SEZ and BEZ.

- b. Available-for-Sale Investments decreased by 9% to P92 million due to the mark-to-market losses recognized on the publicly-traded investments as a result of the drop in stock market prices in 2008.
- c. Other Noncurrent Assets decreased by 21% to P458 million, substantially due to reclassification of project costs to Property, Plant & Equipment account.

Liabilities

Consolidated short-term bank loans increased by P698 million due to the additional loan availment by the transport group to finance its working capital requirements and the upward restatement of AP parent's dollar-denominated debt as a result of the weakening of the peso. Likewise, long-term liabilities increased by 7% or P471 million compared to 2007 year-end level, due to availment of loans by the power group to finance construction of Sibulan hydro plant and acquisition of sub-transmission assets from the National Transmission Corporation (Transco), offset by the prepayment of debt at the AEV parent level and loan amortization payments by the transport and food groups.

Trade and Other Payables were lower by P985 million mainly due to the settlement of accounts by the group.

Customers' Deposits posted an increase of 10% or P138 million from last year mainly due to new connections in the Cotabato Light and Power Company (CLPC), Davao Light and Power Company, Inc. (DLPC) and SEZ franchise areas.

Income Tax Payable increased by 94% due to additional regular income tax provisions recorded by subsidiaries during the current period.

Equity

Equity attributable to equity holders of the parent decreased by 5% from year-end 2007 level of P38.13 billion to P36.04 billion, due to the following:

- a. Retained earnings declined by P316 million as at September 30, 2008, mainly due to the payment of P3.47 billion in cash dividends by AEV parent to its common shareholders. The decrease was also attributed to AEV's recognition of its P218 million share in retained earnings adjustment of LHC as a result of LHC's first-time adoption of IFRIC 12. This adjustment substantially involved derecognition of certain costs previously capitalized as part of Power, Plant and Equipment which was fully charged against Retained Earnings. Said decrease was partially offset by the P3.38 billion in consolidated net income posted during the current period.
- b. Share in cumulative translation adjustments of associates improved by 41% due to the depreciation of the Philippine Peso in September 2008, from P41.28 as of December 31, 2007 to P47.05. The power generating associates, which adopt the US dollar functional currency financial reporting, recorded considerable foreign exchange adjustments in generating their September 2008 financial statements under the peso presentation currency. These foreign exchange adjustments are booked under Cumulative Translation Adjustments account.

- c. Share in unrealized gains on AFS investments and underwriting accounts decreased by P856 million due the decline in the market prices of these financial instruments as of the end of the current period.
- d. Acquisition of minority interest decreased by P287 million, representing the premium paid by the group in acquiring the additional 40% interest in BEZ.
- e. Treasury shares increased by P831 million as AEV parent started buying back its own shares during the first nine months of 2008.

The P225 million decrease in minority interests was mainly due to AEV's increase of ownership in AP, from 73.44% as of year-end 2007 to 75.69% as of Sept., 2008, as a result of the AEV's acquisition of more AP shares during the period under review.

Material Changes in Liquidity and Cash Reserves of Registrant

For the first nine months of 2008, the group continues to support its liquidity mainly from cash generated from operations and dividends received from associates. External borrowings are also a source of liquidity. When opportunity arises, it raises capital or disposes of certain assets to strengthen its cash position and be financially prepared to partake in major investment projects.

Consolidated cash generated from operating activities increased by 102%, from P5.85 billion net cash used during the previous period to P123 million net cash generated during the current period. This increase was largely a result of lower amounts of interest-bearing advances released to related parties during the period under review.

The current period ended up with a P6.07 billion net cash used in investing activities, compared to the P1.17 billion used during the previous comparable period. The increase was mainly due higher investment acquisitions and capital expenditures made during the current period.

Net cash used in financing activities was P3.62 billion, compared to the P14.31 billion net cash provided during the similar period in 2007. The treasury share sale made by the AEV parent in January 2007 and AP initial public offering (IPO) proceeds in July 2007 added P5.94 billion and P8.0 billion, respectively, to cash during first nine months 2007. Net long-term loans proceeds in 2007 was also higher compared to those of the current period. On the other hand, bigger cash dividends paid by AEV parent (P3.47 billion vs P1.14 billion in 2007) resulted in a net-cash-used position during the period in review.

For the first nine months of 2008 net cash outflows were higher than cash inflows, resulting to a 52% decrease in cash and cash equivalents, from P18.57 billion in December 2007 to P8.98 billion in September 2008.

Financial Ratios

Lower cash balances accounted for the decrease in current ratio, from 2.48:1 as of December 2007 to 1.61:1 as of September 2008, and the increase in debt-to-equity ratio from 0.39:1 as of December 2007 to 0.47:1 as of September 2008. Net debt-to-equity ratio stood at 0.05:1, from -0.15:1 as of December 2007.

Outlook for the Upcoming Year/ Known Trends, Events, Uncertainties, which may have Material Impact on Registrant

Notwithstanding external and uncontrollable economic and business factors that affect its businesses, AEV believes that it is in a good position to benefit from the foreseen opportunities that

will arise in the current year. Its sound financial condition, coupled with a number of industry and company specific developments, should bode well for AEV and its investee companies. These developments are as follows:

Power

Generation Business

1. 200% Expansion in the Company's attributable capacity

AP's total attributable generating capacity increased by 200% from 164 MW in 2006 to 490 MW in 2007. The increase was brought about by the following:

- Turnover of the 360MW Magat hydroelectric facility in Isabela province to SNAP- Magat in April 2007;
- Acquisition of a 60% stake in CPPC in April 2007, owner and operator of a 70MW oil-fired power plant in Cebu province;
- Acquisition of a 50% stake in EAUC in April 2007, owner and operator of a 50MW oil-fired power plant in Mactan island, Cebu province; and the
- Acquisition of a 34% stake in STEAG in November 2007, owner and operator of a 232MW coal-fired power plant in Misamis Oriental, Mindanao.

These plants had significant earnings contributions in 2007 and the full year effect of their contributions are expected to improve AP's results in 2008.

SNAP-Magat, the operator and owner of the 360MW Magat hydroelectric facility, was able to refinance its US\$380 million loan in October 2007 effectively lowering its interest cost significantly. It is estimated that cost savings of US\$10 million per annum will be achieved.

2. Greenfield Projects

On February 17, 2007, AP entered into a Memorandum of Agreement with Taiwan Cogeneration International Corporation, a Taipei-based generation company, to collaborate in the building and operation of a 300MW coal-fired power plant in the Subic Bay Freeport Zone. On May 30, 2007, Redondo Peninsula Energy Corporation (RP Energy) was incorporated as the 50:50 joint venture company for this project. The project is estimated to cost approximately US\$500 million.

Construction work on the 42.5MW run-of-river hydropower plant in Barangay Sibulan, Sta. Cruz, Davao del Sur by AP's 100%-owned subsidiary Hedcor Sibulan is still on going. The project entails the construction of two cascading hydropower generating facilities tapping the Sibulan and Baroring Rivers. These facilities can generate an estimated 212 million kilowatt-hours of clean and emissions-free energy annually. The generation from these plants will supply DLPC starting August 2009.

In the first half of 2008, another subsidiary, Hedcor Tamugan, conducted a detailed design stage for three run-of-river hydropower plants with an original combined capacity of 34.5MW. Last August 14, 2008 the Board of Directors of Hedcor Tamugan decided to abandon the construction of the 7MW Suawan Hydropower plant (the Suawan plant) due to the escalation of construction costs which had rendered the Suawan plant economically unfeasible to build. The reduced capacity of the Tamugan project at 27.5MW will not affect the consortium's ability to deliver the required amount of energy under a power supply agreement with DLPC.

In August 2007, AP, together with Vivant Energy Corporation of the Garcia Group, signed a Memorandum of Agreement with Metrobank Group's Global Business Power Corporation for the construction and operation of a 3 x 82 MW coal-fired power plant in Toledo City, Cebu. Completion

of the project is expected by first quarter of 2010. AP will have an effective participation of 26% in the project.

3. Ambuklao-Binga Turnover

On November 28, 2007, SNAP-Benguet, a 50:50 joint venture between AP and SN Power AS of Norway, submitted the highest bid for the Ambuklao-Binga Hydroelectric Power Plant Complex (HEPPC) consisting of the 75MW Ambuklao Hydroelectric Power Plant located at Bokod, Benguet and the 100MW Binga Hydroelectric Power Plant located at Itogon, Benguet. The price offered amounted to US\$325 million. PSALM issued the Notice of Award to SNAP-Benguet on December 19, 2007.

On July 10, 2008, SNAP-Benguet, Inc. officially took over the ownership and operations of the 75MW Ambuklao hydropower plant and the 100MW Binga hydropower plant after these were turned over by the PSALM.

In August 2008, SN Aboitiz Power-Benguet, Inc. signed a US\$375 million loan agreement with a consortium of international and domestic financial institutions. The loan facility will partially finance the purchase price and the rehabilitation of the power plant complex and refinance SNAP-Benguet's existing advances from shareholders with respect to the acquisition of the Ambuklao-Binga HEPPC. Full payment for the acquisition cost for the plant was made in August 23, 2008 in the amount of US\$99,092,500 to PSALM. The amount represents 30% balance of the purchase price inclusive of interest under the PSALM deferred payment scheme. To date, SNAP group is the largest traditional hydro operator in the country.

4. Participation in the Government's Privatization Program for its Power Assets

AP Renewables, Inc. (APRI), a wholly owned subsidiary AP, submitted the highest bid to PSALM for the 289MW Tiwi geothermal facility in Albay and the 458MW Makiling-Banahaw geothermal facility in Laguna (Tiwi-Makban). The price offered amounted to approximately US\$447 million. The Asset Purchase Agreement between PSALM and APRI became effective last August 26, 2008.

The Tiwi-Makban geothermal facilities will be a significant addition to AP's generating capacity following its successful bids for the Magat and Ambuklao-Binga hydropower plants in Northern Luzon and a stake in the STEAG coal-fired power plant in Misamis Oriental. Upon closing of the purchase, AP will have investments in generation facilities with total generating capacity of 1,957MW, more than 70% of which are powered from renewable sources of energy.

AP continues to look at other power generation assets to be auctioned by the government. AP had submitted letters of interest to PSALM for the bidding of the 146.5MW Dingle and 22MW Bohol diesel power plants, the 100MW Power Barge 117 and 100MW Power Barge 118. AP is also keen on participating in PSALM's public auction for the Independent Power Producer (IPP) Administrator contracts, which involves the transfer of the management and control of total energy output of power plants under contract with NPC to the IPP administrators.

Distribution Business

On the back of a robust economy, AP's distribution utilities are expected to turn in strong results in 2008. Topline growth will mainly come from higher volume sales, especially with full-year contributions from its acquired distribution utilities in 2007. These are:

- 100% of MEZ;
- 100% of BEZ; and
- an additional 36% of SEZ.

Efficiency improvements in operations will continue and should result to healthy margins being maintained.

CLPC has formed a team to study, facilitate and implement its shift to the performance-based rate (PBR) scheme under Group B. CLPC filed its revenue application on May 27, 2008. Release of Revenue Draft Determinant is expected to be approved by the Energy Regulatory Commission (ERC) on December 2008 while final approval of new rates is on February 2009. Implementation of new rates is to commence on April 1, 2009 until March 31, 2013, after which a new reset is made.

Visayan Electric Company, Inc. (VECO) and DLPC likewise formed their respective teams to study, facilitate and implement their respective shift to the PBR scheme under Group C where their 4 year regulatory period will be from July 2010 to June 2014.

Capital Raising Activities

Last November 5, 2008 AP launched the issuance of 5-year and 7-year peso-denominated corporate fixed rate notes worth ₱3 billion, with option to increase depending on market demand. The notes will be offered in a private placement to not more than 19 institutional investors. The proceeds of the notes will be used to finance AP's planned acquisitions as well as for other general corporate purposes.

Financial Services

With the full integration of iBank in 2007, UBP expects additional operational cost savings from the merger this year.

UBP will also focus on the expansion of its existing loan portfolio focusing on the corporate and consumer sectors.

UBP aims to remain at the forefront of technology-based banking in the Philippines. It believes that use of technology and its operational structure will enable it to further capture and secure a loyal customer base as well as achieve high levels of efficiency and productivity. As part of its future growth strategy, UBP will continue to tap into the market of small and medium-sized companies by offering corporate solutions (e.g. cash management, receivables and payables management products and services) previously available only to large local and multinational corporate clients.

UBP will likewise rationalize, redeploy and expand its branch network in strategic areas throughout the country. It aims to expand its branch network with the opening of 29 new branches in key strategic areas in the next 18 months.

CSB will continue to strengthen its market position in its present niche by improving its products and services further. Improvements in its systems to enhance operating efficiency will continue to ensure customer satisfaction

Other government employees, aside from public school teachers, will be tapped. CSB plans to expand its branch network by putting up new branches and extension offices in areas outside of its present coverage.

Food Manufacturing

To strengthen its geographic market position (i.e. by providing additional capacity closer to its major customer base), Pilmico has constructed new grains silos, which added 27,000 metric tons of new storage capacity at its Iligan plant. This gives Pilmico the largest storage capacity attached to the plant of any flourmill in the Philippines.

It also built a new feedmill plant in Iligan with a production capacity of 108,000 metric tons per year. The feedmill plant is expected to benefit Pilmico through cost enhancements as savings are incurred in the following: (1) freight costs as the new capacity will be closer to its customers in the Visayas–Mindanao region; and (2) input costs due to proximity to sources of raw materials, particularly corn in the Northern Mindanao region.

Both the grains silo and feedmill became operational last September 2008.

For its swine business, Fil–Am has two ongoing swine population projects. One is the grower–finisher farm expansion in its Aranguren, Tarlac farm and the other is the nucleus farm construction in Sto Rosario, Tarlac. The grower–finisher farm will increase farm capacity by 4,800 heads. The nucleus breeder farm will increase sow level by 1,525 heads, thus improving piglet production by over 35,000 heads. The grower–finisher and nucleus farms will start commercial operations by 2009 and 2010, respectively.

Transport

ATS continues to expand its value–added business with the purchase of Scanasia Overseas, Inc. in June 2008. Scanasia is engaged in the business of sales, marketing, warehousing and transportation of temperature–controlled and ambient food products to its customers in the Philippines. Moreover, 100%–owned Aboitiz One Distribution Inc. is constructing a new warehouse with 21,000 pallets positions located in Taguig City. Completion is expected by the last quarter of 2008.

On September 23, 2008, the Board of Directors of AEV unanimously voted to accept the unsolicited offer of KGLI–NM Holdings, Inc. to buy all of AEV’s shareholdings in ATS subject to a due diligence audit to be conducted by KGLI–NM. Except for the joint venture businesses with the Jebsen Group of Norway, the planned acquisition will include all the shipping and logistics businesses of ATS. The acquisition is based on an ATS equity value of ₱5 billion, or equivalent to P2.044 per share. The final terms of the sale will be subject to the due diligence audit and the execution of a definitive share purchase agreement between the parties. AEV owns 1,889,489,607 common shares of ATS, representing 77.10% of the total outstanding capital stock of the company.

Except for the developments disclosed in some other portion of this report and the audited financial statements, there are, as of December 31, 2007 no known trends, events or uncertainties that have had or are reasonably expected to have a material impact on net sales, revenues, income from continuing operations or on relationship between costs and revenues. There were also no events that would trigger substantial or contingent financial obligations or cause any default or acceleration of an existing obligation.

PART II--OTHER INFORMATION

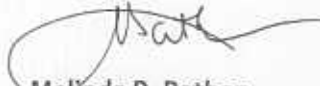
There are no significant information on the company which requires disclosure herein and/or were not included in SEC Form 17–C.

SIGNATURES

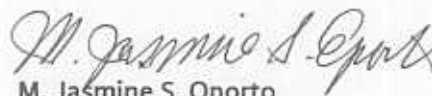
Pursuant to the requirement of the Securities Regulation Code, the issuer has duly cause this report to be signed on its behalf by the undersigned thereunto duly authorized.

Issuer Aboitiz Equity Ventures, Inc.

Principal Financial Officer
Signature and Title
Date


Melinda R. Bathan
Vice President - Controller
November 14, 2008

Corporate Secretary
Signature and Title
Date


M. Jasmine S. Oporto
First Vice President - Legal/Corporate Secretary
November 14, 2008

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
AT SEPTEMBER 30, 2008 AND DECEMBER 31, 2007
(Amounts in Thousands)

	UNAUDITED SEP 2008	AUDITED DEC 2007
ASSETS		
Current Assets		
Cash and cash equivalents	8,980,489	18,568,226
Trade and other receivables - net	5,092,780	4,252,945
Inventories - net	3,176,230	1,537,984
Other current assets	2,012,556	1,617,952
Total Current Assets	19,262,055	25,977,107
Noncurrent Assets		
Property, plant, and equipment - net	12,578,823	10,574,780
Investment Property	273,654	231,016
Investments and advances	30,629,939	25,961,311
Available-for-sale (AFS) investments	92,593	102,368
Goodwill	1,802,262	1,571,516
Pension Asset	74,841	80,088
Deferred income tax assets	505,567	427,589
Other noncurrent assets - net	457,791	578,586
Total Noncurrent Assets	46,415,470	39,527,254
TOTAL ASSETS	65,677,525	65,504,361
LIABILITIES AND EQUITY		
Current Liabilities		
Bank loans	4,341,979	3,643,760
Trade and other payables	7,233,768	6,248,541
Dividends payable	11,459	11,520
Income tax payable	300,325	154,907
Current portion of long-term debt	70,000	312,190
Current portion of obligations under finance lease	31,208	90,732
Current portion of payable to preferred shareholder of a subsidiary	7,506	7,506
Total Current Liabilities	11,996,245	10,469,156
Noncurrent Liabilities		
Long-term debt - net of current portion	5,036,918	4,262,778
Redeemable preferred shares	2,141,687	2,141,687
Obligations under finance lease - net of current portion	85,395	72,096
Customers' deposits	1,520,643	1,382,405
Payable to preferred shareholder of a subsidiary	82,334	97,225
Pension liability	69,679	51,564
Deferred income tax liability	70,745	39,353
Total Noncurrent Liabilities	9,007,401	8,047,108
Total Liabilities	21,003,646	18,516,264
Equity Attributable to Equity Holders of the Parent		
Capital stock	5,694,600	5,694,600
Additional paid-in capital	5,791,324	5,791,324
Net unrealized gains on AFS investments	9,382	16,248
Cumulative translation adjustments	(7,855)	(7,855)
Share in cumulative translation adjustments of associates	(269,949)	(462,175)
Share in net unrealized gains (losses) on AFS investments and underwriting accounts of associates	(725,920)	129,796
Gain on Dilution	5,038,060	5,023,252
Acquisition of Minority Interest	(371,163)	(84,544)
Retained earnings	21,710,319	22,026,840
Treasury stock at cost	(830,657)	-
	36,038,141	38,127,486
Minority Interests	8,635,738	8,860,611
Total Equity	44,673,879	46,988,097
TOTAL LIABILITIES AND EQUITY	65,677,525	65,504,361

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES
CONSOLIDATED INCOME STATEMENTS
FOR THE PERIODS ENDED SEPTEMBER 30, 2008 AND 2007
(Amounts in Thousands)
(UNAUDITED)

	JAN-SEP/08	JAN-SEP/07	JUL-SEP/08	JUL-SEP/07
REVENUES	26,729,805	22,897,145	9,496,007	7,926,051
COSTS AND EXPENSES	24,851,545	20,625,327	8,690,743	7,186,617
GROSS PROFIT	1,878,260	2,271,818	805,264	739,434
OTHER INCOME (CHARGES)				
Share in net earnings of associates	2,504,233	2,359,217	768,828	899,943
Interest income	545,294	766,157	198,644	383,527
Interest expense	(459,098)	(594,818)	(199,252)	(224,613)
Dividends on redeemable preferred	(124,149)	(121,406)	(43,187)	(39,457)
Other income	610,715	708,105	209,528	395,415
	3,076,995	3,117,255	934,561	1,414,815
INCOME BEFORE INCOME TAX	4,955,255	5,389,073	1,739,825	2,154,249
PROVISION FOR INCOME TAX	735,720	940,233	286,859	309,096
NET INCOME	4,219,535	4,448,840	1,452,966	1,845,153
ATTRIBUTABLE TO:				
EQUITY HOLDERS OF THE PARENT	3,375,722	3,911,289	1,162,156	1,466,329
MINORITY INTERESTS	843,813	537,551	290,810	378,824
	4,219,535	4,448,840	1,452,966	1,845,153
Earnings Per Common Share **				
Basic, for income for the period attributable to ordinary holders of the parent	0.601	0.687	0.209	0.257
Diluted, for income for the period attributable to ordinary holders of the parent	0.601	0.687	0.209	0.257

** Refer to Disclosure F for the computation of Earnings per Common Share.

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE PERIODS ENDED SEPTEMBER 30, 2008 AND 2007
(Amounts in Thousands)
(UNAUDITED)

	JAN-SEP/08	JAN-SEP/07	JUL-SEP/08	JUL-SEP/07
CASH FLOWS FROM OPERATING ACTIVITIES:				
Income before income tax	4,955,254	5,389,073	1,739,823	2,154,249
Adjustments for:				
Share in net earnings of associates	(2,504,233)	(2,359,217)	(768,828)	(899,944)
Depreciation and amortization	1,284,105	1,394,634	445,405	485,622
Interest income	(545,294)	(766,157)	(198,644)	(383,527)
Interest expense	583,247	716,224	242,439	264,070
Dividend income	(11,283)	(751)	(60)	(45)
Recovery/Reversal of Provision for losses on project costs, investments in shares of stock and advances to investees	-	(150)	-	(150)
Provision for decline in value of assets	-	202	-	68
Provision for retirement benefits	3,137	4,091	1,109	1,517
Unrealized foreign exchange loss (gain)	11,957	259,229	(35,401)	141,088
Gain on sale of investments in shares of stock	-	(1,123)	-	(1,123)
Loss on sale of available for sale investments	3,959	-	3,836	1,123
Gain on sale of property, plant & equipment	(79,355)	(633,763)	(38,770)	(269,465)
Operating income before working capital changes	3,701,494	4,002,292	1,390,909	1,493,483
Changes in:				
Increase in operating current assets	(2,909,360)	(10,301,464)	(1,828,813)	(1,196,330)
Increase (decrease) in operating current liabilities	(40,186)	1,371,562	(76,166)	380,149
Cash provided by (used in) operations	751,948	(4,927,610)	(514,070)	677,302
Income and final taxes paid	(628,888)	(415,883)	(188,432)	(172,691)
Net cash provided by (used in) operating activities	123,060	(5,343,493)	(702,502)	504,611
CASH FLOWS FROM INVESTING ACTIVITIES:				
Dividends received	1,865,044	951,262	185,441	431,828
Interest received	581,969	381,498	270,544	117,653
Additions to investments	(4,453,288)	(3,534,399)	(2,860,868)	(16,947)
Collection of (payments for) advances to associates	(432,750)	(2,717,700)	(754)	89,300
Acquisitions of property, plant and equipment - net	(3,251,432)	(837,647)	(1,426,989)	(494,752)
Disposals (acquisitions) of available for sale investments	(1,049)	7,523	(2,867)	11,999
Increase (decrease) in acquisition of minority interest	(134,688)	22,950	(169)	22,950
Proceeds from sale of investments in shares of stock	-	1,123	-	1,123
Decrease (increase) in other assets	(248,995)	4,555,527	(256,767)	4,105,070
Net cash provided by (used in) investing activities	(6,075,189)	(1,169,863)	(4,092,429)	4,268,224
CASH FLOWS FROM FINANCING ACTIVITIES:				
Proceeds from (payments of) loans payable	698,219	6,740,816	281,683	(11,336)
Proceeds from (payments of) long-term debt	485,725	(2,824,270)	914,055	(97,306)
Proceeds from (payments of) payable to preferred shareholders of a subsidiary	(14,891)	-	5,891	-
Interest paid	580,343	(583,208)	940,044	(153,949)
Proceeds from the IPO of a subsidiary	-	8,000,000	-	8,000,000
Cash dividends paid	(3,473,706)	(1,138,920)	-	-
Decrease in minority interest	(1,068,685)	(1,820,204)	(66,837)	(2,322,203)
Re-issuance (Acquisition) of treasury shares	(830,657)	5,935,105	(370,283)	-
Net cash provided by (used in) financing activities	(3,623,652)	14,309,319	1,704,553	5,415,206
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(9,575,781)	7,795,963	(3,090,378)	10,188,041
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH & CASH EQUIVALENTS	(11,957)	(244,770)	35,401	(117,568)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	18,568,226	8,009,957	12,035,465	5,490,677
CASH AND SHORT-TERM INVESTMENTS AT END OF PERIOD	8,980,488	15,561,150	8,980,488	15,561,150

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE PERIODS ENDED SEPTEMBER 30, 2008 AND DECEMBER 31, 2007

	Attributable to equity holders of the parent												
	Capital Stock Common	Preferred	Additional Paid-in Capital	Net Unrealized Gains (Losses) on AFS Investments	Cumulative Translation Adjustments	Share in Cumulative Translation Adjustments of Associates	Share in Net Unrealized Gains (Losses) on AFS Investments & Underwriting Accounts of an Associate	Gain on Dilution	Acquisition of Minority Interest	Retained Earnings	Treasury Stock	Minority Interests	Total
Balances at December 31, 2007	5,694,600	-	5,791,324	16,248	(7,855)	(462,176)	129,796	5,023,252	(84,543)	22,026,840	-	8,860,611	46,988,097
Effects of adoption of IFRIC 12										(218,538)			(218,538)
Purchase of treasury shares											(830,657)		(830,657)
Net income for the period										3,375,722		843,812	4,219,535
Gain on Dilution								14,808					14,808
Acquisition of minority interest									(286,620)			19,811	(266,809)
Cash dividends										(3,473,706)			(3,473,706)
Movement of unrealized valuation gains on AFS investments				(6,865)								(12,954)	(19,820)
Share in movement of unrealized valuation gains on AFS investments of associates													(855,716)
Movement of cumulative translation adjustments												548	548
Share in movement of cumulative translation adjustment of associates							192,226					69,529	261,755
Changes in minority interest												(1,145,618)	(1,145,618)
Balances at September 30, 2008	5,694,600	-	5,791,324	9,383	(7,855)	(269,950)	(725,920)	5,038,060	(371,163)	21,710,318	(830,657)	8,635,739	44,673,879

	Attributable to equity holders of the parent												
	Capital Stock Common	Preferred	Additional Paid-in Capital	Net Unrealized Gains (Losses) on Noncurrent Marketable Equity Securities and AFS Investments	Cumulative Translation Adjustments	Share in Cumulative Translation Adjustments of Associates	Share in Net Unrealized Gains (Losses) on AFS Investments & Underwriting Accounts of an Associate	Gain on Dilution	Acquisition of Minority Interest	Retained Earnings	Treasury Stock	Minority Interests	Total
Balances at December 31, 2006	5,694,600	-	1,341,245	16,058	(4,189)	107,427	39,519	-	-	17,368,629	(1,485,025)	1,204,972	24,283,237
Sale of treasury shares			4,450,079								1,485,025		5,935,104
Net income for the period										5,797,132		1,024,490	6,821,622
Gain on Dilution								5,023,252					5,023,252
Acquisition of minority interest									(84,543)			(30,281)	(114,824)
Cash dividends										(1,138,921)			(1,138,921)
Movement of unrealized valuation gains on AFS investments				190								(1,602)	(1,412)
Share in movement of unrealized valuation gains on AFS investments of associates													90,277
Movement of cumulative translation adjustments					(3,666)							(1,080)	(4,746)
Share in movement of cumulative translation adjustment of associates							(569,603)					(167,171)	(736,774)
Changes in minority interest												6,831,282	6,831,282
Balances at December 31, 2007	5,694,600	-	5,791,324	16,248	(7,855)	(462,176)	129,796	5,023,252	(84,543)	22,026,840	-	8,860,611	46,988,097

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE PERIODS ENDED SEPTEMBER 30, 2007

Attributable to equity holders of the parent

	Capital Stock Common	Preferred	Additional Paid-in Capital	Net Unrealized Gains (Losses) on AFS Investments	Cumulative Translation Adjustments	Share in Cumulative Translation Adjustments of Associates	Share in Net Unrealized Gains (Losses) on AFS Investments & Underwriting Accounts of an Associate	Gain on Dilution	Retained Earnings	Treasury Stock	Minority Interests	Total
Balances at December 31, 2006	5,694,600	-	1,341,245	16,058	(4,189)	107,427	39,519		17,368,629	(1,485,025)	1,204,972	24,283,236
Sale of treasury shares			4,450,079							1,485,025		5,935,104
Net income for the period									3,911,289		537,551	4,448,840
Gain on Dilution								4,818,969				4,818,969
Cash dividends									(1,138,920)			(1,138,920)
Movement of unrealized valuation gains of AFS investments				4,552								4,552
Share in movement of unrealized valuation gains on AFS investments of associates							(178,286)					(178,286)
Movement of cumulative translation adjustments					(3,125)						6,179,797	6,176,672
Share in movement of cumulative translation adjustment of associates						(164,649)						(164,649)
Balances at September 30, 2007	5,694,600	-	5,791,324	20,610	(7,314)	(57,222)	(138,767)	4,818,969	20,140,998	-	7,922,320	44,185,518

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES
FINANCIAL STATEMENT SCHEDULES AND DISCLOSURES
AT SEPTEMBER 30, 2008 AND DECEMBER 31, 2007
(peso amounts in thousands)

A. INVESTMENTS AND ADVANCES

	% OWNERSHIP 2008	SEP 2008	DEC 2007
Investments in shares of stock			
At equity			
Acquisition cost:			
Union Bank of the Philippines	36.34%	4,210,174	4,184,474
Accuria, Inc.	49.54%	719,739	719,739
Western Mindanao Power Corporation	20.00%	263,665	263,665
Cebu International Container Terminal, Inc.	20.00%	240,125	240,125
Hijos de Escaño, Inc.	46.66%	857,237	857,197
San Fernando Electric Light & Power Co., Inc.	20.29%	180,864	180,864
Pampanga Energy Ventures, Inc.	42.84%	209,465	209,465
Southern Philippines Power Corporation	20.00%	152,587	152,587
Visayan Electric Co., Inc.	55.10%	654,409	652,843
Manila Oslo Renewable Enterprise, Inc.	83.33%	7,305,257	3,822,043
East Asia Utilities Corporation	50.00%	1,009,143	1,009,143
STEAG State Power Inc.	34.00%	4,400,611	4,384,045
Redondo Peninsula Energy Corporation	50.00%	5,000	-
Cebu Energy Development Corp.	44.00%	921,599	-
City Savings Bank	34.42%	79,001	78,998
South Western Cement Corporation	20.00%	28,995	28,995
Luzon Hydro Corporation	50.00%	1,048,251	1,048,251
Cordillera Hydro Corporation	35.00%	88	88
Aboitiz Projects TS Corp.	50.00%	1,888	1,888
MCC Phils.	33.00%	16,500	16,500
WG&A Jebsen Ship Management, Inc.	40.00%	-	400
Hapag-Lloyd Philippines, Inc.	15.00%	1,800	1,800
JAIB, Inc.	49.00%	1,884	1,885
Balance at end of period		22,308,282	17,854,995
Accumulated equity in net earnings:			
Balance, beginning of year		8,044,060	5,050,712
Share in net earnings for the year		2,504,233	3,976,017
Share in associates' prior period's adjustments charged to Retained Earnings (PAS implementation)		(288,730)	-
Accumulated equity of associates qualified as consolidated subsidiaries			(14,420)
Cash dividends received		(1,853,760)	(968,249)
Balance, end of period		8,405,803	8,044,060
Gain on dilution		676,019	661,211
Share in net unrealized gains (losses) on available-for-sale securities & underwriting accounts of an associate		(725,920)	129,795
Share in associates' cumulative translation adjustments		(367,591)	(629,346)
Allowance for decline in value		30,296,593	26,060,715
		(28,995)	(28,995)
Investments, at equity		30,267,598	26,031,720
Advances to investees		362,341	(70,409)
		30,629,939	25,961,311

B. ACCOUNTS PAYABLE & ACCRUED EXPENSES

Trade	3,387,221
DOSRI	-
Others	3,846,547
TOTAL	7,233,768

C. SHORT-TERM LOANS

	Effective Interest Rate	SEP 2008	DEC 2007
Financial institutions - unsecured	4.536% - 9.25%	4,341,979	3,643,760

D. LONG-TERM LOANS

	Effective Interest Rate	SEP 2008	DEC 2007
Company:			
Financial institutions - unsecured peso denominated loans	various	2,350,000	2,700,000
Non-financial institutions	11.00% - 12.00%	18,000	19,500
		2,368,000	2,719,500

Subsidiaries:

ATSC and subsidiaries			
Financial institutions - secured:			
Peso loans due until 2008	7.73% - 10.70%	-	46,154
Australian (AU) dollar loan due until 2008	LIBOR + 1.75%	-	8,929
		-	55,083

HEDCOR

Financial institution - secured	2.25% over the applicable three-month Treasury Securities rate	647,000	648,000
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HEDCOR SIBULAN, INC.

Financial institutions - secured	8.52%	860,918	-
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PILMICO

Financial institutions - secured	various	635,833	683,333
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SEZC

Financial institution - secured	8.26% - 10.02%	341,000	182,847
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FILAM

Financial institution - secured	7.22% - 10.04%	254,167	279,167
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CLP

Financial institution - secured	8.78%	-	7,038
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		2,738,918	1,855,468
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Total		5,106,918	4,574,968
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Less: Current portion		70,000	312,190
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		5,036,918	4,262,778
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E. DEBT SECURITIES

The P300 million long-term Commercial Papers issued in 1997 by Davao Light & Power Co., Inc., one of the subsidiaries, were fully prepaid in December 2001. Since then, there have been no new debt security issuances made by the registrant or its subsidiaries.

F. EARNINGS PER SHARE

Earnings per common share amounts were computed as follows:

	SEP 2008	SEP 2007
a. Net income to common stockholders	3,375,722	3,911,289
b. Average number of outstanding shares	5,616,839,246	5,694,599,621
c. Earnings per share (a/b)	0.601	0.687

G. BUSINESS SEGMENT INFORMATION

Financial information on the operations of the business segment is summarized as follows:

	Power		Food Manufacturing		Transport Services		Parent Company and Others		Eliminations		Consolidated	
	Jan-Sep 2008	Jan-Sep 2007	Jan-Sep 2008	Jan-Sep 2007	Jan-Sep 2008	Jan-Sep 2007	Jan-Sep 2008	Jan-Sep 2007	Jan-Sep 2008	Jan-Sep 2007	Jan-Sep 2008	Jan-Sep 2007
REVENUES	9,288,346	8,130,699	7,850,519	6,330,274	9,427,355	8,312,795	377,074	365,965	(213,489)	(242,588)	26,729,805	22,897,145
RESULT												
Segment results	1,407,858	1,338,306	562,616	645,358	(228,352)	121,935	130,867	162,239	5,271	3,980	1,878,260	2,271,818
Unallocated corporate income (expenses)	270,684	49,492	36,872	23,285	236,894	645,089	71,537	(5,781)	(5,271)	(3,980)	610,715	708,105
INCOME FROM OPERATIONS											2,488,975	2,979,923
Interest Expense	(244,158)	(91,816)	(32,602)	(38,020)	(61,070)	(87,241)	(245,417)	(499,147)	-	-	(583,247)	(716,224)
Interest Income	437,186	115,682	4,375	3,404	25,372	23,773	78,361	623,298	-	-	545,294	766,157
Share in net earnings of associates	1,901,818	1,435,992	-	-	(14,304)	1,119	3,356,675	3,739,207	(2,739,956)	(2,817,101)	2,504,233	2,359,217
Provision for Income tax	(548,547)	(411,284)	(197,948)	(223,308)	20,019	(205,526)	(9,244)	(100,115)	-	-	(735,720)	(940,233)
NET INCOME											4,219,535	4,448,840
OTHER INFORMATION	Sep 2008	Dec 2007	Sep 2008	Dec 2007	Sep 2008	Dec 2007	Sep 2008	Dec 2007	Sep 2008	Dec 2007	Sep 2008	Dec 2007
Segment assets	12,349,826	15,671,784	3,750,857	2,173,838	4,390,282	3,721,540	791,790	4,610,079	(2,020,700)	(200,134)	19,262,055	25,977,107
Investments and advances	20,204,236	14,888,057	-	-	9,997	24,701	39,168,933	37,691,957	(28,753,226)	(26,643,403)	30,629,939	25,961,311
Unallocated corporate assets	7,092,161	5,603,119	1,989,313	1,641,252	5,174,088	4,892,765	969,522	868,360	560,447	560,447	15,785,532	13,565,943
Consolidated total assets											65,677,525	65,504,361
Segment liabilities	10,074,827	8,354,342	3,211,833	1,583,413	5,036,762	4,112,866	4,262,180	4,430,639	(2,022,706)	(210,819)	20,562,897	18,270,440
Unallocated corporate liabilities	296,971	166,083	69,576	46,229	52,065	22,500	22,137	11,012	-	-	440,749	245,824
Consolidated total liabilities											21,003,646	18,516,264
Depreciation	376,577	400,632	86,277	83,207	773,408	875,142	47,843	35,653	-	-	1,284,105	1,394,634

H. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash and cash equivalents, AFS investments, bank loans, long-term debt, obligations under finance lease and non-convertible, cumulative, redeemable preferred shares. The main purpose of these financial instruments is to raise finances for the Group's operations and its investments in existing subsidiaries and associates and in new projects. The Group has other financial assets and liabilities such as trade and other receivables and trade and other payables and customer deposits which arise directly from operations.

The main risks arising from the Group's financial instruments are interest rate risk resulting from movements in interest rates that may have an impact on outstanding long-term debt; credit risk involving possible exposure to counter-party default on its cash and cash equivalents, AFS investments and trade and other receivables; liquidity risk in terms of the proper matching of the type of financing required for specific investments; and foreign exchange risk in terms of foreign exchange fluctuations that may significantly affect its foreign currency denominated placements and borrowings. The Board of Directors reviews and agrees policies for managing each of these risks and they are summarized below.

Interest rate risk. The Group's exposure to market risk for changes in interest rates relates primarily to its long-term debt obligations. To manage this risk, the Group determines the mix of its debt portfolio as a function of the level of current interest rates, the required tenor of the loan, and the general use of the proceeds of its various fund raising activities. As of September 30, 2008, 51.82% of the Group's long-term debt had floating interest rates ranging from 6.32% to 12.55%, and 48.18% are with fixed rates ranging from 6.75% to 12.00%. As of December 31, 2007, 44.25% of the Group's long-term debt had floating interest rates ranging from 5.10% to 12.55%, and 55.75% are with fixed rates ranging from 6.75% to 12.00%.

The following table set out the carrying amount, by maturity, of the Group's financial instruments that are exposed to interest rate risk:

As of September 30, 2008

	< 1 year	1 - 5 years	> 5 years	Total
Floating rate - long-term debt	9,000	3,022,000	-	3,031,000
Fixed rate - long-term debt	61,000	1,117,792	897,126	2,075,918
Payable to preferred shareholders of a subsidiary - floating	7,506	82,334	-	89,840
Redeemable preferred shares - floating	-	626,000	-	626,000
Redeemable preferred shares - fixed	-	1,515,687	-	1,515,687
Obligations under finance lease - floating	31,208	85,395	-	116,603
	108,714	6,449,208	897,126	7,455,048

As of December 31, 2007

	< 1 year	1 - 5 years	> 5 years	Total
Floating rate - long-term debt	159,165	2,037,764	-	2,196,929
Fixed rate - long-term debt	153,025	2,115,333	109,682	2,378,040
Payable to preferred shareholders of a subsidiary - floating	7,506	97,225	-	104,731
Redeemable preferred shares - floating	-	641,687	-	641,687
Redeemable preferred shares - fixed	-	1,500,000	-	1,500,000
Obligations under finance lease - floating	90,732	72,095	-	162,827
	410,428	6,464,104	109,682	6,984,214

Interest on financial instruments classified as floating rate is repriced at intervals of less than one year. Interest on financial instruments classified as fixed rate is fixed until the maturity of the instrument. The other financial instruments of the Group that are not included in the above tables are non-interest bearing and are therefore not subject to interest rate risk.

Interest expenses recognized during the comparative periods are as follows:

	SEP 2008	SEP 2007
Bank loans and long term debt	409,226	543,426
Customers' deposits	4,040	2,640
Obligations under finance lease	15,014	12,588
Advances from related parties	30,818	36,164
	<u>459,098</u>	<u>594,818</u>

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings) as of September 30, 2008 and 2007:

	Increase/decrease in basis points	Effect on income before tax
Sep 2008	100	29,405
	50	14,703
Sep 2007	100	23,103
	50	11,552

Foreign exchange risk. The foreign exchange risk of the Group pertains significantly to its foreign currency denominated borrowings, including obligations under finance lease. To mitigate the risk of incurring foreign exchange losses, foreign currency holdings are matched against the potential need for foreign currency in financing equity investments and new projects. As of September 30, 2008 and December 31, 2007, foreign currency denominated borrowings account for 35.1% and 4.1%, respectively, of total consolidated borrowings.

	SEPTEMBER 30, 2008		DECEMBER 31, 2007	
	US Dollar	Peso Equivalent	US Dollar	Peso Equivalent
Current Financial Assets				
Cash	55,920	2,631,025	50,438	2,082,064
Trade and other receivables	10,591	498,307	7,703	317,980
Amounts owed by related parties	10,237	481,651	3,259	134,532
AFS investments	-	-	168	6,934
Total Financial Assets	76,748	3,610,982	61,568	2,541,510
Current Financial Liabilities				
Bank loans	86,495	4,069,590	3,956	163,304
Trade and other payables	6,579	309,542	6,455	266,462
Advances from shipping principals	957	45,027	396	16,347
Amounts owed to a related party	9,797	460,949	4,291	177,132
Obligations under capital lease	2,478	116,590	3,950	163,056
Total Financial Liabilities	106,306	5,001,697	19,048	786,301
Net foreign currency denominated assets (liabilities)	(29,558)	(1,390,715)	42,520	1,755,209

The following table demonstrates the sensitivity to a reasonably possible change in the US dollar exchange rates, with all other variables held constant, of the Group's profit before tax as of September 30, 2008.

	Increase (decrease) in US dollar rate	Effect on income before income tax
US dollar denominated accounts	5%	(69,536)
US dollar denominated accounts	-5%	69,536

The increase in dollar rate represents the depreciation of the Philippine peso while the decrease in dollar rate represents appreciation of the Philippine peso.

There is no other impact on the Group's equity other than those already affecting the consolidated statement of income.

Credit risk. For its cash investments, AFS investments and receivables, the Group's credit risk pertains to possible default by the counterparty, with a maximum exposure equal to the carrying amount of these assets. With respect to cash and AFS investments, the risk is mitigated by the short-term and or liquid nature of its cash investments mainly in bank deposits and placements, which are placed with financial institutions of high credit standing. With respect to receivables, credit risk is controlled by the application of credit approval, limit and monitoring procedures. It is the Group's policy to enter into transactions with a diversity of credit-worthy parties to mitigate any significant concentration of credit risk. The Group ensures that sales are made to customers with appropriate credit history and has internal mechanism to monitor the granting of credit and management of credit exposures. The Group has no significant concentration risk to a counterparty or group of counterparties.

Liquidity risk. The Group maintains sufficient cash and cash equivalents to finance its operations. Any excess cash is invested in short-term money market placements. These placements are maintained to meet maturing obligations and pay dividend declarations. The Group, in general, matches the appropriate long-term funding instruments with the general nature of its equity investments.

In managing its long-term financial requirements, the Group's policy is that not more than 25% of long-term borrowings should mature in any twelve-month period. As of September 30, 2008 and December 31, 2007, the portion of the total long-term debt that debt will mature in less than one year is 1.21% and 4.91%, respectively. For its short-term funding, the Group's policy is to ensure that there are sufficient working capital inflows to match repayments of short-term debt.

The following table summarizes the maturity profile of the Group's financial liabilities as of September 30, 2008 based on contractual undiscounted [rincipal payments (amounts in thousands):

	Total Carrying	Contractual undiscounted principal payments				
		Value	Total	On demand	Less than 1 year	1 to 5 years
Bank loans	4,341,979	4,341,979	-	4,341,979	-	-
Long-term debt	5,106,918	5,106,918	-	70,000	4,139,792	897,126
Customers' deposits	1,520,643	1,520,643	-	30,042	9,957	1,480,644
Trade and other payables	7,233,768	7,233,768	-	7,233,768	-	-
Obligations under finance lease	116,603	116,603	-	31,208	85,395	-
Payable to preferred shareholder of a subsidiary	89,840	89,840	-	7,506	82,334	-
Redeemable preferred shares	2,141,687	2,141,687	-	-	2,141,687	-
Total	20,551,438	20,551,438	-	11,714,503	6,459,165	2,377,770

Capital management. The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the periods ended September 30, 2008 and December 31, 2007.

The Group monitors capital using a gearing ratio, which is net debt divided by equity plus net debt. The Group's policy is to keep the gearing ratio at 40% or below at the consolidated level. Depending on the quality of cash flows, associates and subsidiaries that can secure limited recourse project financing can maintain a gearing ratio of 70%. The Group determines net debt as the sum of interest-bearing short-term and long-term loans (comprising long-term debt, obligations under finance lease, redeemable preferred shares and payable to preferred shareholders of a subsidiary) less cash and short-term deposits and temporary advances to related parties.

Gearing ratios of the Group as of September 30, 2008 and December 31, 2007 are as follows:

	<u>SEP 2008</u>	<u>DEC 2007</u>
Bank Loans	4,341,979	3,643,760
Long - term debt	7,455,048	6,984,214
Temporary advances from related parties	(379,803)	882,326
Cash and cash equivalents	(8,980,489)	(18,568,226)
Net Debt (a)	2,436,735	(7,057,926)
Equity attributable to equity holders of the parent	44,673,879	46,988,097
Equity and Net Debt (b)	47,110,614	39,930,171
Gearing Ratio (a/b)	5.17%	(17.68%)

I. FINANCIAL INSTRUMENTS

Set out below is a comparison by category of carrying amounts and fair values of all of the Group's financial instruments that are carried in the financial statements at other than fair values.

	<u>SEPTEMBER 30, 2008</u>		<u>DECEMBER 31, 2007</u>	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets				
Cash				
Cash and cash equivalents	8,980,489	8,980,489	18,568,226	18,568,226
Loans and receivables				
Trade and other receivables	5,092,780	5,092,780	4,252,946	4,252,946
AFS				
AFS investments	92,593	92,593	102,368	102,368
	14,165,862	14,165,862	22,923,540	22,923,540

	SEPTEMBER 30, 2008		DECEMBER 31, 2007	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial liabilities				
Other financial liabilities				
Bank loans	4,341,979	4,341,979	3,643,760	3,643,760
Trade and other payables	7,245,227	7,245,227	6,260,061	6,260,061
Customers' deposits	1,520,643	1,520,643	1,382,405	1,382,405
Obligations under finance leases	116,603	116,603	162,827	162,827
Long-term debt				
Fixed rate	2,075,918	2,007,069	2,378,040	2,524,419
Floating rate	3,031,000	3,031,000	2,196,929	2,196,929
Payable to preferred shareholder of a subsidiary (floating rate)	89,840	89,840	104,731	104,731
Redeemable preferred shares				
Fixed rate	1,515,687	1,465,419	1,500,000	1,551,295
Floating rate	626,000	626,000	641,687	641,687
	20,562,897	20,443,780	18,270,440	18,468,114

As of September 30, 2008 and December 31, 2007, the group does not have any investment in foreign securities nor has it issued any traded debt securities.

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 market 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

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 and AFS investments

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. 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 finance lease

The fair values of obligation under finance lease are based on the discounted net present value of cash flows using an effective discount rate of 7.89% and 12.6% as of September 30, 2008 and December 31, 2007, respectively.

J. DISCLOSURES

1. Basis of Preparation and Accounting Policies

The consolidated financial statements of the Group have been prepared on a historical cost basis, except for AFS investments and derivatives which are measured at fair value, and agricultural produce and biological assets which are measured at fair value less estimated point-of-sale costs. The consolidated financial statements are presented in Philippine peso and all values are rounded to the nearest thousand except as otherwise indicated.

The accompanying financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS).

The same accounting policies are followed in the preparation of the interim financial statements as compared with those of the most recent annual financial statements, except as follows:

- Philippine Interpretation IFRIC 12, *Service Concession Arrangements*
- Philippine Interpretation IFRIC 14, PAS 19 - *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*

Philippine Interpretation IFRIC 12, Service Concession Arrangements

Philippine Interpretation IFRIC 12 outlines an approach to account for contractual arrangements arising from entities providing public services. It provides that the operator should not account for the infrastructure as property, plant and equipment, but recognize a financial asset and/or an intangible asset. A financial asset is recognized to the extent that the operator has a contractual right to receive cash from the grantor or has a guarantee from the grantor. An intangible asset is recognized to the extent that the entity has a right to charge the public for use of the asset.

Philippine Interpretation IFRIC 12 is effective on January 1, 2008. The Group is currently assessing the impact of this Interpretation on the Distribution Management Service Agreement (DMSA) of SEZC and the power purchase agreement of its power generation associate, STEAG State Power, Inc. (STEAG), with the National Power Corporation (NPC). On the other hand, Luzon Hydro Corporation (LHC), the 50-owned power generation associate of Aboitiz Power Corp., has implemented this new IFRIC during the period under review. As a result of this adoption, LHC recorded a retained earnings adjustment of P577 million, P218 million of which is AEV's share.

Philippine Interpretation IFRIC 14, PAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

Philippine Interpretation IFRIC 14 was issued in July 2007 and becomes effective for annual periods beginning on or after January 1, 2008. This Interpretation provides guidance on how to assess the limit on the amount of surplus in a defined benefit scheme that can be recognized as an asset under PAS 19, Employee Benefits. This Interpretation has no impact on the Group's financial position or performance.

2. Seasonality of Interim Operations

Operations of hydropower plants are generally affected by climatic seasonality. Seasonality and location have a direct effect on the level of precipitation. In Luzon where rainy and summer seasons are more pronounced, higher rainfall is normally experienced in the months of June to September. As such, the hydropower plants located in Luzon operate at their maximum capacity during this period. In contrast, the hydropower plants in Mindanao experience a well distributed rainfall throughout the year, with a slightly better precipitation during the months of December to April. This provides continuous water flow and thus makes it favorable to all 'run-of-river' hydropower plants' operations.

There were no unexpected seasonal aspects that had a material effect on the Group's financial condition or results of operations.

3. Material Events and Changes

a. AEV Dividend Declaration and Buy-back Program

On February 7, 2008, the Board of Directors (BOD) of the Company approved the declarations of a regular cash dividend of P0.31 a share (P1.765 billion) and a special cash dividend of P0.30 a share (P1.708 billion) to all stockholders of record as of February 21, 2008, payable on March 3, 2008.

During the same meeting, the BOD also approved the buy-back program that involves the purchase of the shares of stock of the Company and its publicly-listed investee companies, AP and UBP. As of September 30, 2008, AEV has purchased into treasury 119.7 million of its own shares and 165.7 million of AP shares.

b. Acquisition of Minority Interest in Balamban Enerzone, Inc. (BEZC)

On March 7, 2008, Aboitiz Power Corp. (AP) purchased Tsuneishi Holdings (Cebu), Inc.'s 40% equity in BEZC for approximately 178 million to be paid out of the proceeds of the initial public offering of AP. This increases AP's ownership in BEZC to 100%.

c. Redondo Peninsula Energy Letter of Award to Formosa Heavy Industries

On April 3, 2008, AP's 50%-owned subsidiary, Redondo Peninsula Energy, Inc., (Redondo Peninsula Energy), has issued a letter of award to Formosa Heavy Industries for the supply of the boiler, steam turbine, generator, and related services that will be used for the construction of a 300MW power plant in Redondo Peninsula, Subic Bay. The award serves to fix the price and delivery time of the equipment amidst an environment of rising prices and longer delivery period of raw materials. After receiving the necessary approvals, the project is scheduled to start construction this year and is expected to be in operation by 2011. The project is estimated to cost approximately US\$500 million.

d. Luzon Hydro Corporation and Transfield Philippines, Inc. Settlement Agreement

On April 14, 2008, Luzon Hydro Corporation (LHC), the IPP operator of the 70 MW Bakun AC Hydropower Plant (Bakun AC Plant), entered into a Settlement Deed with Transfield Philippines, Inc. (TPI), the EPC contractor of the Bakun AC Plant, for the settlement of all disputes related to the Turnkey Contract of the Bakun AC Plant. LHC is 50% owned by Philippine Hydropower Corporation, a wholly owned holding company of AP, a listed subsidiary of AEV. TPI, on the other hand, is wholly owned by Transfield Holdings Pty Ltd of Australia.

The settlement involving the payment by LHC of the sum of US\$14 million to TPI is intended to, without admission of liability by any party, fully and finally settle all unperformed and unpaid obligations between the parties under the Turnkey Contract, as well as any and all disputes, allegations, claims and threatened or actual litigation, arbitration or other proceedings between any one or more parties arising out of or related to the Bakun AC Project.

As previously disclosed, the dispute between LHC and TPI arose in connection with the construction of the Bakun AC Plant. The dispute was taken to arbitration before the ICC International Court of Arbitration as provided under the Turnkey Contract. The arbitral tribunal delivered its final award on August 9, 2005 and ruled that TPI was entitled to recover a total of approximately US\$24 million from LHC, net of counterclaim awards.

LHC has appropriately recorded the US\$24 million final award as a contingent obligation in 2005 with adequate provisioning for any negative effect on its operating profit and balance sheet. The US\$14 million payment of LHC to TPI and the reversal of the provision will result in a net income of approximately US\$7.5 million to LHC.

e) Fair Value Determination of Cebu Private Power Corporation (CPPC) and East Asia Utilities Corp. (EAUC)

On April 20, 2007, AP acquired 60% ownership of CPPC and 50% ownership in EAUC. It then made a fair valuation of these acquirees' assets and liabilities, particularly on the power plant and the customer contracts. However, as of the end of 2007, AP opted to avail of the 12-month period allowed by the accounting standard and followed provisional accounting for these acquisitions.

AP finalized its fair value determination for both CPPC and EAUC acquisitions during the second quarter of 2008 and reported the following fair values as of March 31, 2007 for CPPC acquisition:

Cash and cash equivalents	77,856
Receivables	143,367
Spare parts and supplies	82,811
Prepayments and other current assets	85,062
Property, plant and equipment	353,633
Other assets	-
Accounts payable and accrued expenses	314,225
Other liabilities	131,728
Net assets	296,776
Share in net assets acquired	178,066
Total consideration	178,066

The final fair values as of March 31, 2007 for EAUC acquisition follow:

Cash and cash equivalents	292,357
Receivables	133,625
Spare parts and supplies	-
Prepayments and other current assets	1,881,434
Property, plant and equipment	-
Other assets	300,224
Accounts payable and accrued expenses	587,784
Other liabilities	1,570
Net assets	2,018,286
Share in net assets acquired	1,009,143
Total consideration	1,009,143

The results of the conduct of the valuation did not result to any material change between the provisional fair values reported in the 2007 audited financial statements of AP and AEV and the above fair values as finally determined for CPPC and EAUC.

f. Ambuklao-Bingá HEPPC Turnover

On July 10, 2008, Power Sector Assets and Liabilities Management Corporation (PSALM) turned over possession and control over the 175MW Ambuklao-Bingá Hydroelectric Power Plant Complex (Ambuklao-Bingá HEPPC) to SN Aboitiz Power-Benguet, Inc. (SNAP-Benguet), a consortium between AP and SN Power AS of Norway. The turnover followed the payment by SNAP-Benguet of 70% of the purchase price of US\$325 million of the Ambuklao-Bingá HEPPC to PSALM. The balance of 30% will be paid to PSALM over a period of seven years.

SNAP-Benguet won the competitive bid conducted by PSALM for the sale of the Ambuklao-Bingá HEPPC in November, 2007.

g. Tiwi-Makban Winning Bid

On July 30, 2008, AP Renewables, Inc. (APRI), a wholly-owned subsidiary of AP, submitted the highest bid to the Power Sector Assets and Liabilities Corporation (PSALM) for the 289 MW Tiwi geothermal facility in Albay and the 458 MW Makiling-Banahaw geothermal facility in Laguna (Tiwi-Makban). The price offered amounted to approximately US\$447 million.

The Tiwi-Makban geothermal facilities will be a significant addition to AP's generating capacity following its successful bids for the Magat and Ambuklao-Bingá hydropower plants in Northern Luzon and a stake in the STEAG State Power, Inc. coal-fired power plant in Misamis Oriental. Upon closing of the purchase, AP will have investments in generation facilities with total generating capacity of 1,957 MW, more than 70% of which are powered from renewable sources of energy.

h. Signing by SNAPB of Loan Agreement with Int'l. and Domestic Financial Institutions for the Ambuklao-Binga Financing

On August 8, 2008, SN Aboitiz Power-Benguet, Inc. ("SNAP-Benguet") signed a US\$375 million loan agreement with a consortium of international and domestic financial institutions which include the International Finance Corporation, Nordic Investment Bank, Banco de Oro Unibank, Inc., Bank of the Philippine Islands, BPI Asset Management and Trust Group, China Banking Corporation, Development Bank of the Philippines, Philippine National Bank and Security Bank Corporation.

The loan facility will partially finance the purchase price and the rehabilitation of the 175MW Ambuklao-Binga Hydroelectric Power Plant Complex ("Ambuklao-Binga HEPPC") under the Asset Purchase Agreement with Power Sector Assets and Liabilities Management Corporation ("PSALM") and refinance SNAP-Benguet's existing advances from shareholders with respect to the acquisition of the Ambuklao-Binga HEPPC.

i. MOA with KGLI-NM Holdings, Inc. re Purchase of AEV's Shareholdings in ATS

On September 23, 2008, the Board of Directors of AEV, unanimously voted to accept the unsolicited offer of KGLI-NM Holdings, Inc. (KGLI-NM) to buy all of AEV's shareholdings in Aboitiz Transport System Corporation (ATS) subject to a due diligence audit to be conducted by KGLI-NM.

The Memorandum of Agreement (MOA) between KGLI-NM on one hand, and AEV and Aboitiz & Company, Inc. (ACO) on the other hand, to be executed immediately after the acceptance of the offer by the AEV board, states that KGLI-NM will purchase all of the shareholdings of AEV and ACO in ATS on a per share purchase price to be computed based on an ATS equity value of P5 billion or equivalent to P2.044 per share. The final terms of the sale will be subject to the due diligence audit and the execution of a definitive share purchase agreement between the parties. AEV owns 1,889,489,607 common shares of ATS while ACO owns 390,322,384 common shares of ATS, representing 77.10% and 15.93 % respectively of the total outstanding ATS capital stock. ACO is the private holding company of the Aboitiz family and is AEV's largest shareholder.

The MOA also provides that should KGLI-NM decide to proceed with the purchase, it shall also undertake a tender offer of the shares owned by the minority shareholders at the same terms offered to ACO and AEV in accordance with the requirements of the Securities Regulation Code. KGLI-NM further undertakes to pay in cash for such ATS shares acquired under the tender offer.

The planned acquisition will include all the shipping and logistics businesses of ATS, except for the joint venture businesses in ship management, manning and crew management, and bulk transport of the Aboitiz Group with the Jebsen Group of Norway.

KGLI-NM will conduct a due diligence audit after the signing of the MOA. On or before November 22, 2008 (the 60th day from the execution of the MOA), KGLI-NM shall notify AEV and ACO whether it will proceed with the transaction. Any definitive share purchase agreement will be executed on closing date which is expected to occur on January 15, 2009, unless shortened or extended by the parties.

KGLI-NM is a domestic company which is jointly owned by Negros Holdings and Management Corp. (NHMC) and KGL Investment BV (KGLIBV). NHMC, a domestic company, and KGLIBV, a Dutch company, hold sixty percent (60%) and forty percent (40%) respectively of the outstanding capital stock of KGLI-NM. KGLIBV is beneficially owned by the KGL Investment Company (KGL Investment), a Kuwaiti company.

Except for the above developments and as disclosed in some other portions of this report, no other significant event occurred that would have a material impact on the registrant and its subsidiaries, and no other known trend, event or uncertainty came about that had or were reasonably expected to have a material favorable or unfavorable impact on revenues or income from continuing operations, since the end of the most recently completed fiscal year. There were also no significant elements of income or loss that did not arise from the continuing operations of the registrant and its subsidiaries.

Other than those disclosed above, no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships with unconsolidated entities or other persons entities or other persons were created during the interim period. There were also no events that would trigger substantial direct or contingent financial obligations or cause any default or acceleration of an existing obligation.

Likewise, there were no other material changes made in such items as: accounting principles & practices, estimates inherent in the preparation of financial statements, status of long-term contracts, changes in the composition of the issuer, and reporting entity resulting from business combinations or dispositions.

Lastly, there were no changes in estimates of amounts reported in prior interim period and financial year that would have a material effect in the current interim period.

4. Material Adjustments

There were no material, non-recurring adjustments made during period that would require appropriate disclosures. All other adjustments are of a normal recurring nature.

5. Contingencies

There are legal cases filed against certain subsidiaries in the normal course of business. Management and its legal counsel believe that the subsidiaries have substantial legal and factual bases for their position and are of the opinion that losses arising from these cases, if any, will not have a material adverse impact on the consolidated financial statements.

ABOITIZ EQUITY VENTURES, INC. & SUBSIDIARIES**AGING OF RECEIVABLES**AS OF : **SEPT 30/2008**

	30 Days	60 Days	90 Days	Over 90 Days	Total
A/R - Trade:					
Power Generation/Distribution Customers	729,639	83,445	22,844	78,877	914,805
Food Production Customers	860,599	35,518	(428)	26,089	921,778
Aviation Services Customers	3,036	180	1,414	0	4,630
Real Estate Lessees	6,854	376	544	634	8,408
Transport Services Customers	1,308,127	97,810	35,531	449,766	1,891,234
Management Services Customers	30,836	81	37	5,763	36,717
Sub-total - A/R - Trade	2,939,091	217,410	59,942	561,129	3,777,572
Less : Allowance for Doubtful Accounts					349,616
Net Trade Receivables					3,427,956
A/R - Non Trade	1,022,469	261,253	182,558	198,544	1,664,824
Grand Total	3,961,560	478,663	242,500	759,673	5,092,780

ACCOUNTS RECEIVABLE DESCRIPTION

Type of Receivable	Nature / Description	Period
Trade	uncollected billings to customers for sale of power, goods and services	30 - 60 days
Non-Trade	claims, operating cash advances and advances to suppliers & employees	30 - 120 days

NORMAL OPERATING CYCLE

Power Subsidiaries

- Distribution - 60 days
- Generation - 65 days
- Food Subsidiary - 90 days
- Aviation Subsidiary - 60 days
- Real Estate Subsidiary - 30 days
- Transport Subsidiary - 40 days