

abotiz
Equity Ventures

sharpening our focus



MISSION:

To create long-term value for all its stakeholders

BRAND ESSENCE:

Passion for better ways

BRAND SPIKES

- Driven
- Driven to Lead
- Driven to Excel
- Driven to Serve

CORPORATE VALUES

- Passion
- Innovation
- Professionalism
- Integrity

About the cover:

Aboitiz Equity Ventures, Inc. (AEV) has achieved unprecedented growth through the years, having expanded into power generation and distribution, banking and food. As it advances into another period filled with opportunities and challenges, AEV opts to sharpen its focus on its core strengths and maximize its potentials.

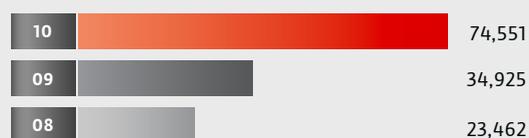
TABLE OF CONTENTS

02	Financial Highlights
	Report to Stockholders
04	From your Chairman and President & CEO
	Results of Operations
08	Power
14	Financial Services
18	Food
20	Transport
22	From your Chief Financial Officer
25	From your Chief Risk Management Officer
26	Risk Management Report
28	From your Chief Compliance Officer
29	Corporate Governance Report
	FEATURES
42	CitySavings prepares to take on Luzon
44	Running the good race
46	Sustainability Statement
48	CSR: Helping people help themselves
50	Board of Directors / Board Committees
52	Corporate Officers
54	Operating Unit Heads
55	Management Directory
56	Location of Operations
57	Corporate Structure
58	Audit Committee Report
59	Statement of Management Responsibility
60	Independent Auditors' Report
62	Consolidated Financial Statement

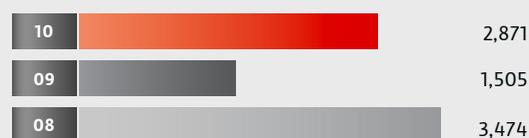
The complete Securities & Exchange Commission Form 20-15 (Information Statement) and Annual Report is inside the CD inserted at the inside back cover of this Annual Report. The CD's other contents are the full Corporate Governance Report 2010 and the Aboitiz Foundation, Inc. Annual Report 2010.

FINANCIAL HIGHLIGHTS (In Million Pesos)

REVENUES



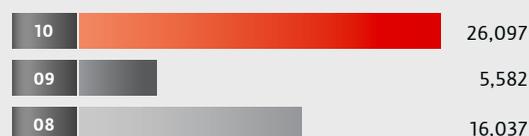
CASH DIVIDEND PAID TO COMMON



EBITDA



CASH AND CASH EQUIVALENTS



NET INCOME TO EQUITY HOLDERS



TOTAL ASSETS



▼ Dividends paid in succeeding years

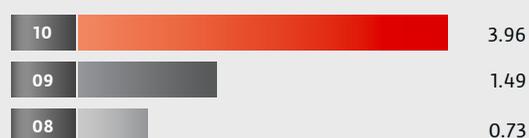
CORE NET INCOME TO EQUITY HOLDERS



EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF PARENT



EARNINGS PER SHARE (IN PESOS)



MARKET CAPITALIZATION

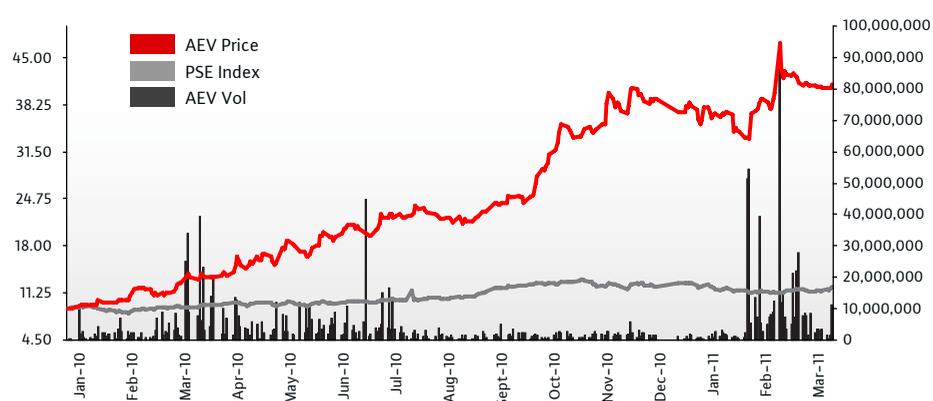


AEV stock price

	HIGH	LOW
2010	40.50	9.00
2009	9.30	5.30
2008	7.70	5.00

Outstanding Shares as of March 31, 2011 5,521,871,821

SOURCE: Technistock



FINANCIAL SUMMARY (In Million Pesos)

	2008 RE-PRESENTED*	2009 RE-PRESENTED*	2010	% CHANGE (2010 VS 2009)
INCOME STATEMENT				
Operating revenues	23,462	34,925	74,551	113%
Operating expenses	(20,934)	(27,783)	(45,682)	64%
Operating profit	2,528	7,142	28,869	304%
Equity in net earnings of associates	3,631	4,265	6,843	60%
Other income (charges)	77	(923)	(4,808)	421%
Income before income tax	6,236	10,483	30,904	195%
Provision for income tax	(965)	(1,038)	(1,625)	56%
Net income from continuing operations	5,272	9,445	29,279	210%
Net income (loss) from disposal group	25	510	(1,466)	-388%
Net income before non-controlling interests	5,297	9,955	27,813	179%
Non-controlling interests	(1,176)	(1,648)	(5,948)	261%
Net Income attributable to equity holders of the parent	4,121	8,307	21,865	163%
EBITDA	8,607	15,639	40,030	156%
FINANCIAL CONDITION				
Total assets	75,715	143,281	174,967	22%
Total liabilities	29,059	88,639	96,650	9%
Non-controlling interests	8,861	9,945	14,005	41%
Equity attributable to equity holders of the parent	37,795	44,697	64,313	44%
RATIOS				
Per share (Pesos)				
Earnings	0.73	1.49	3.96	165%
Book value	6.78	8.09	11.65	44%
Cash dividend to common	0.61	0.27	0.52	93%
Return on Equity	12%	23%	51%	126%
Current	1.90	0.79	2.36	
Debt / equity	0.62	1.62	1.23	
Net debt / equity	0.08	1.28	0.70	

* Dec 2008 and 2009 P&L figures are re-presented to consider AEV's sale of its ATS investment in 2010.

Income Contribution Breakdown

PER BUSINESS SEGMENT (in Million Pesos)

POWER



BANKING



FOOD



TRANSPORT



Equity Investment Breakdown

PER BUSINESS SEGMENT (in Million Pesos)

POWER



BANKING



FOOD



TRANSPORT



FROM YOUR CHAIRMAN AND PRESIDENT & CEO

We are honored that its growth and profitability has earned for AboitizPower recognition as the Best Large Cap Company in the Philippines in Asiamoney's 2010 Best Managed Company Awards.

Dear Fellow Shareholders,

In 2010, the global economy experienced a strong rebound from the worst recession in decades, thanks to aggressive monetary and fiscal stimulus from governments in the more developed world. However, everyone is hopeful a sustained recovery led by private demand and investment will take over from government spending. Continued weakness in the jobs market and consumer demand, coupled with austerity measures in the EuroZone, will continue to act as headwinds to any speedy recovery.

In contrast, we experienced healthy growth in emerging Asia while keeping inflation largely under control. The year that passed was a very good year for the Philippine economy. Private consumption, capital spending and net exports all contributed to our GDP growth of 7.3%. OFW remittances continued to grow fueling the appreciation of the Philippine peso, which helped keep last year's inflation rate of 3% in check. This allowed the Bangko Sentral to keep policy interest rates steady.

The election of President Noynoy Aquino and the appointment of credible government officials led to heightened optimism from all sectors and the Philippines regained its place on the map of investors.

Our results and prospects

Amid this favorable environment in the country, your company broke yet another record performance turning in a consolidated net income of P21.9 billion (bn) in 2010, a 163% jump from the previous year. Our long-term perspective, and the result of patient and disciplined investing during the global economic slowdown have paid off quite handsomely.

Aboitiz Power Corporation (AboitizPower) took the major lead in Aboitiz Equity Ventures, Inc.'s (AEV) record-breaking performance last year. After the prodigious increase in our power generating capacity in the past few years, 2010 was about putting those assets to work and selling the generated energy.

Electricity sales for the year from our generation group hit 9,762 gigawatt hours (GWh), up by 111% from 2009. Our plants played a crucial role in partially covering last year's power supply shortfalls in Luzon during the first few months and in Mindanao during the summer months.

Our distribution utilities also enjoyed healthy growth in electricity sales, despite the power supply deficits that hounded Visayas and Mindanao throughout the year.

The extraordinary success of our power business in recent years has led us to sharpen our focus in developing it further, riding on the way of opportunities today's energy industry brings.

We are honored that its growth and profitability has earned for AboitizPower recognition as the Best Large Cap Company in the Philippines in Asiamoney's 2010 Best Managed Company Awards.



We have invested heavily on the acquisitions made over the past few years to assemble the balanced portfolio we have today. We remain bullish on the prospects of the Philippine economy and will pursue developing projects that will augment our country's generation capacity. We are currently in various stages of development for two clean coal projects and a number of small hydro plants.

We will continue to keep a watchful eye for acquisition opportunities in both the generation and distribution sectors, like our recent agreement with Pacific Hydro to give us full ownership in Luzon Hydro's 70-MW Bakun plant. We will go on actively participating in the privatization of targeted National Power Corporation (NPC) assets being bid out by the Power Sector Assets and Liabilities Management (PSALM) Corporation.

AboitizPower's clear and focused strategy has found validation in Euromoney's 2010 Asia's Best Companies Awards. The company is in the top 3 among 16 nominated corporations in the Philippines with the Most Convincing and Coherent Strategy.

In 2010, your company's banking investments turned in robust performances. Union Bank of the Philippines' (UnionBank) income grew by 24% to P5.4 bn in 2010 as its interest rate differential business was enhanced resulting from lower funding cost and the expansion of its earning assets. Its gross loan book (inclusive of preferred shares) grew by 12% to P74.3 bn, while its deposit levels reached P195 bn as of end-2010.

Over the past 10 years, UnionBank has increased its deposits tenfold versus the industry's less than 3X. It is one of only three universal banks that have increased market share over the last decade. It has rolled out its FOCUS 2020 strategy, which aims to leverage on its human and financial capital, established efficiencies, network and brand to gain market share.

City Savings Bank's (CitySavings) profits, deposits and loans continued their spectacular growth last year. Deposits grew by 67% to P5.4 bn and total loan book increased by 32% to P6.5 bn. The bank also made its debut in the Luzon market, opening a branch in Calamba, Laguna and is set to open a regional office in Ortigas this year. It intends to expand its customer base in this new market while maintaining a solid foothold in the Visayas and Mindanao area.

Your company also increased ownership in both banks in 2010. AEV's equity stake in UnionBank is now close to 41% from 39% in the previous year, while beneficial ownership in CitySavings increased from 34% to over 99%.

We are committed to support CitySavings, allowing it greater access to your company's human and financial resources to sustain its high level of growth and drive further expansion.

Your company's food business also had an excellent year in 2010 with significant improvements, particularly in the flour and swine segments. Total operating income improved substantially due to higher sales volumes, cost efficiencies and yield improvements.

Despite increased competition from lower-priced imported flour, we were able to hold our flour sales volume. We expanded our feeds product line and increased our production capacity in Iligan. We also increased the capacity of our swine farms in Tarlac.

Moving forward, our food business will continue to be on the lookout for growth opportunities and diversify into other segments of the business that will complement existing product lines.

In a move that decisively paved the way for us to pursue sharpening our focus on more financially sustainable businesses, we divested of your company's entire holdings in Aboitiz Transport System Corporation (ATS), finalizing the sale to Negros Navigation Company (Nenaco) towards yearend 2010.

The divestment was a very difficult decision to make as we have been in the transport business for over 100 years and it was what Aboitiz was most known for. Your Board's decision was premised on Nenaco's offer being representative of ATS' value and that reinvesting the sale proceeds in other identified areas would enhance shareholder value over the long term.

Your company also increased ownership in both banks in 2010. AEV's equity stake in UnionBank is now close to 41% from 39% in the previous year, while beneficial ownership in CitySavings increased from 34% to over 99%.

While most corporations talk about protecting minority interests, our direction and aim is to align the interests of both the controlling shareholders, i.e. the Aboitiz Family, and the minority shareholders.

Corporate responsibility

As we grow our businesses and increase the magnitude of our moves, we have also strengthened our practice of and commitment to corporate governance. While most corporations talk about protecting minority interests, our direction and aim is to align the interests of both the controlling shareholders, i.e. the Aboitiz Family, and the minority shareholders.

To safeguard the interests of all our stakeholders, we set in motion last year a strategic roadmap towards institutionalizing risk management Group-wide to ensure business continuity and ultimately achieve enterprise resilience.

We are pleased to report that AEV and AboitizPower have improved their ranking from being silver to gold awardees among publicly listed companies in the 2010 Institute of Corporate Directors' Corporate Governance Scorecard with an average score of 98.4% and 96.9%, respectively. UnionBank and ATS also improved their scores from the previous year and maintained their silver awardee status.

Alongside your company's tremendous growth in 2010 was our increased commitment to corporate social responsibility. We widened our reach to include not only communities where Aboitiz companies operate in but also those in areas where we sell our generated power across the country. We also expanded our microfinance program to benefit more organized groups and increased our involvement in environment-related initiatives, supporting the Aboitiz Group's sustainability mindset.

Last year, AEV's flagship sustainability project, Race to Reduce, won the top prize in the environmental excellence category of the Asian CSR Awards in Kuala Lumpur, and also earned an Anvil Award of Merit. This Group-wide resource conservation awareness program enjoins our business units to reduce consumption of electricity, water and paper.

We are very pleased to report that our team members' passion to serve is going from strength to strength as they continue to commit themselves to more employee-initiated outreach activities.

Creating long-term value

Over the past few years, we have been able to execute our business initiatives with strategic fervor and manage our spectacular growth. We have consistently been prudent in managing our investments and debt levels, always ensuring strong financial flexibility to safeguard against uncertainty and economic downturns.

While acquiring assets is the fast way to grow, it is the careful and disciplined investment in new projects that will provide superior and sustainable returns. We believe it is this skillful capital allocation that will ensure continued strong growth and value creation for all stakeholders.

Coupled with this, we will continue to strengthen our capacity to attract, retain and optimize talent who believe in the Aboitiz Way and consider the Group as a long-term professional development opportunity.

Staying true to our commitment to balance growth and the distribution of dividends, your Board approved a cash dividend of P1.58 per share, paid out on April 5, 2011 to shareholders of record as of March 17, 2011 and which computes to a dividend yield of 3.7%. This is a 204% increase from the P0.52 paid out last year.

The year 2010 saw investors bid up the price of AEV shares, ending the year at P37.10 per share up by 312%. As a result, your company's market capitalization for the year increased by P155 bn, reaching close to P205 bn. At the end of the first quarter of 2011, the share price further appreciated to P41.10 per share, escalating our market capitalization to P227 bn.



We are pleased to report that global investors have taken notice of AEV's performance and effective February 28, 2011, your company has been included in the MSCI Index. With this, we expect AEV to attract an increasing share of capital flows into the Philippine stock market.

The sterling performance of your company's stock price reflects your confidence and approval of our business initiatives, for which we are truly grateful and honored for. We are happy to see loyal and trusting shareholders rewarded for their conviction in AEV as a long-term investment.

We are equally grateful to our customers, business partners, suppliers, and host communities, for their valuable partnership and steadfast support.

To all our team members across the AEV Group, we thank you for your valued contributions for the continued success and remarkable growth of your company. After our big leap of growth in 2010, our challenge is to sustain or even surpass last year's performance, which is now our "new normal". You have certainly stepped up to the plate to work in an environment of higher standards and greater expectations.

Let us continue to be driven by our passion for better ways as we sharpen our focus to create long-term value for all our stakeholders.

Sincerely,



Jon Ramon Aboitiz
Chairman of the Board



Erramon I. Aboitiz
President & Chief Executive Officer

To all our team members across the AEV Group, we thank you for your valued contributions for the continued success and remarkable growth of your company.



RESULTS OF OPERATIONS

Your company ended 2010 with revenues of P74.6 billion (bn), up by 113% from the previous year. Earnings before interest, taxes, depreciation and amortization (EBITDA) improved by 156% to P40 bn while net income jumped by 163% to P21.9 bn. Core net income at yearend was P21.8 bn, 197% higher than the 2009 figure. The power, food and banking businesses all turned in bigger contributions, with the power business recording the highest increase.

AboitizPower contributed P19.1 bn, a 342% leap from its 2009 contribution. The generation business put in P18.6 bn coming mainly from the full-year contributions of the 467-megawatt (MW) Tiwi and MakBan geothermal facilities and the 700-MW Pagbilao plant. The distribution business, on the other hand, contributed P1.5 bn on the back of healthy growth in power sales and improved margins.

POWER

	2008	2009	2010	% change ('10 vs '09)
Revenues (mn pesos)	12,243	23,174	59,551	157%
EBITDA (mn pesos)	5,407	9,867	34,362	248%
Income contribution (mn pesos)	3,321	4,324	19,133	342%
POWER GENERATION				
Income contribution (mn pesos)	2,113	3,558	18,634	424%
Attributable power sales (GWh)	1,728	4,619	9,762	111%
Attributable capacity (MW)	578	1,745	2,051	18%
Attributable renewable capacity (MW)	341	808	850	5%
POWER DISTRIBUTION				
Income contribution (mn pesos)	1,142	1,200	1,478	23%
Attributable power sales (GWh)	3,142	3,322	3,606	9%
Customers (thousands)	637	658	685	4%

The power, food and banking businesses all turned in bigger contributions, with the power business recording the highest increase.





ARTIST: Almun Rey Logronio

Almun Rey is a graduate of the University of the Philippines Visayas–Cebu Campus. He was a finalist during the Shell National Art Competition in 2009. When asked where he gets his inspiration in painting, he said, “I used some reference and my imagination to come up with my concept for the artwork.”

AboitizPower's plants were able to sell substantial quantities of power to the Luzon spot market when... power supply shortfalls affected the grid.

GENERATION BUSINESS

AboitizPower's generation business contributed P18.6 bn to your company's income, up by 424% year on year (YoY). This is mainly due to the increase in generating capacity and higher average selling prices both for contracts and spot markets.

A crucial factor that led to the robust results of this business was the readiness of the generation units to deliver power when it was most needed by the grid. The Luzon grid, for example, had various plants suffer from fuel shortages, major planned maintenance, lack of water and unexpected breakdowns throughout 2010. With a combination of output optimization measures and structured fuel procurement practices that ensured coal supply when others had some difficulty sourcing, AboitizPower's plants were able to sell substantial quantities of power to the Luzon spot market when, in stretches during 2010, power supply shortfalls affected the grid.

Two hydro plants, Magat and Binga, coped with an abnormally dry first semester in 2010 but AboitizPower changed these assets' value proposition that consequently resulted in good results for the year. When still owned by the National Power Corporation (NPC), the plants provided baseload generation with limited ancillary services. When AboitizPower acquired them, the company slowly transformed them into peaking plants and maximized technical capability in order to provide significant ancillary services for the stability and reliability of the Luzon grid.

It is interesting to note the contrast in the generation output between the first and second half periods in 2010 for Magat and Binga and their combined capacity of 460 MW. In the first six months of the year, they generated 228 gigawatt hours (GWh) of energy, while in the second half, their generation increased more than threefold to 710 GWh. These outputs worked out to aggregate plant factors of 11% and 35%, respectively, during those periods. In terms of ancillary services, both plants were also able to increase accepted offers for said services by more than 250% in the second half of the year, thereby providing greater stability to the Luzon grid.

1. The 100-MW Mobile 1 in Barangay San Roque, Maco, Davao del Norte
2. The 100-MW Mobile 2 in Barangay Sta. Ana, Nasipit, Agusan del Norte
3. The Cebu Energy Development Corp. plant in Toledo City

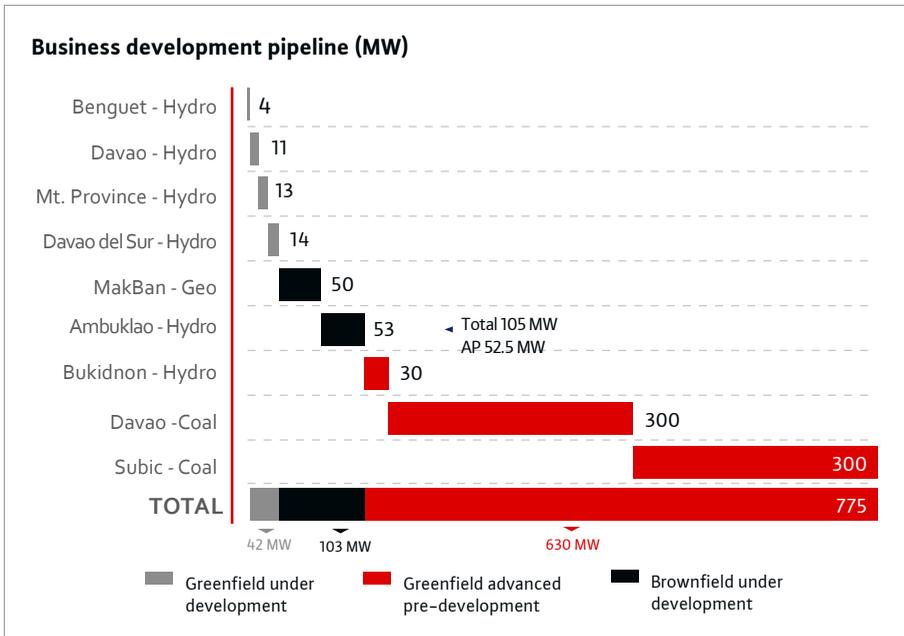


Three power plants entered the AboitizPower fold in 2010. Two 100-MW power barges moored in Mindanao, renamed Mobile 1 and 2, were acquired from the Power Sector Assets & Liabilities Management (PSALM) Corp. and turned over in February and March 2010. The Greenfield 42.5-MW Sibulan hydro plant, located in Davao del Sur, began generating electricity also in March. These three plants contributed heavily towards easing the impact of the power supply deficit that affected Mindanao in the first semester of 2010.

The three units of the 246-MW Clean coal-fired power plant of Cebu Energy Development Corp. (CEDC) in Toledo City, each with a capacity of 82 MW, became operational in 2010, alleviating the nagging supply shortfall in the Cebu-Negros-Panay grid.

As the Philippines marches on amid healthy economic growth, the need for new generation capacity increases with each passing year. AboitizPower looks at this need as an opportunity to build new power plants.





1. Bakun Hydro Plant in Ilocos Sur
2. The MakBan geothermal plant in Southern Luzon.

The primary Greenfield projects in the pipeline are two clean-coal power plants. The 300-MW Davao Coal project will help Mindanao deal with power supply shortages, which we foresee will persist in the coming years due to almost non-existent reserves and a heavy reliance on hydropower for baseload supply. Located in Davao, the project will improve overall grid stability since currently most generation capacity is in northern Mindanao while demand is mainly in the southern region. The goal is for this coal plant to be operational in early 2014. That same year, the 600-MW Subic Coal plant is expected to come on stream and provide the Luzon grid with needed additional baseload capacity.

With its strong commitment to renewable energy, AboitizPower is building in 2011 four run-of-river hydro plants, one in Benguet and three in Mindanao, with a combined capacity of 29 MW. The company believes that small to medium hydros are ideal because these are competitive with other types of generation technology without the need for any subsidies.

Equally as effective in building up the country’s generation portfolio are rehabilitation works and Brownfield projects. One such project is the Ambuklao Hydro rehabilitation, which is expected to be complete by the third quarter of 2011. The plant has been not been operating since 1999 but, once operational, it will add 105 MW of new capacity into the Luzon grid. Downriver from Ambuklao is the Binga plant, which is expected to increase its capacity from 100 MW to 120 MW after a four-year rehabilitation is completed in 2014. While rehabilitation is ongoing, the plant will continue to operate.

Rehabilitation works at the MakBan and Tiwi geothermal plants are expected to be complete by the first quarter of 2012. In 2010, ongoing works, along with operational optimization, increased to 99% the overall reliability factor of the two plants that have a combined capacity of 467 MW. Before AboitizPower took over the assets, reliability factor was in the range of 60% to 70%. Working in safe conditions is vital during rehabilitation and takeover efforts. AboitizPower has removed asbestos and other hazardous materials from all locations in the Tiwi-MakBan facilities. Working conditions at these plants as well as at Mobile 1 and 2 have likewise improved, resulting in a more motivated and productive workforce.

AboitizPower keeps a close watch on interesting acquisition opportunities, either from NPC or other entities. The company recently finalized an agreement with Pacific Hydro to increase its ownership to 100%.

Working conditions at Tiwi-MakBan as well as at Mobile 1 and 2 have likewise improved, resulting in a more motivated and productive workforce.



DISTRIBUTION BUSINESS

The P1.5 bn contribution of the distribution business to your company's income increased by 23% from the previous year because of improved unitary margins brought on by the onset of performance based ratemaking (PBR) and increased power sales.

Visayan Electric Company, Inc. (VECO) and Davao Light & Power Company, Inc. (Davao Light) entered the PBR regime in August 2010, joining Cotabato Light and Power Company (Cotabato Light), which did so in 2009. In the case of these three utilities, this has meant updating their regulated asset bases and consequently adjusting distribution rates upward. PBR recognizes that to further improve the operating aspects of the utilities, investments are required, and therefore factors these into the rates.

1. Cotabato Light personnel performing line works
2. A Davao Light crew member conducts line stringing works
3. The 33-MVA VECO mobile substation is useful during scheduled substation maintenance activities.

AboitizPower's distribution utilities (DUs) enjoyed a 8.6% growth in power sales, which would have been higher had it not been for power supply deficits affecting VECO, Davao Light and Cotabato Light. Lack of new generation in the Visayas (that is now resolved), and a drought in hydro-dependent Mindanao caused these shortages. All in all, however, the DUs experienced robust growth in 2010.

One cause for concern is the systems loss of Cotabato Light and VECO, which ended 2010 above the regulatory cap of 8.5%. Getting both DUs to lower their systems loss is a priority in 2011. This will involve actions in both the technical and pilferage aspects, and to spearhead the loss reduction effort, revenue protection teams were formed in 2010.

The DUs are moving away from their dependence on NPC and are entering into more bilateral contracts with qualified generators. They have recently begun sourcing power from suppliers such as CEDC, Sibulan Hydro, Therma Marine and Green Core Geothermal. AboitizPower is resolute in keeping its DUs' exposure in the Wholesale electricity Spot Market (WESM) to a minimum in order to have few price variations in customers' electric bills due to generation charges.



TRADING AND MARKETING

For its power trading activities, AboitizPower, aided by the high availability of its generation units throughout 2010, managed to sell power when grid and market conditions caused the average spot price to almost twice their expected value especially in the year's first semester. Spot prices in 2010 are in stark contrast to those of 2009, when low prices resulted from sufficient supply, wet weather conditions and limited increase in demand.

Some events that occurred in 2010 caused losses from a trading perspective. In November, one unit of the Pagbilao plant experienced a two-week forced outage. The cash effect may have been minimal, but the lost opportunity was substantial. It is AboitizPower's aim to be able to deal better with similar situations in the future, either from an operational or contractual perspective.

In the first half of the year, the power sales contracts of the Magat and Binga hydros and the lack of water in their reservoirs forced them to purchase replacement power at prices in excess of their contractual selling prices. AboitizPower was, and is, aware that these types of circumstances occur and have mechanisms in place to mitigate the impact on the bottom line.

On December 26, 2010, the Philippine Electric Market Corporation opened the much-awaited electricity spot market in the Visayas. The opening of this market is expected to make available at least 200 MW of previously unused peaking capacity in a grid that essentially has no significant reserve margin. Hopefully, a similar market can be initiated in 2011 for Mindanao, where grid reserves are negative during the summer months. The start of WESM has helped reduce the incidence of brownouts in the Visayas grid. AboitizPower's two peaking plants in Cebu and Mactan, for example, fed 32,973 MWh into the grid from the opening of WESM in December 26, 2010 to end-March 2011.

In 2009, when wet weather drove electricity spot market prices in Luzon to low levels, AboitizPower signed a few electricity supply contracts and many utilities simply relied on the spot market for much of their needs. However, the significantly higher prices in 2010 convinced many customers to sign contracts with electricity suppliers. AboitizPower was able to close approximately 150 MW of these contracts.

At the end of 2010, the company increased the mix of contracted (versus spot) capacity in Luzon from 70% to 83%, thus reducing the volatility of future earnings from unexpected market changes. At the current mix between contracted and bilateral sales, AboitizPower has achieved a balance between reliable sales and being able to capitalize on market opportunities in the electricity spot market prices.

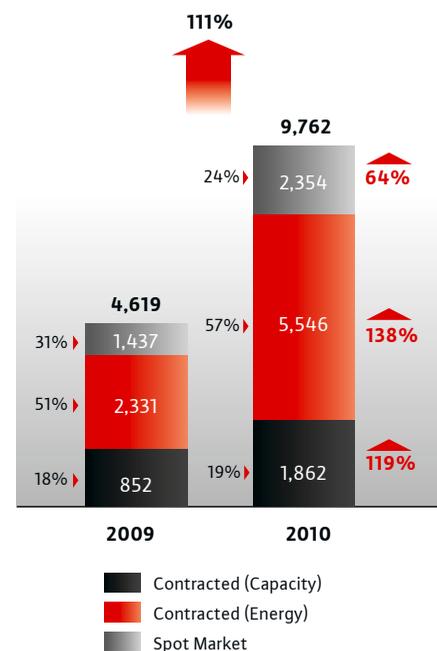
For 2011, as transition supply contracts that came with privatized power plants expire, AboitizPower plans to sign new contracts with long contract periods. These new contracts are designed to reflect pass through conditions insofar as fuel costs and foreign exchange volatility is concerned.

With the acquisition of power barges Mobile 1 and 2, AboitizPower has been actively pursuing contracts with Mindanao customers. While the barges' initial contract was with the National Grid Corporation of the Philippines, it signed many contracts with cooperatives at the end of 2010 and hopes to fully contract before the end of 2011. Building a strong relationship with cooperatives, which comprise a large part of power demand in Visayas and Mindanao, is a vital strategic initiative for AboitizPower.

AboitizPower continues to work towards building recognition and equity for Cleanergy, its brand of clean and renewable energy.

...the significantly higher prices in 2010 convinced many customers to sign contracts with electricity suppliers. AboitizPower was able to close approximately 150 MW of these contracts.

Energy sales breakdown (GWh)



UnionBank and CitySavings, which comprise your company's banking business, once again exceeded expectations in 2010. Their combined income contribution to AEV increased by 45% to P2.6 bn.

BANKING BUSINESS

	2008	2009	2010	% change ('10 vs '09)
Income contribution (mn pesos)	880	1,808	2,628	45%
UnionBank	843	1,171	2,313	35%
CitySavings	63	96	315	228%
Net interest income (bn pesos)	6.3	7.2	8.1	13%
UnionBank	5.9	6.5	7.1	9%
CitySavings	0.4	0.7	1.0	48%
Total loans (bn pesos)	64	71	81	14%
UnionBank*	60	66	74	12%
CitySavings	4	5	7	33%
Total deposits (bn pesos)	165	198	198	0%
UnionBank	161	195	193	-1%
CitySavings	3	3	5	68%
NPL ratio (%) ²				
UnionBank	7.9%	2.6%	3.7%	42%
CitySavings	1.5%	0.9%	0.8%	-16%
Return on equity (%)				
UnionBank	8.0%	14.6%	15.5%	6%
CitySavings	20.1%	41.1%	50.2%	22%
Return on assets (%)				
UnionBank	1.1%	2.0%	2.2%	10%
CitySavings	2.3%	5.2%	6.6%	27%

* UnionBank figures are inclusive of Gross Loans and Preferreds

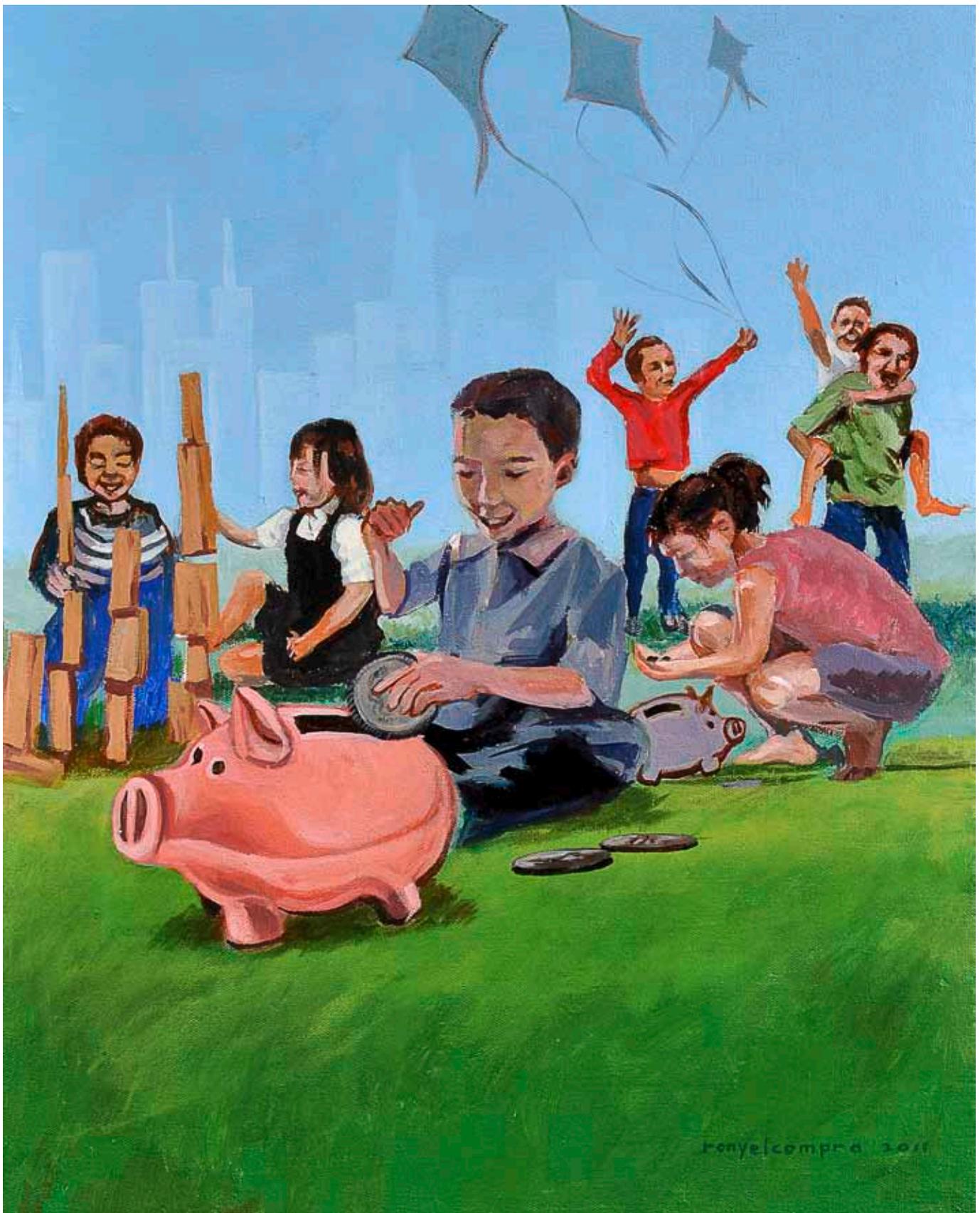
UnionBank and CitySavings, which comprise your company's banking business, once again exceeded expectations in 2010. Their combined income contribution to AEV increased 45% to P2.6 bn.

The total loan portfolio grew by 14% to P81 bn. Although overall interest yield fell in 2010, the two banks still managed to improve net interest income by 13% to P8.1 bn. Deposits were flat at P198 bn. UnionBank again registered strong gains in its trading activities, which helped boost the non-interest component of the income figures.

Both banks had very healthy capital adequacy ratios of 17% for UnionBank and 18% for CitySavings. This is the Bangko Sentral's main measure of banks' capabilities to meet their obligations, and both exceed the minimum with room to spare. They are also providing attractive returns on equity with 16% and 50% for UnionBank and CitySavings, respectively.

In 2010, UnionBank contributed P2.3 bn in 2010, up by 35% year on year (YoY). The bank recorded a P7.1 bn net interest income, up by 9% due mainly to a 13% reduction in interest expense for the year. Interest earnings on loans and receivables dropped by 9% YoY to P6.4 bn primarily on lower average loan yields. Interest earnings on investments improved by 10% YoY due to the expansion in UnionBank's securities portfolio, which more than offset the decline in average yields.

Overall net interest income improved by 9% from P6.5 bn in 2009 to P7.1 bn in 2010. Total loans dropped by 6% to P95 bn and total deposits also dropped slightly to P193 bn from P195 bn in 2009.



ARTIST: **Ronyel Comprá**

Ronyel graduated from the University of the Philippines Visayas–Cebu College with a Certificate in Fine Arts major in Painting. He has been joining many painting competitions since 2003. He bagged the first prize in the 30th Jose Joya Awards held at the SM Art Center in Cebu City, in 2006. He has also participated in a lot of art exhibits that hone his artistry.

Moving forward, UnionBank aims to deepen its relationship with the customer and expand the service universe he is enjoying with the bank.

UnionBank's return on equity improved from 14.6% in 2009 to 15.5% in 2010. The bank's return on assets increased from 2% in 2009 to 2.2% in 2010. Its capital adequacy ratio strengthened to 17% from 16.1% in the previous year.

Moving forward, UnionBank aims to deepen its relationship with the customer and expand the service universe he is enjoying with the bank. Using the branch as the nexus for service delivery, the bank hopes to derive increasing customer- and transaction-based revenues. Insofar as large corporate and commercial banking relationships are concerned, the emphasis will be through customized credit and cash management solutions.

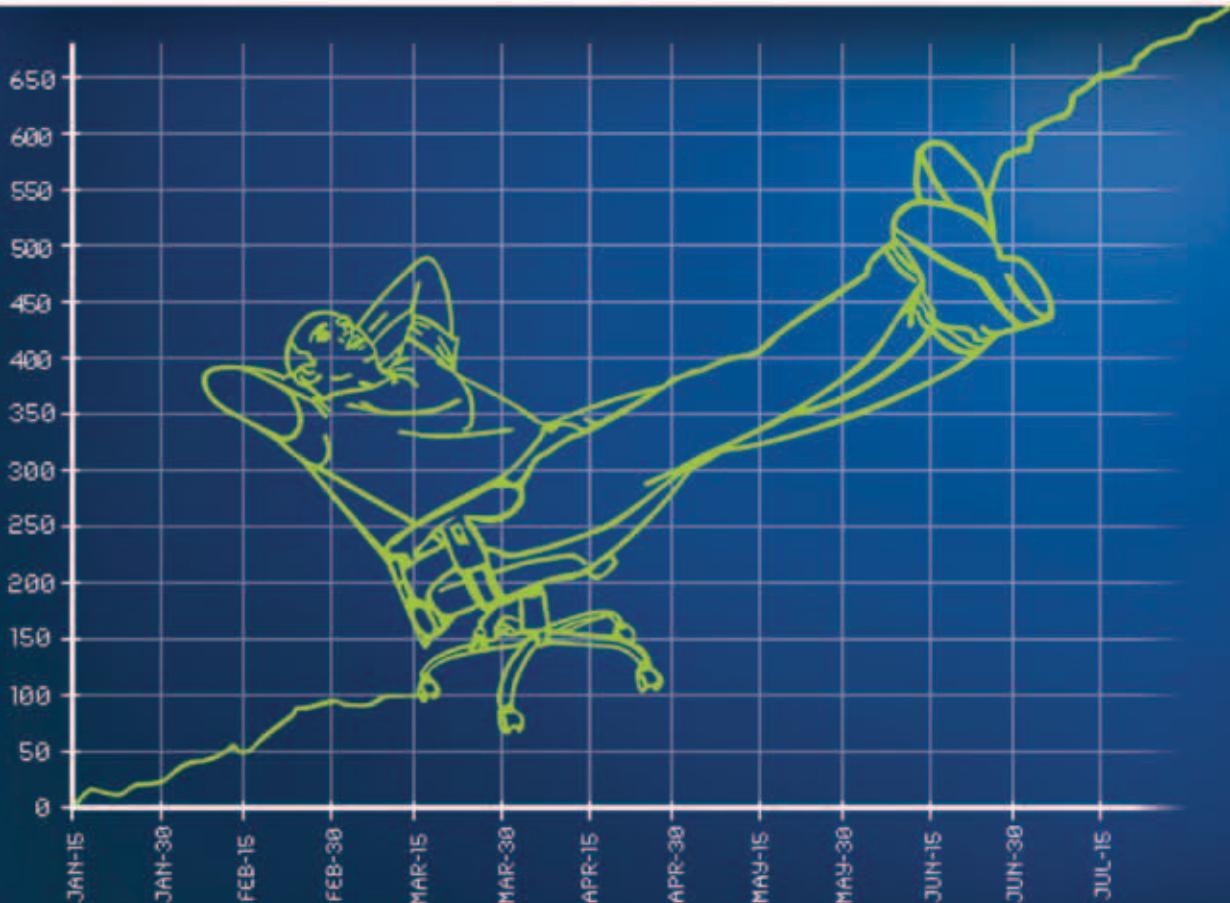
Your company's non-listed thrift bank, CitySavings, contributed P315 million (mn) to AEV's bottomline in 2010, up by 228% from the previous year. This improvement was due to increased ownership in the bank coupled with strong income from loans and service fees.

CitySavings ended 2010 with a total loan book of P6.5bn, up by 33% YoY. Interest income from loans and services fees grew by 40% while deposits expanded by 68%, respectively. Its NPL ratio stood at less than 1% while its NPL coverage ratio was at 202%. Return on equity increased to 50.2% in 2010 while return on assets also went up to 6.6%.

The bank entered the Luzon market in 2010 by opening a branch in Calamba, Laguna, and it will open a regional office in Ortigas Center, Pasig City this year. The entry into this new market will require resources and support, which your company, as sole owner, is ready to provide. CitySavings is changing its core banking system and is also rebranding, all in preparation for the expanded customer base it is targeting.

Your company is very bullish about the prospects of its banking investments and this cannot be demonstrated more clearly than by its purchase of additional shares in both banks. AEV purchased enough shares in the market to increase its holdings in UnionBank from 39% to approximately 41%. A P1.36 bn offer for CitySavings shares not owned by your company was completed in 2010 and it brought up AEV's effective ownership close to 100%.





When you invest with the experts, you're on the way up.

UnionBank's Unit Investment Trust Funds have consistently ranked among the top performing investment outlets in the Philippines. Both the Lipper Report and Bloomberg attest to the experience and expertise of our portfolio managers.

EQUITY FUND

UnionBank Large Capitalization Philippine Equity Portfolio
(2010 return of 109.08%, 5-year return of 27.8% p.a.)

PESO FIXED INCOME FUND

UnionBank Philippine Peso Bond Portfolio
(2010 return of 11.77%, 5-year return of 9.83% p.a.)

DOLLAR FIXED INCOME FUND

UnionBank Philippine Dollar Bond Portfolio
(2010 return of 8.09%, 5-year return of 8.02% p.a.)

Source: Bloomberg; all data as of Feb. 28, 2011

NEW BALANCED FUND

UnionBank Peso Balanced Portfolio (launched February 15, 2011)

The fund is peso-denominated and provides investors access to a diversified set of instruments in both fixed income and equities.

Contact Numbers: (63-2) 636-6366 / 637-7672 / 636-6228

www.unionbankph.com

All Unit Investment Trust Funds (UITFs) are regulated by Bangko Sentral ng Pilipinas. UITFs are not deposit accounts and are not insured by the PDIC. UITFs do not carry a guaranteed rate of return. Past performance is not necessarily an indicator to future performance. Gains and losses are solely for the account of the investor.

FOOD BUSINESS

All in all, the three business lines of the food business performed above expectations in 2010 and produced higher sales volumes compared to the prior year.

	2008	2009	2010	% change ('10 vs '09)
Revenues (mn pesos)	10,765	11,104	12,886	16%
Flour	6,685	6,239	6,649	7%
Feed	3,126	3,987	5,174	30%
Swine	955	878	1,062	21%
EBITDA (mn pesos)	993	1,778	2,183	23%
Income contribution (mn pesos)	458	1,227	1,529	25%
Flour	325	405	726	79%
Feed	26	699	637	-9%
Swine	109	124	165	34%

Your company's food business contributed P1.5 bn to AEV in 2010, up by 25%.

It was a challenging year for the flour business due to increased competition from imported flour and difficulties in the global wheat supply situation brought about by adverse weather conditions. Despite these circumstances, the flour segment was able to hold its sales volume. The feeds business continues to grow as a result of the expansion of product lines and the increase in our nationwide channels. In addition to its full line of swine and poultry feeds, Pilmico Animal Nutrition Corporation (PANC) launched "Salto," a game fowl feed in January 2010. To keep up with growing demand particularly in Visayas and Mindanao, PANC expanded production capacity at its Iligan feed mill.

The swine business is producing good results and the new grower-finisher farm in Tarlac, which will be operational in mid-2011, should further enhance production capacity.

All in all, the three business lines of the food business performed above expectations in 2010 and produced higher sales volumes compared to the prior year.

Pilmico has the right strategies in place to maximize and grow existing businesses while looking at opportunities to diversify into other segments of the food business to complement existing product lines. It will continue to create advantages wherever it can, through guidance, consistency and results, thus generating rewards for all customers and stakeholders, as they continue to build partners for growth.





ARTIST: Julius Andrew Sagrado

Julius Andrew's source of inspiration and motivation for his artworks is his family. He said, "They have been there since I began. They are there to support and guide me in all things." He earned his Certificate in Fine Arts major in Painting from the University of the Philippines Visayas-Cebu College. He was a finalist in the 32nd and 35th Jose Joya Awards.

Your company decided to sell its holdings in ATS to Negros Navigation Company, which was finalized on December 28, 2010.

TRANSPORT BUSINESS

	2008	2009	2010	% change ('10 vs '09)
Revenues (mn pesos)	10,273	10,510	11,611	10%
EBITDA (mn pesos)	945	1,402	691	-51%
Income contribution (mn pesos)	81	387	(821)	-312%
Operating capacity (thousands):				
Passenger (Ropax)	3,082	2,697	2,948	9%
Passenger (Fast Craft)	2,273	2,354	3,511	49%
Freight (TEUs)	243	245	290	19%

Your company's integrated transport and logistics business had a net loss contribution of P821 mn in 2010 versus an income contribution of P387 mn in the previous year. The net loss incurred includes impairment provisions made by the new owners of ATS, net of the gains on sale of an ATS subsidiary. Excluding these, ATS' negative contribution to your company's bottom line would have been reduced to P219 mn.

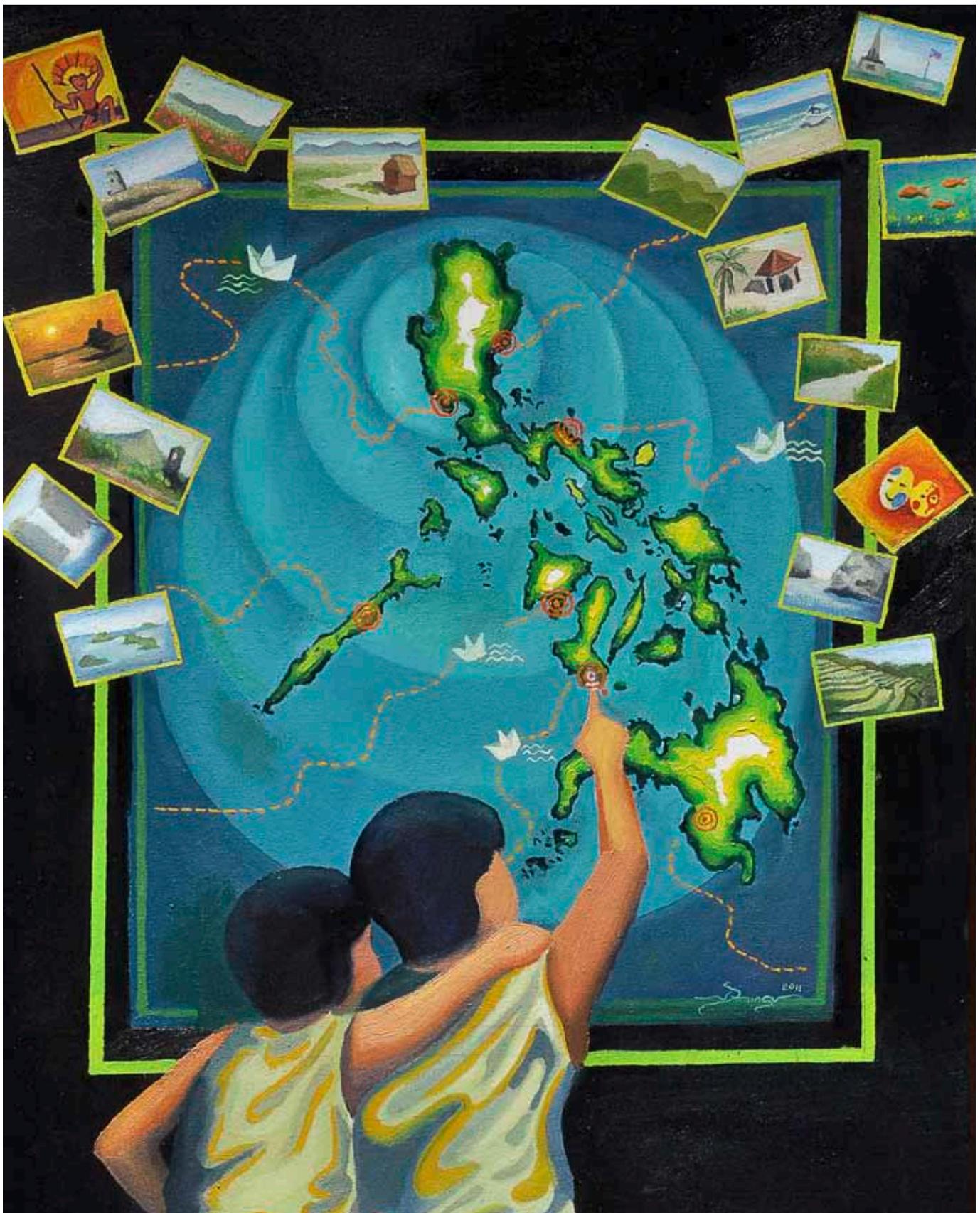
The merging of former subsidiaries, Zoom in Package and Reefer Van Specialists, into ATS helped increase the effectiveness and efficiency in the delivery of freight services as well as reduce cost with the integration of people, processes, and systems. ZGO capitalized on the improving economic conditions to enhance its sales volume, which grew by a substantial 17%. The purchase of two freighter vessels in late-2009 also allowed ZGO to have more control of cargo movements.

Two SuperFerries were purchased in 2010 and these started sailing in July, resulting in lower cost per slot and higher overall margins for the business stemming from the new vessels' speed, reliability and quality. The ships also compensated for the volume lost due to the drydocking of several vessels during the year.

Freight and passenger volumes declined in 2010 as ATS operated with limited capacity for the most part of the year. A number of its SuperFerry vessels and freighters were on regular maintenance and drydocking. It was only in the last quarter when the entire fleet was in full operation. Both local freight and passage business saw an overall reduction in their financial performance for the year. Fuel remained the crucial determinant of the business' bottom line. As the average fuel price went up by 26%, we had to find efficiencies wherever possible but still, the bottom line was affected negatively. Higher international charter rates also adversely affected the company's earnings.

Your company decided to sell its holdings in ATS to Negros Navigation Company, which was finalized on December 28, 2010. The transaction set in the motion the much-needed consolidation of the transport industry, with the new combined entity better prepared to confront the challenges ahead.





ARTIST: **Gavino Duaso**

Gavino's inspiration in creating art is his family. He said, "They were the ones who encouraged me to pursue an artistic career." He earned his Certificate in Fine Arts major in Painting from the University of the Philippines Visayas-Cebu College in 2011. He was a finalist during the Jose Joya Awards in 2008 and the PLDT Visual Art Competition from 2007 to 2009.

FROM YOUR CHIEF FINANCIAL OFFICER

Dear Shareholders,

The investor community rewarded your company for its financial and operating results, as reflected in its stock price performance during the year.

The year 2010 was an eventful one, not only for your company, but for the Philippines as well. In the middle of the year, we experienced the country's first automated national election, which proved to be a successful one and paved the way for a peaceful transition to a new administration. With the popularity ratings of the new President, and with consumer and business confidence at high levels, the country's economy grew 7.3% in 2010, the highest in more than two decades. The growth figure surpassed the government's own estimate of between 5 and 6%. The country's export sector recovered nicely as the global economy showed signs of improvement beyond what many had anticipated. And the continued growth in remittances from Filipinos working overseas also contributed to the economy's robust growth.

Your company's performance was even more impressive, again posting record financial results in terms of net income and revenues. Consolidated net income for the year amounted to P21.9 billion (bn), a 163% increase over the previous year. Revenues also increased significantly, by 113%, to P74.6 bn, while total costs and expenses were contained at P45.7 bn, an increase of 64%.

Consolidated earnings before interest, taxes, depreciation and amortizations (EBITDA) increased sharply from only P15.6bn in 2009 to P40 bn in 2010. This very robust cash flow generated by the group resulted in lower net debt levels and increased cash reserves at year-end. Our consolidated cash position stood at P26.1 bn at the end of 2010, compared to the end-2009 level of P5.6 bn while total net debt dropped from P69.7 bn to P55.0 bn.

The investor community rewarded your company for its financial and operating results, as reflected in its stock price performance during the year. The stock price opened the year at P9.00 per share and ended at P37.10, an appreciation of 312%, outperforming the Philippine Stock Exchange Index (Phisix), which appreciated by 38%. AEV was among 2010's best performing stocks listed on the Philippine Stock Exchange. Consequently, its market capitalization in 2010 alone quadrupled from P50 bn to P205 bn.

Based on the average outstanding shares for the year, your company posted earnings of P3.96 per share, compared with only P1.49 in 2009. In line with its dividend policy, your Board, in its March 2011 meeting, declared a cash dividend of P1.58, payable on April 5, 2011. Total dividends paid out in 2011 amounted to P8.7 bn.



Your company's power business was again the dominant major contributor to the earnings mix, with an 85% share, even as the financial services and food sectors both did very well, providing 12% and 7% respectively of AEV's earnings. These three business segments offset the negative contribution from the transport business. Power generation had the positive effects of a full year's contribution from subsidiaries AP Renewables and Therma Luzon, and the commencement of operations of two other subsidiaries, Therma Marine and Hedcor Sibulan, although not for a full year.

Aboitiz Transport System (ATS), one of your company's four major business units, was sold at the end of 2010 to the Negros Navigation (NN) group, which had the financial support of the China Asean Fund, with the deal being consummated on the 28th of Dec. 2010. Your company's share of the proceeds amounted to P3.5 bn. As part of the sale agreement, the Aboitiz-Jepsen group, in which ATS had a 62.5% stake, was sold to your company for the amount of P356 million (mn). The sale price was paid out as cash dividend to all ATS shareholders prior to the sale to NN, so in effect, the ATS sale price excluded the Aboitiz-Jepsen business.

As a result of the sale, your company recorded a non-recurring loss of P456 mn on the sale of this investment. In addition to the loss on the sale, AEV's share of the operating losses of ATS for the year 2010 amounted to P1.0 bn. What is shown in the consolidated statement of income is an item called "Losses from the disposal group", which is the total of the loss on the sale of the business and the total net loss after tax of ATS in 2010. In the net income attributable to equity holder, only AEV's proportionate share of ATS' net loss is reflected. The figures for 2008 and 2009 are re-presented to allow a proper comparison with 2010's results.

Also in 2010, your company acquired almost the entire stake in City Savings Bank (CitySavings) that it did not already own, thus reclassifying CitySavings from an associate to a subsidiary. Its results are now consolidated into your company's financial statements. The approval from the Monetary Board was only secured in November, so your company's 2010 income statement will not reflect the full year income contribution of CitySavings.

Your company also increased its stake in Union Bank of the Philippines (UnionBank). A total of 14.4 mn UnionBank shares were acquired throughout the year, increasing your company's ownership in the bank from 38.7% to 40.9%.

The capital markets in 2010 were very active, with liquidity in the financial system still very much present. A significant number of corporate debt issues were completed during the year, as interest rates were at historically low levels. In the case of the parent company, it raised a total of P4.0 bn in fixed-rate notes, with 5- and 6-year tenors, bringing down its funding costs and stretching out its debt maturity profile. STEAG, an associate company, also refinanced its project-finance debt, replacing a syndicate of foreign lenders with a local universal bank that offered better terms, and less restrictive covenants. One of our distribution utilities also successfully issued a 5-year fixed rate note at very attractive rates.

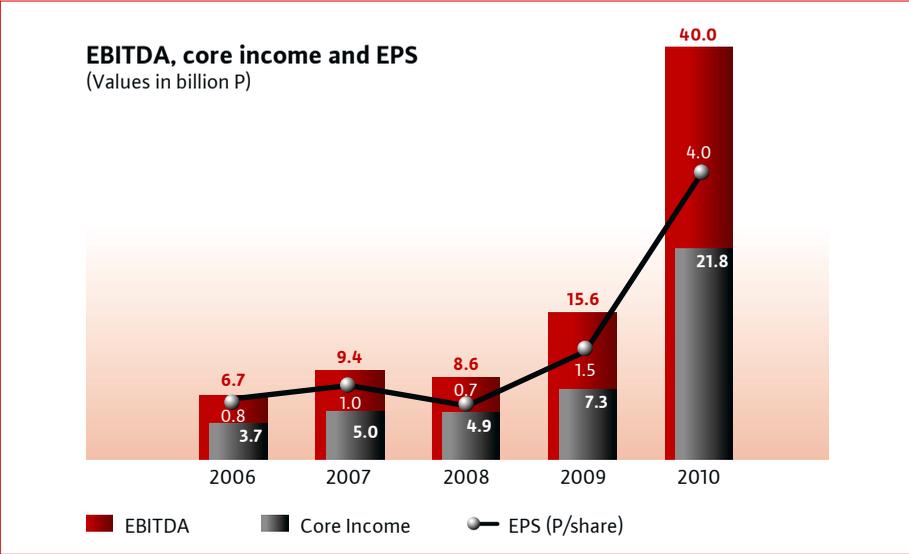
Your company's balance sheet has gotten even stronger, with total assets up by 22% to P175 bn, and total liabilities growing by only 9% to P96.6 bn. We ended the year with a Net Debt/EBITDA ratio of only 1.45 on a consolidated basis. Current ratio improved to 2.36 from 0.79 at end-2009. Net Debt/Equity also improved to 0.70 from 1.28 in the prior year.

The group's capital expenditure (capex) program for 2011 is estimated at approximately P49 bn, the lion's share of which is allocated to the power generation group. AEV's beneficial share of this group capex program is P21 bn.

Two large coal-fired power generation projects are in the pipeline, namely RP Energy, a coal-fired power plant to be located in the Subic Freeport zone, and another coal-fired plant to be located in subsidiary Davao Light's franchise area. Various mini hydroelectric projects

Your company's balance sheet has gotten even stronger, with total assets up by 22% to P175bn, and total liabilities growing by only 9% to P96.6bn.

We are confident that our future earnings will become more predictable, as we execute our strategy of contracting more of our power generation capacity and minimize our exposure to the volatility of the spot market.



have also been identified and are in the final stages of their feasibility studies. All these are Greenfield projects and we intend to tap the local debt markets for these large project finance requirements. We are encouraged by the appetite and interest expressed by our relationship bankers to participate in these debt-raising initiatives. Also, rehabilitation work on the Ambuklao hydroelectric facility should be completed by 2Q 2011, after which refurbishment work will start on the Binga facility. SN Aboitiz Power Benguet owns both of these plants.

In line with our Enterprise Risk Management initiatives, our Treasury Services team does a regular review of the group's debt portfolio. At the end of 2010, total group beneficial debt stood at P99.8 bn. About 93% of this amount is structured as long-term debt, and about 92% as fixed-rate debt. These high percentages mitigate the liquidity and interest rate risks that could arise if the financial markets were to change significantly, considering we are in a low interest-rate environment. Also, we do have situations where currency hedges are put in place to address any mismatches between revenue streams and the liabilities related to those cash flows.

AEV parent has loan maturities of P1.6 bn in 2011 and nothing in 2012. AEV's beneficial share of group consolidated debt maturing in 2011 and 2012 amounts to P5.39 bn and P5.37 bn respectively.

Although it will be a challenge this year to exceed the financial results of 2010, we are confident that our future earnings will become more predictable, as we execute our strategy of contracting more of our power generation capacity and minimize our exposure to the volatility of the spot market.

We look forward to another exciting year for the AEV group, as we anticipate healthy growth in the sectors that we serve, and as we continue to build a focused team truly driven by a passion for better ways.

STEPHEN G. PARADIES
Senior Vice President
Chief Financial Officer

FROM YOUR CHIEF RISK MANAGEMENT OFFICER

Dear Shareholders,

In our vision to transform the Aboitiz Group into the best risk-managed conglomerate in the region, we are taking great strides to embed the practice of risk management in our Group's culture and operations. A risk-managed business group earns greater confidence from the market and investment community.

As we implement an enterprise-wide, forward-looking, and cost-effective business risk management program at both the strategic and operational levels of the Group, we will continue to strengthen trust and further enhance our image and reputation. The Group and its Strategic Business Units (SBUs) need to focus on risks using a common business language and a comprehensive integrated process to identify, measure, control and monitor risk continuously.

Business risk management strategies are designed and improved to balance risks and rewards, weigh threats and opportunities, avoid and transfer unacceptable risks, reduce retained risks to an acceptable level and ultimately, increase shareholder value.

In 2011, we are implementing the Operational Risk Management Program at the Group's SBU level, which is the second phase of the implementation roadmap of our Enterprise Risk Management framework. Each SBU has an Operational Risk Manager who will not only oversee operational risks but also examine new areas of emerging risks and develop a sustainable program of risk assessment and management.

The implementation of this program has everyone's full support and cooperation, inspired by the Aboitiz Passion for Better Ways.



ROLANDO CABRERA
First Vice President
Chief Risk Management Officer

Business risk management strategies are designed and improved to balance risks and rewards, weigh threats and opportunities, avoid and transfer unacceptable risks, reduce retained risks to an acceptable level and ultimately, increase shareholder value.



AEV RISK MANAGEMENT REPORT

In 2010, AEV took significant strides to institutionalize the practice of risk management in the company and its subsidiaries by formally launching the Enterprise Risk Management (ERM) program in January.

As part of its efforts to embed a risk-aware culture throughout all levels and across all units of the organization, the AEV Enterprise Risk Management Group

“We need to focus on risks with a common mindset and process – a comprehensive and integrated process to identify, measure, control and monitor risk on a continuous basis. Enterprise risk management strategies should be designed to improve the balance between risks and rewards, weigh threats and opportunities, avoid and transfer unacceptable risks, reduce retained risks to an acceptable level in our pursuit of increasing shareholder value.” AEV President & CEO Erramon Aboitiz

developed an ERM implementation roadmap. It details key program elements and milestones that the group has to follow in order to maximize the benefits of ERM and ultimately achieve its goal of enterprise resilience.

Enterprise resilience represents a new thrust in the effort to anticipate and adapt to the complexities and rapidly changing environment where our businesses operate. It is not about responding to a one-time crisis or rebounding from a setback. Enterprise resilience is about continuously anticipating and adjusting to deep, secular trends that can permanently impair the earning power and viability of the business.

AEV Risk Management Structure



The AEV Risk Management framework provides a robust structure for the identification and management of risks from the Board to the business unit (BU) level.

The Board of Directors’ role with respect to risk management is that of overall risk oversight. The Board must understand the risks facing the company and is responsible for ensuring the existence of effective processes for identifying, assessing, and mitigating the company’s risks. This is in order to give the shareholders reasonable assurance that the company will achieve its corporate goals and objectives.

The Risk Management Committee’s role is to assist the Board in fulfilling its corporate governance responsibilities relating to risk management. The Risk Committee also assists in defining AEV’s risk appetite and oversees AboitizPower’s risk profile and performance against the defined risk appetite. The Committee is responsible for overseeing the identification, measurement, monitoring and controlling of AEV’s strategic risks.

AEV RISK MANAGEMENT FRAMEWORK

AEV has developed its risk management framework following the ISO 31000 Risk Management Standards. The standard provides the framework for establishing the context of, identifying, analyzing, evaluating, treating, monitoring and communicating risk.

Throughout 2010, risk assessment and risk treatment activities were facilitated and performed at the strategic level for all BUs of AEV. Among these activities were identifying and analyzing the top risks of the different businesses including the measures and efforts currently in place, as well as future plans to manage and mitigate these risks.

In 2011, risk management activities will focus on the operational level, which will be aligned and linked up with strategic risks identified and assessed in 2010.

The results from these strategic risk sessions were summarized and presented to the Risk Management Council (Group Mancom) and then to the Risk Management Committee of the Board.

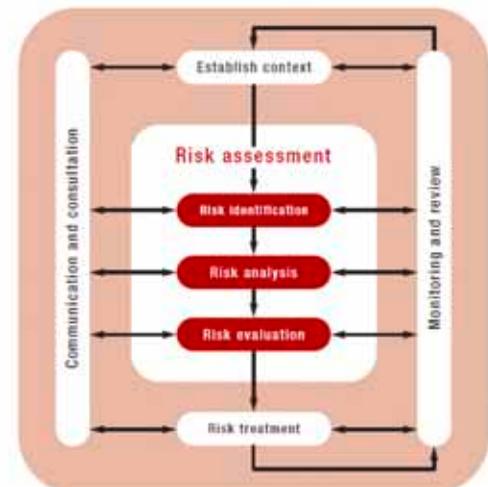


Figure 1.0 – Risk Management Process, ISO 31000

The key risks identified are summarized below:

Reputational risk

AEV recognizes its reputation as both its major asset and source of competitive advantage as well as its primary source of vulnerability in view of the increasing presence of the company and its BUs throughout the Philippines. Media and communication have also reached a point where scrutiny from stakeholders and the general public has become more stringent. Regulators are a vital stakeholder in the power and banking sectors and it is imperative for AEV businesses in these sectors to keep their reputation levels high. A Reputation Management Department was established in 2009 to ensure the protection and enhancement of this vital asset. Corporate social responsibility programs, undertaken mainly through the Aboitiz Foundation, and sustainability efforts are given full management support, these being important sources of reputational gain for AEV.

Competition risk

As with other businesses, AEV and its BUs operate in different competitive environments. As such, failure to properly consider changes in their markets and the actions of competitors can greatly diminish competitive advantage. To strengthen this advantage and enable AEV and its BUs to maximize opportunities, a more robust and comprehensive strategic planning process has been put in place to formalize the process and focus efforts on maximizing our businesses' strengths and addressing their weaknesses.

Regulatory risk

Several of our major investments particularly in the power and banking sectors are subject to more stringent regulations. To manage this risk, planning ahead and preparing for expected changes in regulation now, rather than waiting for regulations to be imposed, is a must. Trying to respond to new regulatory standards in a short period of time can be difficult, especially in a climate where forbearance may be limited. To respond proactively to such fundamental changes may require companies to take a long view on possible regulations and consider alternate scenarios.

Business interruption due to natural calamities and critical equipment breakdown

Loss of critical functions caused by natural calamities such as earthquakes, windstorms, typhoons and floods could result in a significant interruption of business operations. Interruption may also be caused by other factors such as major equipment failures, fires and explosions, hazardous waste spills, workplace fatalities, product tampering, terrorism, and other serious risks. In order to prevent and manage the risk of business interruption, regular preventive maintenance of our facilities are being strictly observed and loss prevention controls are continually being evaluated and strengthened. In addition, to ensure the continuity of operations in the event of a business interruption, a Business Continuity and Crisis Management Plan will be developed and implemented in 2011. Business interruption insurance has also been procured to cover the potential loss in gross profits of the Group's critical operations and assets.

Financial risks

In the course of AEV and its BUs' operations, the company is exposed to financial risks namely, 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. Details of above risks including measures to mitigate them are discussed in the Notes to the Financial Statements (see attached CD).

Commodity price risk

Certain AEV investee companies, specifically Pilmico and Therma Luzon, are engaged in businesses that have raw material and fuel requirements subject to price, freight and foreign exchange volatility factors. Fluctuation in any these volatile elements individually or combined will result to increases in the operating costs of these companies. To address the exposure, management has taken a more active role in understanding the markets, including entering into contracts and hedge positions with the different suppliers of these commodities.

Political and economic factors

AEV is a holding company that, through its investee companies, is engaged in power generation and distribution, banking and financial services, food production, and integrated maritime services. The results of operations of these investee companies have historically been influenced to a certain extent by the political and economic situation in the Philippines. In the past, the country experienced periods of slow or negative economic growth. Any future political or economic instability may have an adverse effect on the business and results of operations of AEV or its investee companies.

BUSINESS CONTINUITY MANAGEMENT

AEV recognizes that unplanned events can have a devastating effect on any business. Crises such as major earthquakes, typhoons and other natural catastrophes, fire, illness of key team members, and IT system failures, could all make it difficult for businesses to carry out normal day-to-day activities. These events could result to the loss of important customers and relationships – and worst, even going out of business altogether. In order to prevent these from happening, measures should be put in place to minimize the potential impact of events that could disrupt business continuity. For 2011, to support AEV's objective of achieving enterprise resilience, an Enterprise Business Continuity Management program will be implemented.

The British Standard 25999 defines Business Continuity Management (BCM) as a management process that identifies potential impacts that threaten an organization and provides a framework for building resilience and the capability for an effective response which safeguards the interests of its key stake holders, reputation, brand and value creating activities. BCM is inclusive of disaster recovery, business recovery, crisis management, incident management, emergency management and contingency planning and will take off from the top risks that were identified and assessed for our businesses.



FROM YOUR CHIEF COMPLIANCE OFFICER

It is our conviction that serving our stakeholders is not at odds with the goal of maximizing corporate value. And so we measure our performance on the basis of this balanced scorecard.

Dear Shareholders,

Our Board and our entire AEV team believe in governing the company as responsible owners. We achieved our 2010 goals and exceeded our own expectations by being steadfast in our vision and mission and remaining true to our core values of integrity, fairness, prudence and genuine corporate responsibility. Through rough-and-tumble times our core values have kept us centered and grounded on our mission. During upturns and good times, we are able to reap the fruits of our discipline and our commitment to these values.

We believe that in order to sustain our growth and secure our future, we need to sharpen our focus on our long-term vision, while executing the strategies of today, and re-enforcing the battens of our organizational structure and internal business processes. Our organization, from top to bottom, is robustly engaged in the execution of our corporate goals and business strategies with the perspective of serving the interests of all major stakeholders – our shareholders, our employees, suppliers and service providers, customers, creditors, our communities, and our environment. It is our conviction that serving our stakeholders is not at odds with the goal of maximizing corporate value. And so we measure our performance on the basis of this balanced scorecard.

The Company is a work in progress but rest assured that we will continue to work at it with the same drive and passion for excellence. We will remain vigilant in ensuring a credible scorecard worthy of your trust while pursuing and continually improving our corporate governance practices as we have vigilantly maintained a good corporate compliance track record in 2010. These efforts have been recognized by the Institute of Corporate Directors by a Gold Award in the 2010 ICD Corporate Governance Scorecard.



M. Jasmine S. Oporto
First Vice President
Chief Legal and Compliance Officer
Corporate Secretary



2010 CORPORATE GOVERNANCE REPORT

ABOITIZ CORE VALUES

Aboitiz Equity Ventures, Inc.'s (AEV) corporate governance culture traces its roots to 90 years of the Aboitiz family tradition, anchored on the family's values of integrity, fairness, prudence, respect for individuals and cultures and an entrepreneurial spirit and team work underpinned with social responsibility.

We are constantly refreshing and revitalizing these values – and translating them into modern practices as we continually move forward with a **passion for better ways**: We are **driven to lead** in all aspects of our businesses, **driven to serve** our stakeholders, and most of all, **driven to excel** in whatever we do, wherever we go.

KEY GOVERNANCE MECHANISMS

The Company, its Board, and its management are painstakingly mindful of their duties to stakeholders, within the context of its ownership structure and the social, cultural, political and economic milieu that the Company operates in. The Company acknowledges that the Aboitiz ownership structure may be categorized as a company with a controlling shareholder and that controlling shareholder action, if not principled and imbued with a commitment for corporate governance, could lead to insider opportunism and diversion of shareholder value. The Company is therefore deeply committed to unhampered exercise of the minority shareholder protection and empowerment provisions under the Corporation Code of the Philippines. These statutory rules include, the One Share–One Vote rule, Cumulative Voting, and supermajority vote for certain corporate acts, giving the minority shareholder the ability to influence Board composition (including Independent Directors), Board compensation, amendment of the Company's Articles and By-laws, and the treatment of Board duties as a high level of fiduciary responsibilities. Current Company procedures and mechanisms require accurate and timely disclosures for transparency of process, and insider trading and trading blackout guidelines are intended to prevent controlling shareholder opportunism.

Independent Directors are not subject to firing by management or by the Company's controlling shareholders since they are selected through the Board Corporate Governance Committee's process and in accordance with the requirements of the Philippine Securities and Exchange Commission (SEC) for shareholder approval. This process supports minority shareholder protection and empowerment.

Pursuant to the One Share–One Vote rule, the Company does not have any arrangements that unbundle or separate voting rights and cash flow rights. All shareholders are entitled to voting and dividend rights. These ensure that the Company's controlling shareholders' interests are aligned with the minority shareholders interests.

The Company has policies on transactions with related parties requiring the full disclosure thereof in the Company's financial statements and in other Company reports. The Company's related party transactions include, among others, written service level agreements with its affiliates and subsidiaries for human resources, internal audit, legal, treasury and corporate finance services, guarantees of credit accommodations of subsidiaries and affiliates; and intercompany advances for working capital requirements of subsidiaries and affiliates. The Company does not set thresholds for disclosure of related party transactions, but rather fully discloses all related party transactions regardless of amounts in compliance with existing accounting standards, or ensures that they have the character of arm's length transactions. *(See details in the Audited Financial Statements)*

The Company follows the Philippine Corporation Code rules on voting for specific corporate acts where approval of specific types of related party transactions in the Board and in shareholders meetings levels may be required. The Company's Independent Directors and the Board Audit Committee play an important role in reviewing significant related party transactions. The Company's related party transactions are typically agreements entered into in the ordinary course of business to maximize efficiencies and realize cost synergies. These are reported to the Board as they are entered into.

THE FOUNDATIONS OF THE COMPANY'S CORPORATE GOVERNANCE

The Company views its corporate existence on a long term growth and sustainability horizon. We believe that a balancing of all stakeholders' interests is necessary to avoid myriad economic and political pitfalls that have caused the demise of certain global corporate institutions. The Company's corporate governance, rooted on a values-based corporate culture for a sustainable future, is its real benchmark for corporate governance. The Company is committed to preserving its fundamental core values and embedding these in its daily business practices, going beyond a mere "tick the box" corporate governance scorecard. The proof, after all, is in the enduring continuity of the Aboitiz brand.

As a Philippine company listed on the Philippine Stock Exchange (PSE), the Company is subject to a number of laws and rules that affect it and its subsidiaries' governance. Major statutes of which the Company is compliant, include, among others: the Corporation Code of the Philippines, the Securities Regulation Code, General Banking Act and Thrift Banking Act, the Labor Code of the Philippines, the Electric Power Industry Reform Act, the Consumer Protection Act, other applicable statutes, implementing rules, regulations, guidelines, and governing circulars and policies of the SEC, the PSE, the Bangko Sentral ng Pilipinas, the Department of Energy, Department of Environment and Natural Resources, the Energy Regulatory Commission, the Food and Drug Administration, and other relevant administrative agencies with oversight of its core businesses. Its corporate governance policies are found in its Articles of Incorporation and By-Laws, in the Amended Manual of Corporate Governance, the Code of Ethics, Directors' code of ethics, Board and Board Committees internal work procedure rules, Information Systems Management and Security Policies, its Enterprise Risk Management Policies and in other Company and Aboitiz group policies and guidelines.

The Company has been consistently considered as one of the top Philippine companies by the ICD in recognition of its good corporate governance practices. ICD corporate governance scorecard, it was again awarded as one of top companies practicing good corporate governance.

COMPLIANCE WITH THE SEC CODE OF CORPORATE GOVERNANCE

The Manual of Corporate Governance (Manual) articulates the conviction of the Company, the Board of Directors, Management, Employees and Shareholders, that corporate governance is a necessary component of what constitutes sound strategic business management and thus undertake every effort necessary to create this Company wide awareness as part of the Aboitiz corporate culture. The Manual was approved by the Board at its regular meeting on August 14, 2002 and was submitted and received by the SEC on September 3, 2002. The Manual has since been reviewed, revised, updated and amended by subsequent Board actions in keeping with evolving best practices. Aboitiz is committed to complying with best practices corporate governance whenever possible, including the continued compliance with the SEC's form corporate governance manual. The Board regularly reviews the Manual in order to update its practices in line with the SEC's and the PSE's regulatory amendments and global developments.

The Manual can be found on the Company's website: www.aboitiz.com/AEV/1672:corporate-governance.html.

COMPANY AND VISION

The Company's vision as a publicly listed company is to create long term value for all our stakeholders. The Company's investment focus is for its businesses to provide basic goods and services to meet the demands of a growing economy and for it to develop and rely on its core competencies, financial strength, and reputation to achieve its goals. The Company is committed to continuously maximizing shareholder value and seeking to become the premier investment company in the Philippines.

AN ETHICAL BUSINESS

The Aboitiz Code of Ethics and Business Conduct adopted by the Company in 2002 sets out how the Executive management, team leaders and team members can achieve and maintain ethical standards in the Company's day to day operations and summarizes the Company's fundamental policies and directives. The Code of Ethics and Business Conduct clearly sets the standards, policies and procedures on proper business conduct with co-employees, shareholders, investors, suppliers, customers, analysts, creditor and financial institutions, fair dealings, conflicts of interest and related party transactions, inappropriate gifts and favors, appropriation of corporate opportunities, dealing with proprietary and confidential information and Company system and assets, use and misuse of inside information, fair and truthful disclosures to the public, maintenance of accurate books and records, respect and dignity accorded to others, promotion of safe and healthy working environment and the enforcement and administration of the Code of Ethics. The detailed implementation of the Code of Ethics and Business Conduct is also delegated to the various functional teams of AEV Corporate Center.

All newly hired employees in the Company attend a new-hirees' seminar that includes an orientation on the Company's Manual of Corporate Governance and Code of Ethics and Business Conduct. In addition, Company and group-wide formal seminars are scheduled by the Office of the Compliance Officer to inculcate in and refresh all employees' awareness and understanding of the Manual and the Code and the underlying principles of corporate governance and ethical behavior and conduct.

All employees have an individual responsibility to ensure that business practices adhere to the rules of the Code of Ethics and Business Conduct. Generally, no employee or officer seek or has sought exemptions from the application of the corporate governance rules and guidelines of the Company.

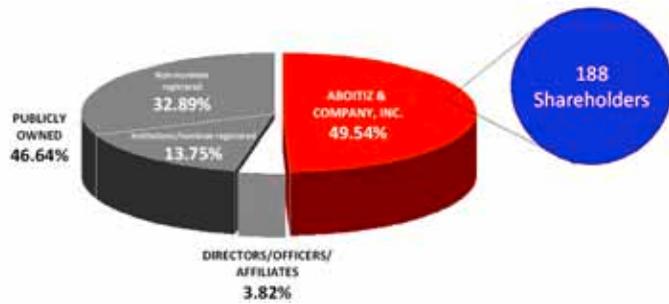
The Code of Business Ethics can be found at the Company's website: www.aboitiz.com/AEV/1685:code-of-ethics-and-business-conduct.html

OUR OWNERSHIP STRUCTURE

The share capital of the Company consists of one class of listed common shares and a class of non-listed preferred shares. All common shares are voting following the rule of One share – One vote. The preferred shares are non-voting, non-participating, non-convertible, cumulative, re-issuable shares and may be issued from time to time by the Board in one or more series. These preferred shares which are issued to financial institutions or financial market intermediaries are treated as debt instruments by the Company in its books in conformity with the Philippine Accounting Standards (which adopt the International Financial Reporting Standards). *(See Management's Discussion and Analysis or Plan of Action and the Company's Financial Statements)*

According to the share register kept by Securities Transfer Services, Inc., as of December 31, 2010, Aboitiz had 10,702 shareholders. Aboitiz and Company, Inc. owned, as of 2010 yearend, 2,735,600,915 shares or 49.54% of the 5,521,871,821 of the total outstanding and common stock entitled to vote. Of the publicly held shares, 13.75% are owned by institutions and/or are nominee-registered (10.97% Filipino & 2.78% Foreign), i.e., held off record by banks, brokers and /or nominees, such as the PCD Nominee Corp. This means that the actual shareholder is not displayed in the share register or included in shareholding statistics. As a result, the ultimate shareholder of such nominee-registered shares does not participate in shareholder votes and other actions, unless otherwise represented by proxy or nominee. The Company has exerted efforts to extend the communication channels between the Company and the institutional shareholders through its Investor Relations Office and to the nominee registered shareholders through the PCD Nominee Corp.

Below is the general view of shareholders composition.



Aboitiz & Co., Inc. is, by itself, held by 188 shareholders. While strictly speaking it is not a publicly-held company within the qualifications and meaning of the Securities Regulation Code, it is effectively, a widely-held company with a sizeable shareholder base.

For more information on the Company's shareholders see the Company website: www.aboitz.com.

THE BOARD'S VISION AND MISSION

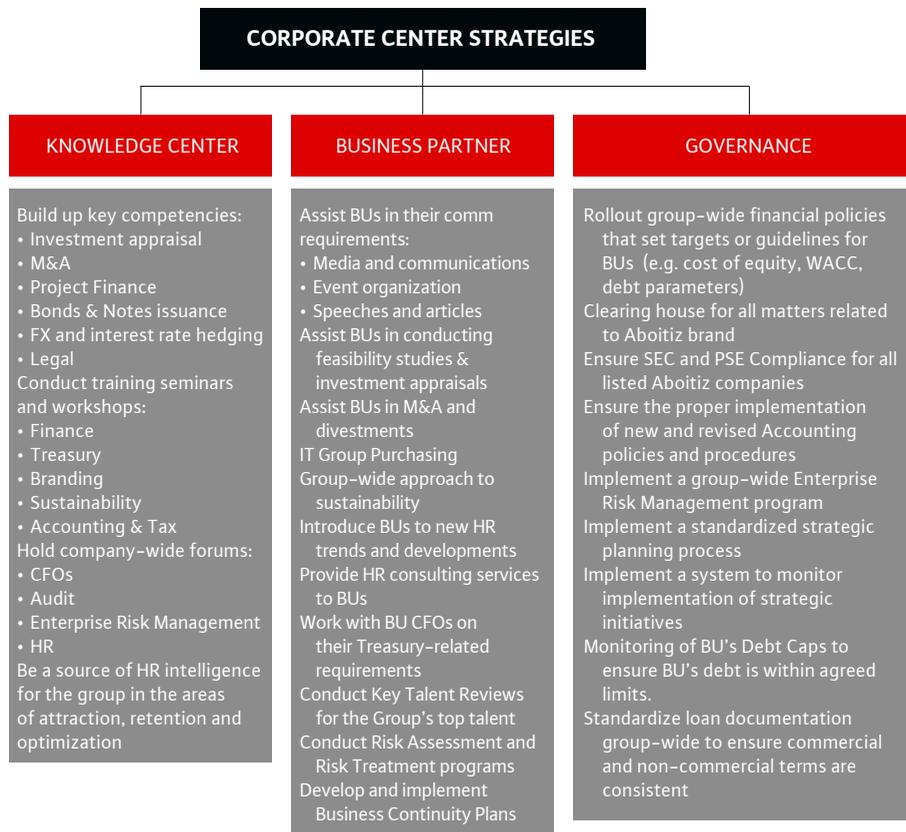
The purpose of the Board is to represent and protect the interests of the owners of the business, as well as other key external stakeholders, regardless of category, within the boundaries of its corporate charter, and all relevant statutes and legal regulations and rules. The primary purpose of the Company's Board revolves around governing the various businesses in which it has a direct interest. In addition, its responsibilities extend to other stakeholders in respect of compliance with regulatory standards; the provision of appropriate information and updates; and the effective representation and protection of the Aboitiz brand and reputation.

CHALLENGES & STRATEGIES

Our management recognizes that the top challenges for Aboitiz today is managing the continued growth of its businesses, bolstering the appropriate organizational capability through recruitment and training of talent, as well as building and maintaining its corporate brand for the benefit of all its stakeholders.

Company is envisioned as the corporate center for all Aboitiz group companies. The corporate center mission is to provide three key areas of competence to all its Business Units (BU). AEV Corporate Center defines the role of each functional unit of the Company (such as the Corporate Center's Human Resources, Treasury, Accounting, Risk Management, and Legal and Corporate Services) as a Knowledge Center, a Business Partner and Governance Center.

AEV corporate center's role and goal, as laid down by the Company's Board and Management is best summarized below:



EXECUTION OF STRATEGIES

ALIGNMENT OF GOALS THROUGH SUCCESS FACTORS TECHNOLOGY

In 2008, AEV adopted the Success Factors web-based technology tool for the alignment of strategies and goals from the Chief Executive Officer (CEO) all the way down to the team leaders and members of its organization even through to the BUs. Success Factors is an on-demand Performance and Talent Management software module enabling all team members in the organization to create their individual goals on line and allowing employees to understand what is expected from them, giving them a sense of accountability on their deliverables in relation to the alignment to corporate goals. It provides a very critical key in maintaining clear and unobstructed line of sight – employees are able to see and appreciate how their goals contribute to the Company's overall goals.

Through these tools, each employee can view his tangible contribution and alignment of his corporate and personal goals all the way through to top management whilst top management, i.e., the CEO, can also view the cascade of his goals to all employees. This accessible view includes the status of the execution of all goals of Team AEV.

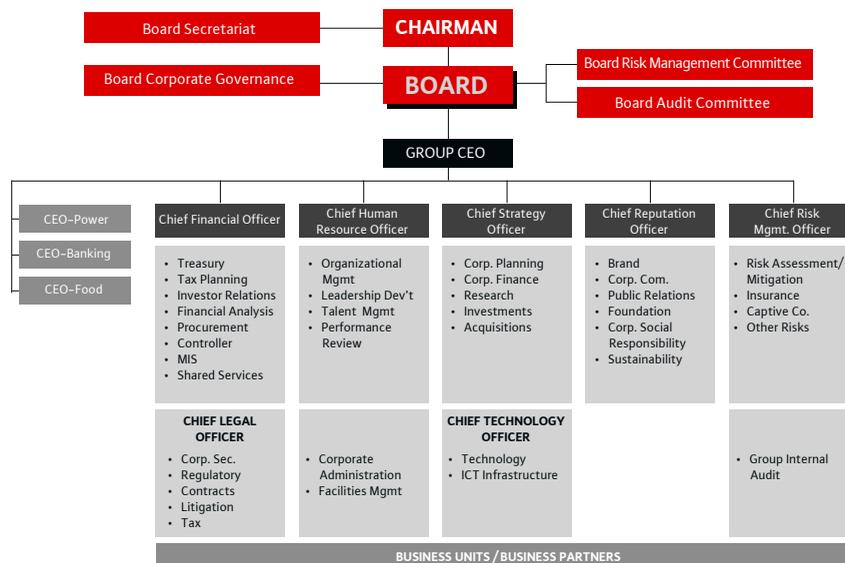
The accomplishments for key result areas are measured under the Balanced Score Card approach. The key result areas under Learning & Growth, Internal Business Processes, Cutting Edge Technology and Customer Service provide an additional framework for measuring success of the three pillars of competence, namely that of Knowledge Center, Business Partner and Governance.

Additionally, the Board Corporate Governance Committee organizes the assessment of the performance of the CEO by the members of the Board, while Corporate HR provides the numerous annual key officers, performance and competence assessment reviews, whether it be a 360 degrees survey, a Key Talent Review, a Success Factors Goals accomplishment review and other annual job performance measures.

In pursuit of its role under the three pillars of competence, AEV Corporate Center is currently embarking on the establishment of an ISO 9001:2008 Quality Management System Certification for key functional teams, namely Corporate HR, Audit, Treasury, and Legal and Corporate Services, to raise the quality of services and governance standards for all its Business Units.

ORGANIZATIONAL STRUCTURE

Below is AEV's organizational structure with the functional teams' responsibilities for execution of the Company's strategies, goals and corporate center mission.



The Company's corporate operational strategy is for each of the core businesses, namely, Power, Food and Banking, to be managed by a group CEO who then is responsible for the alignment of strategies and strategy execution of the Company's Business Units. In addition to the Board Committees, the Companies' committees, such as the Group HR Committee, the AEV Corporate ManCom, the LexCom, to name only a few, contribute to the overall drafting and execution of group policies and strategies.

BOARD RESPONSIBILITY

The Board of Directors of the Company sets the standards for the Company's corporate governance practices. The Board of Directors is committed to the adoption and observance of best practices in corporate governance as well as compliance with all relevant laws, regulations and codes of business practice.

It is the Board's responsibility to foster the long-term success of the Company and secure its sustained competitiveness in a manner consistent with its fiduciary responsibility. The Board shall conduct itself with utmost honesty and integrity in the discharge of its duties, functions and responsibilities. It shall provide an independent check on Management.

The Board is continually engaged in collegial discussions of strategic business issues of the Company and the directors are consulted for their invaluable inputs through the special strategy board meetings, the informal director’s lunches, dinners and gatherings with the management teams. The Board Corporate Governance Committee recently formalized these gatherings into an annual Board Retreat in an atmosphere of relaxed, open and intellectually invigorating environment.

The Board is provided regular legal bulletins, and invited to economic and industry-specific briefings, and strategy and management conferences within the Aboitiz group. All directors, including the Independent Directors, actively participate in these activities.

BOARD SELECTION & COMPOSITION

Selection of Members of the Board is based on the qualifications provided under the Manual. Every year, each Director is selected through a process intended to appoint a diverse mix of highly competent directors and officers with in-depth knowledge and experience in the core industries of AEV and/or corporate management and financial expertise. Any shareholder may nominate a director and Independent Director. Nominees for directors are submitted to the Corporate Governance Committee (to which the Nominations and Compensation Committee has been merged into). The overall procedure is in compliance with the Amended Implementing Rules and Regulations of the Securities Regulation Code.

Each member of the Board holds office for one year until his successor is elected at the next annual shareholders’ meeting in accordance with the Corporation Code, the Company’s By-Laws and the SEC guidelines. The Company allows shareholders to elect board members individually through the nominations process. At annual shareholders meetings, in accordance with the Corporation Code, the Company follows the rule of One- Share-One vote. Thus, minority shareholders can influence the board composition by way of cumulative voting rights. A cumulative voting right is a statutory right allowed in accordance with the Corporation Code of the Philippines.

The roles and responsibilities of a member of the Board of Directors are clearly defined in the Company’s Amended By-Laws and its main purpose, as enunciated in the Manual, is to represent and protect the interests of the owners of the business, i.e., our shareholders, and all other key external stakeholders, regardless of category, in accordance with the Company’s corporate charter and applicable laws.

All members of the Board of Directors and senior management executives have completed accredited corporate governance seminars. Pursuant to this directive, the Office of the Compliance Officer has also rolled out scheduled corporate governance seminars for all employees in the Company from rank and file, middle to top management.

The Company complies with Section 38 of the Securities Regulation Code and Rule 38 of its Amended Implementing Rules, requiring public companies to have independent directors constituting 20% of the total number of directors. As defined in the Securities Regulation Code, an independent director is “is a person other than an officer or employee of the corporation, its parent or subsidiaries, or any other individual having a relationship with the corporation, which would interfere with the exercise of independent judgment in carrying out the responsibilities of a director.

The Company’s Independent Directors are not encumbered with any management responsibility and are free from any business or other relationship with the Company that could materially interfere with their exercise of independent unfettered judgment as members of the Board. More importantly the independent directors chosen to the Company’s Board are independently minded professionals. There is nothing in the Company’s By-Laws and in any shareholder agreements or arrangements that constrain the independent director’s ability to vote independently.

In the May 17, 2010 Annual Shareholders’ Meeting, Mr. Stephen CuUnjieng was elected as Independent Director, bringing to 33% the total ratio of independent directors in the Board. He replaced Mr. Mikel A. Aboitiz who continues to be an officer of your Company as Senior Vice-President/Chief Information Officer/Chief Strategy Officer.

At the same meeting, shareholders elected the following Board members for the 2010–2011 term:

2010-11 DIRECTORS	
Jon Ramon Aboitiz	Chairman of the Board
Erramon I. Aboitiz	Director
Enrique M. Aboitiz Jr.	Director
Roberto E. Aboitiz	Director
Justo A. Ortiz	Director
Antonio R. Moraza	Director
Jose C. Vitug	Independent Director
Roberto R. Romulo	Independent Director
Stephen CuUnjieng	Independent Director

Members of the Board annually assess the Board’s and their own individual performance through a Board Assessment Review initiated by Board Corporate Governance Committee. The Board Corporate Governance Committee recently conducted the 2010 Board Self-Assessment Review and the CEO assessment last February 3, 2011.

The Board meeting attendance of individual directors is reported to the Board Corporate Governance Committee by way of the Board Performance Report and SEC Certificate of Attendance. The attendance of the directors to the Company’s board meetings was exemplary with an overall percentage of 91% attendance record for the eight regular and special strategy meetings for 2010 for each director and 93% presence of directors per meetings.

Some of the clearly defined objectives of the Board are to improve shareholder returns; develop responsible long-term investors; and achieve discipline and sustainable growth. Among the significant transactions approved by the Board in Year 2010 were the signing of Notes Facility Agreement, acquisition by the Company and its wholly owned subsidiary Pilmico Foods Corporation (PFC), of up to 60% and 40% respectively, of City Savings Bank’s outstanding shares of stock and the strategic sale of AEV’s shareholdings in Aboitiz Transport System (ATSC) Corporation (its transport business), to focus on other expanding core businesses.

The Company's directors are respected individuals of proven competence, integrity and known to be independently minded professionals. The Board is lead by a Chairman who is very knowledgeable about the Company's core businesses, seasoned in corporate finance with a deep commitment to corporate social responsibility. The Chairman, who is a non-executive director, ensures that the Board functions in an effective, robust and collegial manner. Despite relationship of consanguinity between the Company's CEO and the Chairman of the Board, all decisions and dealings are done in a professional manner in keeping with an Aboitiz Family constitution that sets strict standards for each member's work involvement in the Aboitiz group companies. (See Section on Information on Directors and Officers)

PSE AND SEC COMPLIANCE REPORT

The Office of the Corporate Secretary and Chief Compliance Officer regularly monitors AEV's compliance with the PSE and the SEC regulatory requirements. The Company is fully compliant for Year 2010.

MONITORING AND CONTROL

The Board of Directors is fully compliant with the Company's Manual. The Company has a clear record of compliance with SEC and PSE rules and regulations.

The Board approved the amendment of the Corporate Governance Manual on September 2009 and recently, in November 2010 to update it to current best practices. The Company is working closely with the SEC to further amend the Manual to align it with SEC's new directions. The Manual designates a Chief Compliance Officer and defines his duties as well as outlines a Plan of Compliance revolving around the Board of Directors, its composition, qualifications, roles and responsibilities, the delineation of the roles of the Chairman and the CEO, conflict of interest and business interest disclosures, Board meetings and quorum requirements, and adequate and timely information and accountability of audits. The Company's Manual also specifies the composition and duties of the newly created and restructured board committees, the qualifications of the Corporate Secretary, an information security management policy, a sustainability policy a risk management policy, communication process and training process, reportorial or disclosure system of the Company's corporate policies, shareholders' benefit statement and a monitoring and assessment system. The Chief Compliance Officer coordinates with the regulatory officers of the Company's BUs to ensure compliance with other laws as well as to ensure the checks and balances and mitigating penalty measures are imposed.

BOARD COMMITTEES

The Company's Board Committees are: Board Audit Committee, Board Risk Management Committee, and the Board Corporate Governance Committee. Membership in the Committees is from the duly elected directors of the Company's Board of Directors as regular members assisted by key officers of the Company on ex-officio basis.

The Board decided at its May 17, 2010 meeting to amend the Manual and have the functions of the Board Strategy Committee subsumed under the scope of functions of the full Board membership. As a result, the Board holds a special strategy Board meeting in addition to the strategy sessions at the regular board meetings, and the informal strategy meetings of the Directors.

At the same meeting, the Board also approved the merger of the Board Nominations and Compensation Committee into the Board Corporate Governance Committee. Membership of Independent Directors to both Board Corporate Governance Committee and Board Risk Committee was also increased. Independent Directors now comprise 60% of the voting members of the Board Corporate Governance Committee, 60% for the Board Audit Committee and 25% for the Board Risk Management Committee.

BOARD CORPORATE GOVERNANCE COMMITTEE

Below is the membership of the Board Corporate Governance Committee.

BOARD CORPORATE GOVERNANCE COMMITTEE	
Jon Ramon Aboitiz	Chairman
Roberto E. Aboitiz	Member
Roberto R. Romulo	Independent Director
Jose C. Vitug	Independent Director
Stephen CuUnjieng	Independent Director
M. Jasmine S. Oporto	Ex-Officio Member, Chief Compliance Officer
Sebastian R. Lacson	Ex-Officio Member, Chief Reputation Officer
Xavier J. Aboitiz	Ex-Officio Member, Chief Human Resources Officer

No resolution of the Corporate Governance Committee can be approved without the vote of an Independent Director.

At the September 23, 2010 meeting, the Board Corporate Governance Committee discussed and reviewed: Senior Management Leadership Appointments, Compliance of Independent Directors of Corporate Governance Seminar requirements, AEV' Insider Trading Rules and Disclosure Rules, SEC and PSE Reportorial Rules, the Company's ICD Corporate Governance Scorecard, the Annual Report, the Company's 2010 Corporate Social Responsibility Initiatives under Aboitiz Foundation, Inc., Reputation Survey Results and Key Initiatives, Investor Relations Report, PSE Rules on Public Float and Compliance; Annual Review of Amended Manual of Corporate Governance By-laws and Other Internal Rules of the Company, Amended PSE Lodgment Rules and PSE Revised Trading Rules, and the results of the American Corporate Counsel Survey of Corporate Governance Global Best Practices participated in by the Company.

At the February 3, 2011 meeting, the Board Corporate Governance Committee discussed, reviewed, approved the following: nominees for election of directors, proposed agenda for the 2011 annual general membership /shareholders meeting, timeline and contents for the 2010 Annual Report, Directors' per diem for 2011, 2011 salary increase guidance, proposed corporate governance initiatives, 2010 Statutory Compliance Report, Revised Board and CEO performance assessments, Corporate governance initiatives for 2011, PSE Corporate governance report, latest tax law developments affecting listed shares, status of amendment of By-laws of the Company, 2010 Corporate Social Responsibility Report, and the 2010 and 2011 Investor Relations Program.

Committee attendance has been an exemplary 100% for all directors, including the Independent Directors.

The Office of the Corporate Secretary and Chief Compliance Officer, pursuing the mandate of the Board Corporate Governance Committee, approved the current written policies and procedures designed to ensure compliance with the PSE and SEC disclosure rules, as well as other disclosure requirements under existing laws and regulations. These policies provide procedures and timelines for the disclosure of: material contracts, agreements and events that may impact on the control, ownership, and strategic direction of the Company, director and executive compensation policy, disclosures of groups or individuals who hold five percent or more ownership interest in the Company, significant cross-shareholding relationship and cross guarantees, as well as the nature and scope of the Company's ownership in other entities, annual and quarterly consolidated reports, cash flow statements and special audit revisions, consolidated financial statements and interim reports, changes to its corporate governance manual and practices, information necessary for shareholders decision making, trading of Company shares by directors, officers and controlling shareholders, annual reports, and any material event or information.

BOARD RISK MANAGEMENT COMMITTEE

The Board is committed to having a risk-aware corporate culture. The Board oversees the Company's risk management functions through the Board Risk Management Committee. The Board has adopted a formal risk management policy to guide and direct the Company's risk management and compliance processes and procedures. In 2009, the Company's Chief Risk Management Officer formally established the Company's Enterprise Risk Management platform in accordance with internationally recognized standards. (See Risk Management Report of the Chief Risk Management Officer)

The Board Risk Management Committee represents the Board in discharging its responsibility relating to all risk management related matters across the Aboitiz group companies. This Committee does not have decision-making authority, except in the circumstances outlined in the Manual or to the extent that the Board expressly delegates certain authority to it.

The Board Risk Management Committee is composed of three directors, one of whom, is independent, as well as two non-voting members, the Chief Financial Officer and the Chief Risk Management Officer.

The Board Risk Management Committee is composed of the following:

BOARD RISK MANAGEMENT COMMITTEE	
Jon Ramon Aboitiz	Chairman
Justo A. Ortiz	Member
Enrique M. Aboitiz, Jr.	Member
Stephen CuUnjieng	Independent Director
Stephen G. Paradies	Ex-Officio Member, Chief Financial Officer
Rolando C. Cabrera	Ex-Officio Member, Chief Risk Management Officer

In its 2010 meetings, the Board Risk Management Committee reviewed, discussed, updated and approved the following matters: 98% completion status of the Risk Assessment Plan of targeted Business and Support Units, presentation of AEV's Top 10 Risks, creation of the Insurance Management Committee and identification of its roles and responsibilities, new insurance policies and procedures, approval by the Monetary Authority of Singapore last January 2010 on the application for captive insurance.

Committee meeting attendance has been an exemplary 100% for all directors, including Independent Directors.

The Board Risk Management Committee's initiatives for 2010-2011 involve the further implementation of the Risk Based Audit process, which will cover critical risk areas and the training and development of risk managers for the BUs who will implement the roll out of the Company's risk mitigation and treatment program.

BOARD AUDIT COMMITTEE

The Company has an established internal audit group, the Corporate Audit Team, which is overseen by the Board through the Board Audit Committee. The Board Audit Committee represents the Board in its oversight responsibility over all audit-related matters of the Company's group companies. It oversees the optimization of effective financial management, as well as compliance with regulatory reporting requirements for all Business Units.

The Board Audit Committee oversees the function of the Corporate Audit Team in maintaining a comprehensive enterprise-wide compliance program and a robust and an institutionalized quality service platform for the Company's internal audit functions that are annually reviewed. The Board Audit Committee, in conjunction with the Corporate Audit Team, performs the following functions: reviews and approves non-audit services conducted by the external auditor and corresponding fees, assesses and recommends the external auditor on behalf of the Board to ensure a selection of credible, competent, external auditor with the ability to understand the complexity of the entire range of the transactions of the Company, provides the Board with adequate and relevant information on the external auditors for a fair and transparent selection or tender process, and schedules regular meetings and dialogues with the external audit team (with and without management teams present). The Company's Chief Financial Officer (CFO), an ex-officio member of the Board Audit Committee, attends meetings between the Board Audit Committee and the external auditor primarily to ensure (a) immediate clarification and feedback of audit issues to the Audit Committee, and (b) prompt instructions to the Company of any policy that the Board Audit Committee proposes to implement. The Company follows the policy of rotating lead audit partner of external auditors every five years.

Existing corporate audit policies require that the financial reports are attested to by the Chief Executive Officer and Chief Financial Officer and that a sound internal audit, control and compliance system is in place and working effectively in the Company.

The Corporate Audit Team ensures that that existing Company mechanisms allow all stakeholders to raise valid audit issues to the Board Audit Committee. The Company's internal audit team is currently establishing an ISO 9001:2008 Quality Management System to further raise the quality of internal audit services of the Company to itself and to all Business Units.

The Board Audit Committee's executive decision-making authority is limited to the circumstances listed in the Manual and to such delegated authority issued by the Board. By defined policy, the Board Audit Committee recommends to the Board of Directors the choice of external auditor and pre-approves audit plans and the scope and frequency of audits before an audit is actually conducted. Services of external auditors for the years 2008, 2009 and 2010 were pre-approved by the Board Audit Committee. The Board Audit Committee also reviews the extent and nature of these services to ensure that the independence of the external auditors, are preserved.

The Board Audit Committee is composed of at least three directors. Currently, three Independent Directors sit in the Committee, and two non-voting members in the persons of the CFO and the Chief Risk Management Officer. The Chairman of the Board Audit Committee is an Independent Director. Each member, generally with accounting and finance backgrounds, has adequate understanding, familiarity and competence on most of AEV's financial management systems and environment.

The 2010–2011 Board Audit Committee membership is as follows:

BOARD AUDIT COMMITTEE	
Jose C. Vitug	Chairman, Independent Director
Roberto R. Romulo	Independent Director
Stephen CuUnjieng	Independent Director
Roberto E. Aboitiz	Director
Justo A. Ortiz	Director
Stephen G. Paradies	Ex-Officio Member, Chief Financial Officer
Rolando C. Cabrera	Ex-Officio Member, Chief Risk Management Officer

The Board Audit Committee held four meetings in 2010 and one meeting in March 2011, at which meeting, the Committee reviewed and approved the Company's 2009 Consolidated Audited Financial Statements prepared by the external auditors and the Company's unaudited financial statements for the first to the third quarters of the year. The Board Audit Committee also reviewed the annual audit programs and internal auditor's reports of the Company and its business units. It provides the Board of Directors with a regular Financial Report review. The Board Audit Committee also reports to the Board the Company's compliance with legally mandated accounting standards.

At its regular meeting last March 3, 2010, the Board Audit Committee approved a resolution to submit for the approval of the stockholders during the annual general membership meeting, a proposal to delegate to the Board of Directors the authority to appoint the Company's external auditors for 2010. The proposal is intended to give the Board Audit Committee sufficient time to evaluate the different auditing firms who have submitted engagement proposals to act as the Company's external auditor for 2010.

Committee meeting attendance has been excellent at 81.25% for all directors, including Independent Directors.

Aside from the Board Committees established by the Manual, the Company has other policy recommendatory and evaluation committees, such as, but not limited to, the AEV Corporate Mancom, the Group Mancom, the Human Resources Committee, Legal Executive Committee (LexCom) and the Government Relations Committee.

The LexCom is one of the Company's institutional venue enabling members of the Legal & Corporate Services Team to meet with the executive management to discuss legal issues and concerns that affect the group. It is overseen by the Company's CFO and managed by the Chief Legal Officer. The LexCom has oversight over the Company's compliance with laws and regulations. The Chief Human Resources Officer, the Chief Risk Management Officer, the Chief Financial Officer of Aboitiz Power Corporation, as well as the legal team of the Legal and Corporate Services, the regulatory legal team and Business Units' legal team also participate in the LexCom meetings. The members report, discuss and assess corporate governance compliance track records, identification and mitigation of legal risks, review of litigation management procedures, tax protocols, current litigation issues and other related matters affecting the Aboitiz Group of companies, including overall legal expenditure of the Company's Business Units.

The LexCom meets every two months to regularly update management on ongoing projects or activities of the Legal and Corporate Services Team. The purpose of these meetings is to provide Executive Management with up to date and relevant legal developments within the subsidiaries and affiliates of the Company. The LexCom reviews if there are any requests for waivers or exemptions of company governance rules. The LexCom initiates the formal adoption of the Company's code of ethics and proper conduct that guides individual behavior and decision making, clarifies responsibilities, and informs other stakeholders on the conduct expected from company personnel. The LexCom sets the policies and procedures for curbing and penalizing company or employee involvement in unethical behavior, such as offering, paying and receiving inappropriate rewards.

The Office of the Chief Legal Officer is responsible for ensuring compliance by the Company, subsidiaries and affiliates, with all relevant laws, rules and regulations, as well as all regulatory requirements, including the protection and respect for intellectual property rights. The LexCom is responsible for the comprehensive legal compliance program of the Company. As part of its program, the LexCom and the Office of the Chief Legal Officer oversee the appropriate training and awareness initiatives to facilitate understanding, acceptance and compliance with the said issuances by the employees and the Business Units. The Company has a regulatory compliance team that handles compliance issues for the Company. The Company also has a government relations committee composed of senior management and certain members of the Board, having oversight over the Company's legal and administrative concerns and issues.

The LexCom also reviews or recommends the appropriate dispute resolution system for conflicts and differences with counterparties, particularly with shareholders and other key stakeholders to ensure that they are settled in a fair and expeditious manner from the application of a law, rule or regulation especially when it refers to a corporate governance issue.

THE RIGHT OF SHAREHOLDERS

EFFECTIVE EXERCISE OF SHAREHOLDERS' RIGHTS

The Company recognizes and upholds the importance of a genuine exercise of shareholders' rights as granted by the Corporation Code of the Philippines, by other related laws and by its corporate covenants under the Company's By-Laws and the Company's Manual. The Board and management team ensure the promotion of these rights and have been mandated to institute remedial measures to swiftly address any violation or transgressions.

ONE SHARE – ONE VOTE

The exercise of a shareholder's voting right is encouraged by the Company to ensure meaningful participation in all shareholders' meetings. The Board is directed to remove excessive costs and other administrative or practical impediments to a shareholder's right to vote. The counting of shareholders' votes is done in accordance with the general provisions of the Corporation Code. The Office of the Corporate Secretary supervises the counting of votes.

Voting methods and vote-counting systems employed by the Company are clearly explained to ensure the effective exercise of Shareholders' right to vote. As earlier mentioned, the Company follows the system of cumulative voting for the election of directors, to allow shareholders an opportunity to elect each member of the Board of Directors individually. Other matters are also decided through voting by shares of stock. The Company adheres to the one-share-one-vote policy for the same class of shares. Proxy voting is allowed at all meetings and is facilitated through proxy voting forms. In its regular board meeting last November 12, 2010, the Board of Directors of the Company approved the deletion of the notarization requirement of proxy forms to be used in all shareholders' meetings of the Company. This is to facilitate easy voting by shareholders, in line with the Company's efforts to improve corporate governance practices. As such, the amendment of the Company's By-laws to remove the notarization requirement, while approved by the Board, will be presented to the shareholders for their information and better understanding.

PRE-EMPTIVE RIGHTS

Pre-emptive rights to subscribe to the capital stock of the Company, if offered, are also available pursuant to the Company's By-Laws and the Corporation Code. The Company's Articles of Incorporation states the specific rights and powers with respect to each class of shares. Such rights and powers are protected insofar as they do not conflict with the Corporation Code.

The Company adopts the policy of statutory shareholder voter protection requirements of the Corporation Code of the Philippines and the rules of the PSE which require either supermajority vote or majority of minority vote on certain transactions.

The Company consistently provides all shareholders with the notice and agenda of the annual general meeting at least thirty (30) days before a regular meeting and twenty (20) days before a special meeting. The Company also publishes Notices of Shareholders' Meetings in national newspapers of general circulation. Under the Company's By-Laws, shareholders may call a special shareholders' meeting, submit a proposal for consideration at the annual general membership or the special meeting. The Company makes it a point that the external auditor and other relevant individuals attend the annual shareholders' meetings to answer shareholder questions in such meetings. The Office of the Corporate Secretary ensures that all relevant questions during the annual shareholders' meetings are answered and recorded.

The Company has clear and enforceable policies with respect to treatment of minority shareholders. Compliance with the Philippine Corporation Code ensures shareholder against anti-takeover maneuvers or similar devices that may entrench management or the existing controlling shareholder group to avoid shareholder opportunism, and provides all shareholders with accurate and timely information regarding the number of shares of all classes held by controlling shareholders and their affiliates.

The Company recognizes other ownership rights beyond voting. In addition to the right to vote, the Company's shareholders have the right to: inspect the corporate books and records, be furnished annual reports and financial statements without costs and restrictions, access to information, receive dividends in accordance with the Company's dividend policy, and to exercise its appraisal right. When applicable, the Company commits to follow the mandatory tender offer requirements under the Securities Regulation Code.

RIGHT TO INSPECT CORPORATE BOOKS AND RECORDS

Shareholders enjoy the right to inspect corporate books and records, including minutes of Board and Stockholders' meetings and the stock and transfer registry records affecting their shares. The Office of the Corporate Secretary ensures that all minutes of annual and special meetings of shareholders clearly and satisfactorily reflect all matters taken up at these meetings. The issues and motions raised, agreements arrived at during the meetings and corporate acts approved or disapproved are concisely reported. Resolutions and corporate acts approved or disapproved by the shareholders or Board of Directors are accurately recorded in the minutes. The Corporate Secretary dutifully records the minutes of the meetings and notes the attendance of the members of the Board of Directors and other key officers, who are identified at meetings.

RIGHT TO INFORMATION ON THE CORPORATION

Pursuant to the corporate governance principle of disclosure and transparency, information on the Company is made readily available. The Company provides shareholders with periodic reports that include information about the Board of Directors and key officers, including relevant professional information on the Directors and Officers, their shareholdings and dealings with the Company and their aggregate compensation.

The Investor Relations Officer and the Office of the Corporate Secretary have an established communications strategy and protocols to promote effective communication and liaison with shareholders.

Annual reports and financial statements of the Company may be secured without cost or restrictions and these are also available at the Company's website: www.aboitz.com

RIGHT TO PARTICIPATE IN SHAREHOLDERS' MEETINGS

The Company strives to maintain a transparent and fair conduct of its annual and special shareholders' meetings and believes that accurate and timely information should be made available to the shareholders to enable them to make a sound judgment on all matters brought to their attention for consideration or approval. The Annual Report, distributed prior to and during the annual stockholders meeting and available from the Company's website, includes the highlights and summary of the financial condition of the Company. The Information Statement filed with the SEC is prepared with the objective of providing full and accurate information enabling stakeholders to make informed decisions. Shareholders are provided with individual profiles of new and returning directors, as well as a summary of the Board meeting attendance and performance record of its directors.

The Company's policy on directors' compensation is disclosed to shareholders, and the proposed directors' compensation is presented for shareholder approval at the annual stockholders meeting. For 2010, AEV shareholders approved the monthly allowance of P80,000 for its directors and P120,000 for the Chairman of the Board.

In addition, the following 2010 per diem for every Board or Committee meeting attendance was approved by the shareholders last year:

2010 Directors' Per Diem

TYPE OF MEETING	DIRECTORS	CHAIRMAN
Monthly Allowance	P80,000	P120,000
Board Meeting	P60,000	P90,000
Committee Meeting	P50,000	P60,000

The Board Corporate Governance Committee recently conducted a survey on current directors' compensation levels of peer companies and based on such survey submitted to the Board for approval the proposed 2011 directors' per diem. The proposal will be submitted to the shareholders for approval at the annual shareholders' meeting this May 2011. Below is the proposed Director's compensation for 2011 for approval by the shareholders:

2011 Proposed Directors' Per Diem

TYPE OF MEETING	DIRECTORS	CHAIRMAN
Monthly Allowance	P100,000	P150,000
Board Meeting	P100,000	P150,000
Committee Meeting	P80,000	P100,000

Information on Sycip Gorres Velayo (SGV), the External Auditors of the Company, is also disclosed to all shareholders, together with the name of the current audit partner and the engagement fees charged by SGV.

SGV has been the Company's external auditing firm for the last 17 years. By policy, the Company changes its audit partner every five years.

ATTENDANCE AT ANNUAL SHAREHOLDERS' MEETING

The Chairman of the Board of Directors, the Chief Executive Officer, the chairmen of the various Board Committees, and the Company Corporate Secretary all attend the annual shareholders' meetings of the Company to answer any questions shareholders may have concerning the Company. Likewise, all members of the Board of Directors and other key officers are present at the shareholders' meeting and have been present at the past three annual shareholders' meetings. It is also the practice of the Company to hold a separate shareholders' briefing in Makati City two days after the annual shareholders' meeting to give shareholders who could not attend the Annual Shareholders' Meeting in Cebu City an opportunity to listen to the presentation by the Board and top Management on the current state of the Company's business and affairs and to ask any questions from the Directors and Officers.

RIGHT TO RECEIVE DIVIDENDS

The Company has a clear and transparent dividend policy. This is disclosed in the Operational and Financial Information section of the Annual Report, in the Information Statement and in the Report of its Chief Financial Officer. The Company maintains an annual cash dividend payment ratio of approximately one-third of its consolidated net income from the preceding fiscal year, subject to the requirements of applicable laws and regulations and the absence of circumstances that may restrict the payment of cash dividends. (See *Management's Discussion and Analysis or Plan of Action in Annual Report*)

APPRAISAL RIGHT

Shareholders enjoy the appraisal right or the right to dissent and demand payment of the fair value of their shares. The right is exercised under circumstances provided in the constitutive documents of the Company and within the statutory requirements of Section 82 of the Corporation Code of the Philippines, which disallows payment of such shares if the Company has no unrestricted retained earnings in its books to cover a payment.

EQUITABLE TREATMENT OF SHAREHOLDERS

VOTING RIGHTS OF MINORITY SHAREHOLDERS

The Company believes in the value of building a sustainable and long-term relationship with its shareholders, and ensures that the Company's minority shareholders are equitably treated. Through the cumulative voting system, minority shareholders have the ability to influence Board composition. However, the removal of a director will not be allowed if this will result in a denial of minority shareholders representation in the Board.

Other rights enjoyed by minority shareholders include the right to propose the holding of a meeting and the right to propose items in the agenda of the meeting, provided that these items are for legitimate business purposes. The minority shareholders have access to any and all information relating to matters for which Management is accountable for and other information that is necessary. If certain information is not included, then the minority shareholders can propose to include any legitimate matters in the agenda of shareholders' meeting.

FAIR DEALINGS FOR ALL SHAREHOLDERS

As a publicly listed holding company, the Company is subject to numerous laws and regulations. It is the responsibility of everyone within the organization to know and understand the laws applicable to their job functions and to comply with both the letter and spirit of these laws and regulations to avoid actual misconduct and any appearance of impropriety. The Board Corporate Governance Committee is currently codifying its Director's Code of Conduct to highlight its responsibility of fair dealing. Every employee is responsible for fair dealings with the Company's suppliers, customers, creditors, analysts, market intermediaries and participants. The Company also has a policy requiring full disclosure of details of related-party transactions in public communications.

The Company's Code of Ethics and Business Conduct outlines the general expectations of, and sets standards for employee behavior and ethical conduct. Board members, Management and all other employees are informed of the Code and strict adherence is enjoined.

The Company strictly enforces a Policy on Trading of Company securities. The Policy imposes a trading blackout on AEV securities beginning ten trading days before and until two full trading days after the release of the quarterly or annual earnings of the Company. The Chief Compliance Officer sends out notices requiring the strict observance of the trading blackout via various media (email and short messaging services) to all the Directors, Officers and identified key employees of the Company during any relevant blackout period.

Insider trading is strictly prohibited under the Code of Ethics and Business Conduct and the Manual. The Amended Manual prohibits every member of the AEV organization from any misuse of inside information.

The Company promotes a culture of service, excellence and leadership. We believe that this environment promotes the recognition of a duty for employees and officers to advance AEV's interest and that of its stakeholders. No employee, officer or director may use his position or corporate property or information for personal gain, and no employee, officer or director may take for himself Company opportunities for sales or purchases of products, services or interests. Protection of proprietary and confidential information generated and gathered in the conduct of business is considered the obligation of every member of the AEV organization. Everyone is also expected to respect the property rights of other companies.

Our employees and officers are encouraged to promptly report any potential relationship, action or transaction that may give rise to a conflict of interest to the Human Resources Department or to the Chief Compliance Officer. Directors are under the obligation to disclose any actual or potential conflicts of interest to the Chairman of the Board and the Chief Compliance Officer. All Directors are also required to inhibit themselves from any Board discussion or decision affecting their personal, business or professional interests. Legal proceedings involving Directors and Officers that could affect their ability and integrity to serve the Company are required to be disclosed to the Chief Compliance Officer. No issues relating to related party transactions or conflict of interest has been raised in the past or recent years.

DISCLOSURE AND TRANSPARENCY

The Company is committed to elevating its standards of disclosure and transparency and the quality and depth of its corporate governance practices to enable the investing community to understand the true financial condition of the Company. Through the Investor Relations Office, the Annual Report, the Company website, the Company's Information Statement and all disclosures to the PSE and SEC, the Company publishes timely material information on its businesses.

DISCLOSURE OF MATERIAL INFORMATION

The Company periodically submits to the PSE a public ownership report detailing the extent of ownership of controlling shareholders, including the shareholdings of their subsidiaries and affiliates, and that of the Directors and Management. It also submits to the PSE a list of its top 100 shareholders every quarter. It discloses its top 20 shareholders, including shareholders of record and beneficial owners owning more than five percent of the Company's outstanding capital stock, and shareholdings of its Directors and Officers in the Company's Information Statement, and sends this to shareholders annually. The Company, however, has no control over outside shareholders who may choose to put their shares under nominee holding companies such as the PCD Nominee Corporation, and is thus unable to make any disclosure on details of that ownership.

The Company strives to publish a clear, comprehensive and informative Annual Report (see Management's Discussion and Analysis or Plan of Action, the Audited Financial Statements and Results of Operations of the Annual Report for details of the financial and operating results of the Company Shareholders' Report and Results of Operations section, Operating risks, in the Audited Financial Statements,

The Company has a transparent policy on compensation for its Directors and key executives. Information on the basis of Board remuneration is readily accessible through the Company's Annual Report. The Board Corporate Governance Committee ensures that the Directors and executives' remuneration is consistent with the Company culture, strategy and business policies at a level sufficient to attract and retain directors and officers who are needed to run the Company successfully. The Company rewards its individual Directors and Officers based on ability to execute their duties and responsibilities. It is the Company's philosophy to reward officers and employees based on individual performance measured through established Human Resources management metrics. Performance is evaluated and compensation is reviewed on an annual basis. The Company ensures that it pays its directors and officers competitively by comparing rates with other Philippine-based companies through participation in and access to market salary surveys.

The Company is compliant with the requirement for the members of the Board of Directors and management to report or disclose to the SEC and the PSE, within five trading days from the disclosed transaction, any acquisition, disposal or change in their beneficial shareholdings in the Company. This is to monitor and ensure a proper relationship between Directors and the Company. Under its Manual, Directors have a duty to avoid conflicts of interest. Thus, a director must not do anything for and on behalf of the Company where his motivation and loyalties would be divided, or would result in favoring his own self-interest, or allowing someone connected or related to him to be given equal or higher stature to that of the Company. Directors have a duty to account to the Company for any profit or gain he may have obtained as a result of such activities. The Company may thus exercise certain rights against the director for acting in circumstances such as conflict of interest.

TRANSPARENCY OF AUDIT PROCESS

The Company's Corporate Audit Team and the Board Audit Committee conduct the Company's internal audit operations. The Corporate Audit Team conducts its own internal audit, providing an independent review of the Company's organizational and operational controls and risk management policies to ensure its effectiveness and appropriateness, and that they are complied with. The Corporate Audit Team reports to the Board Audit Committee.

With an independent audit function, the Corporate Audit Team provides reasonable assurance that the Company's key organizational and procedural controls are effective, appropriate and complied with. The team is also responsible for identifying and evaluating significant risk exposures and contributes to the improvement of risk management and control systems. This is done by assessing adequacy and effectiveness of controls covering the organization's governance, operations and information systems. The Corporate Audit Team adheres to established professional standards and such standards promoted by the Institute of Internal Auditors' Code of Ethics.

Aside from an internal audit, an annual external audit of the Company is performed by SGV, which has been serving as the Company's external auditors for the fiscal years 1994 to 2009. Mr. J. Carlitos G. Cruz was the audit partner for the Company for 2009. Previously Mr. Ladislao Z. Avila served as the audit partner of the Company from 2004 to 2008. Our external auditors also attend the Company's annual stockholders' meeting to respond to questions on the Company's audited financial statements for 2009.

There has been no event in the past 17 years where the Company and its external auditors or the handling partner had any serious or material disagreement with regard to any matter relating to accounting principles or practices, financial statement disclosure or auditing scope or procedure.

LINKAGES TO THE COMPANY

The Company website contains up-to-date corporate information of the Company, including details of its business operations. The Investor Relations section of the Company website provides financial highlights, recent press releases and information on the shareholding structure and organizational structure of the Company, among others. An electronic copy of the Annual Report including the Corporate Governance Report can also be downloaded from the website. In addition, Management regularly provides updated news on the Company website.

The contact details for your Company's Investor Relations Office and shareholders inquiry point person is available on the website.

RELATED PARTIES TRANSACTIONS DISCLOSURES

The nature and extent of transactions with affiliated and related parties are disclosed annually to shareholders through the Company's Information Statement, Annual Report and Audited Financial Statements. The Company and its subsidiaries enter into related party transactions consisting of payment of shareholder advances, professional fees and rental fees. These are made on an arm's length basis and at current market prices at the time of the transactions. Service and management contracts are also entered into with subsidiaries and affiliates for corporate center services, such as human resources support services, internal audit services, legal and corporate compliance services, treasury and corporate finance services, technology infrastructure services. These services are obtained from the Company to enable the Aboitiz group of companies to realize cost synergies. Transactions are priced on a cost recovery basis. In addition, transaction costs are always benchmarked to third party rates to ensure competitive pricing.

THE ROLE OF THE STAKEHOLDERS IN CORPORATE GOVERNANCE

The Company has a corporate policy and an entrenched culture that recognizes and protects the rights and interests of key stakeholders, specifically its employees, suppliers and customers, creditors, as well the community, environment and other key stakeholder groups.

The Company has a long and deep corporate social responsibility culture and program. *(See Aboitiz Foundation Inc. Annual Report)* It also has Sustainability Program and is committed to the principles of sustainability as these relate to the Company's businesses. *(See Sustainability Report)*

The Company recognizes that corporate governance principles revolve around relationships between and among the many stakeholders and the goals for which a corporation is governed. Its principal stakeholders, the shareholders, management teams, employees, Board of Directors, lenders, financing providers and intermediaries, regulators and the community, together contribute to the successful pursuit of the Company's business goals. This is why AEV makes sure that its various stakeholders are dealt with fairly and honestly, consistent with its mission and vision and its commitment to service.

THE EMPLOYEE AS A STAKEHOLDER

Corporate HR has an in-house universal training passport program for all employees such as the Principles of Quality Living, Seven Habits, Creating the Future Organization, Basic Quality Awareness, Working Program. The Company adheres to a merit-based performance incentive pay compensation package that includes some form of employee stock purchase plan, merit increase schemes and bonus schemes for performance and incentives to employees.

EMPLOYEE RELATIONS

The Company believes in inspiring our employees, developing their talents and recognizing their value as business partners. The contribution of every employee is important to the fulfillment of the Company's goals. The Company is committed to a workplace in which all individuals are treated with dignity and respect. The Code also promotes a safe and healthy working environment, an environment that provides equal employment opportunities and prohibits discriminatory practices.

Employees' professional and personal growth is of paramount concern to the Company and the Company is keen to provide opportunities to deepen employee's understanding of the Company's value-creating proposition. The Company cultivates a culture of life-long learning through high value, relevant, quality training programs designed to support employee career development path and personal growth. Corporate HR has a key Talent Retention Program for succession planning.

The Company maintains open lines of communication between Management and employees and between and among the Board of Directors, the management team of the Business Units, allowing AEV's employees to interact with top executives in the organization and provide opportunities for leadership role models and mentoring. This allows a free exchange of ideas and shared experiences, promoting teamwork, collaboration, cooperation, innovation and diversity within the organization.

OCCUPATIONAL HEALTH & SAFETY

The Company is committed to the health, well being and safety of its employees and has policies and benefits relating to these matters.

RELATIONS WITH SHAREHOLDERS, CUSTOMERS, SUPPLIERS, BUSINESS PARTNERS AND FINANCING PROVIDERS

The Company believes in the value of its shareholders and ensures that its shareholders and investors receive timely, relevant, balanced, high-quality and understandable information about the Company. The Investor Relations Office assures shareholders and investors of an easy and direct access to officially designated spokespersons for clarifying information and issues as well as dealing with investor concerns.

The Investor Relations Office conducted investors' briefings on March 5, 2010, May 7, 2010, August 6, 2010 and November 5, 2010 as a forum for investors to discuss the Full Year 2009 Financial Operating Results, First Quarter 2010 Financial and Operating Results, First Half 2010 Financial and Operating Results and Third Quarter 2010 Financial and Operating Results.

In dealings with its customers, suppliers and business partners, the Company abides by the Fair Dealing Policy found in its Code of Ethics and Business Conduct and that no one should take unfair advantage of anyone through manipulation, abuse of privileged information, misrepresentation of facts or any other unfair dealing practice.

Its commitment to its shareholders is reflected in the Company's comprehensive reports on its operations, particularly its Report to Stockholders in the Annual Report. Its senior financial officers, executive officers and directors endeavor to inform and assure shareholders of the timely discharge of financial responsibilities through the Annual Report of the Company. The Audited Financial Statements of the Company gives a clear view of the Company's financial condition. All pending legal and tax proceedings, tax assessment notices, and voluntary assessment program or tax relief availment that are potentially material to AEV's business are disclosed through the Legal Proceedings section of the Information Statement of the Company.

RELATIONS WITH THE COMMUNITY AND THE ENVIRONMENT

The Company's broader obligations to society and the community are addressed by the Company's continued compliance with its Manual, with all relevant laws and regulations, and the principles of sustainable development practices by the Company and its Business Units. The Company is committed to strike a balance between economic growth and social development and environmental stewardship, in the conduct of its business. The Company implements programs that promote environmental preservation as well as social and economic development in the communities where its businesses operate. The policy of sustainability of businesses is now part of the Company's corporate governance culture. As the Company focuses on the horizon, it remains committed to its covenant of maintaining a well-governed trustworthy corporate entity for a sustainable future.

CitySavings prepares to take on Luzon

In 2010, Aboitiz Equity Ventures completed its acquisition of additional shares of CitySavings to increase its ownership in the thrift bank to practically 100%.

At 7:30 in the morning of every CitySavings banking day, each and every one of the bank's 334 team members sit silently before the image of the Sto. Niño to begin a daily ritual that was started 46 years ago.

*Almighty God,
We declare You as the Father and Head of this bank.
We begin this workday by seeking your forgiveness and offering our lives to you...*

This prayer sets the tone for the day to come, and provides team members with the inspiration to continue forth with the lofty objectives of the institution.

City Savings Bank (CitySavings) is an institution built on tradition. It was established in 1965 by two stalwarts of Cebu business, Don Ramon Aboitiz and Teotimo Abellana, as a savings and loan association that every citizen — especially low-income earners — could bank with. For a long time, its mantra was “*pagamay-gamay lang*” (just in trickles), referring to the manner in which deposits could be made. The head office is located close to the Basilica of Sto. Niño in downtown Cebu and is accessible to every Cebuano.

Through the decades, it has grown into a thrift bank with 26 branches nationwide. It is especially strong in Regions 6 (Panay and Negros), 7 (Cebu and Bohol) and 8 (Leyte and Samar), where it has multiple branches. Mindanao has three branches while the move into Luzon began with the opening of the Calamba, Laguna branch in 2010. New branches are set to open, including the flagship Ortigas Center branch very soon. More branches are planned for northern Luzon.

CitySavings has always put a premium on establishing a close relationship with its clients. This is partly the reason its non-performing loans ratio, at below 2%, is one of the lowest for thrift banks in the country. Branch managers are enjoined to know their customers on a first-name basis. Its loan book has also expanded significantly in the last five years, in step with growth in the liability side of the business.

In 2010, Aboitiz Equity Ventures (AEV) completed its acquisition of additional shares of CitySavings to increase its ownership in the thrift bank to practically 100%. Under the AEV umbrella, CitySavings is poised to grow and flourish even more, along with its customers.

Definitely *pagamay-gamay* is no longer appropriate for CitySavings, for a much bigger future awaits it.





Straightforward
Banking



Running the good race

“The Asian CSR Award for our Race to Reduce initiative is a clear manifestation of our drive to lead, excel and serve. A great responsibility now lies in our hands to be examples not only in our business activities, but also in our CSR and sustainability efforts,” said AEV President & CEO Erramon Aboitiz.

The race to save Mother Earth is happening across the Aboitiz Group, and it has been running at a good pace over the past year.

In March 2010, thousands of employees in main offices of Aboitiz business units (BUs) nationwide accepted the challenge, in a simultaneous launch Group-wide, to cut energy, water and paper consumption in their work areas.

Aptly titled Race to Reduce (R2R), the program’s bigger aim is to reduce carbon emissions within the Group. The AEV Sustainability Team requires BUs to submit their monthly electric and water bills, a summary of paper volume purchased for the month, and the number of team members (TMs) occupying the office at a given month. The team then tracks the per-person consumption trend. The BU that registers the highest per-person reduction will be recognized and the overall winning company is given a prize.

Aside from measuring actual reductions in consumption, the competition serves as a vehicle for the cross-pollination of resource optimization ideas among team members (TMs) in the Group.

International recognition

After only seven months since it was launched, the R2R program bagged the top award in the environmental excellence category of the 2010 Asian CSR Awards held in Kuala Lumpur.

“The Asian CSR Award for our (R2R) initiative is a clear manifestation of our drive to lead, excel and serve. A great responsibility now lies in our hands to be examples not only in our business activities, but also in our CSR and sustainability efforts,” said AEV President & CEO Erramon Aboitiz. “I’d like to congratulate our Sustainability Team for initiating this Group undertaking, and all the TMs of the Aboitiz Group for embracing this remarkable effort and giving it a life of its own.”

Winning the award was a most welcome bonus for a program that was conceptualized primarily to strengthen the awareness on better resource stewardship in the Group. Aside from the Asian CSR Award, R2R also won an Anvil Award of Merit from the Public Relations Society of the Philippines, citing AEV for “successfully creating and implementing a massive nationwide resource conservation awareness program, enjoining its companies to minimize resource consumption and waste generation, thereby ensuring the longevity of its businesses.”





The R2R program started as a seed of an idea when the AEV Sustainability Team was contemplating on how to communicate sustainability throughout the Group using a simple and easy-to-understand approach while engaging BUs and TMs to participate. Sustainability is about prudent resource use and minimal waste generation and these were parameters considered in crafting the program.

Energy, water and paper are the most common resources used throughout the Group, and it was around these three elements that a program was drawn up. To incorporate the fun part, a contest concept was hatched where corporate centers or main offices are made to compete with each other in managing resource consumption and aim for the highest reduction in consumption—thus the Race to Reduce idea was born.

The concept of doing a competition to gain the biggest reduction in consumption gave the distinctive edge for the project to be considered for the Asian CSR award. The information dissemination and promotional blitz to gain attention to the project was instrumental in clinching the judges' nods. Broadcasting the program throughout the Aboitiz Group posed a big challenge in launching the project. The idea of doing the physical rounds among the BUs was scrapped because it would run counter to the conservation advocacy of sustainability. It would also increase carbon emission, which is contradictory to what the R2R program espouses.

In the end, it was decided that creating a video with the AEV president himself making a pitch for the campaign was the best way. A common launch date was set and communicated via the sustainability stewards in participating BUs. Copies of the videos were sent out and played during the simultaneous launch.

Encouraging results

The Group-wide results for R2R have been encouraging. By December 2010, all three categories registered marked decreases in consumption from previous months. For energy, it was down to 417 kWh per employee as against 449 kWh in August. Water posted a 0.41 cubic-meter-per-employee decrease, from 6.2 in August to 5.79 in December. Paper consumption went down to 0.32 reams per person from 0.66 reams in August.

The R2R program is set to do a level up, as it is now open to all branches and offices in the Group. From the initial cast of 12 participating BUs when the race began in May 2010, the number today is now 18. The awareness and the incentive of getting into a Group-wide program has certainly caught on. The sustainability stewards have been instrumental in making the campaign succeed.

As BUs continue to monitor their consumptions, the program will continue to run and be a testament of environmental excellence of the Aboitiz Group. Yes, definitely, it is running a good race.

As BUs continue to monitor their consumptions, the program will continue to run and be a testament of environmental excellence of the Aboitiz Group.

Fullfilling a green commitment

There are five sustainability pillars that govern our Sustainability initiatives: Rejuvenate Nature, Reduce, Re-use/Recycle, Renewable Energy and Recharge Communities.

AEV President and CEO Erramon Aboitiz leads team members in the Annual Group-wide Tree Planting as a manifestation of the Aboitiz Group's commitment to play an active role in ensuring better care of our natural landscape and promote biodiversity enhancement.



The Aboitiz Group endeavors to achieve our core element for sustainability—the 3P balance of profit, people and planet. We believe that as much as we can make our businesses grow and promote the well-being of our stakeholders at the same time, we can only do so in a healthy natural environment.

There are five sustainability pillars that govern our Sustainability initiatives: Rejuvenate Nature, Reduce, Re-use/Recycle, Renewable Energy and Recharge Communities.

Our first pillar is Rejuvenate Nature; we engage in programs that will enable better care of our natural landscape and promote biodiversity enhancement.

As of 2010, the nationwide inventory of surviving trees is 1.15 million. These trees were planted over the past decade by team members from business units (BUs) and affiliates, among them, Hedcor in Davao, Luzon Hydro in Benguet, and the Visayan Electric Company (VECO) in Cebu. Tree planting is an annual activity in the Aboitiz Group as part of our campaign to propagate trees in the local landscape.

In 2010, we again conducted the simultaneous tree planting effort—BUs across the country planting trees in their respective areas in one day—that we started in 2009. The activity saw 35,000 indigenous and fruit bearing trees being planted by at least 2,000 individuals from 20 BUs and volunteer groups.

Under the Reduce pillar, we look for ways to better conserve resources or minimize waste. In February 2010, we launched our Race To Reduce Program to create awareness among our employees Group-wide to be prudent in resource consumption and waste generation.

For the second time, we participated in Earth Hour in 2010, a global initiative to shut off lights in our offices and homes for an hour as part of efforts to help protect the environment and slow down climate change. For a week, various activities that seek to promote a practical and more eco-friendly lifestyle were conducted.

BUs nationwide also participated in the global Earth Day movement. In one day, employee volunteers contributed 1,084 man-hours or equivalent to 5 man-days spent on cleaning up communities where our BUs operate.

For the Re-use/Re-cycle pillar, we advocate to extend the lives of wastes and lower the volume that will be discarded. Group-wide, our BUs are already engaged in recycling wastes such as paper.

The Sustainability Team is currently implementing the Aboitiz Recycled Tarp (ART) Program. Instead of disposing of or giving away voluminous tarpaulin streamers used Group-wide, the Sustainability Team collects and recycles these into items like bags, reusable pouches and pencil cases. City Savings Bank is the initial partner for the program; it distributed pencil cases and reusable pouches to its clients and depositors as Christmas giveaways. Part of the funds earned from the program is channeled back to the BU to fund their customized sustainability projects.

Together with the Aboitiz Foundation, the Sustainability Team will soon partner with accredited external organizations and raise funds from used oil and discarded vehicle batteries. The funds earned will be plowed back to the donor BUs in the form of projects.

Our BUs are also constantly on the lookout on how to minimize waste and be more efficient in resource utilization. AboitizPower has Cleanergy, its core brand of clean and renewable energy. In the food group, the Iligan plant of Pilmico Foods is virtually zero-waste. The plant compound houses both flour manufacturing and feedmill facilities. A waste output from the flour process becomes an input to the feed process. In effect, waste is avoided and a by-product is created.

The Aboitiz Group also believes that part of ensuring a sustainable tomorrow is ensuring the welfare of communities where its businesses operate. In 2010, the Group, in partnership with the Foundation, allocated P245 million for various corporate social responsibility projects in education, primary health and childcare, enterprise development and environment.

Your company is seriously committed to sustainability and it is our commitment to our stakeholders and to mother nature. We will continue to explore how else we can strengthen our pursuit to create the 3P balance.

The Aboitiz Group remains steadfast in its resolve to strike a balance between making its businesses grow and ensuring the well-being of the communities where it operates. Its team members plant trees and implement other sustainable practices to promote a healthy natural environment.



Helping people help themselves

2010 was a breakthrough year of tremendous growth for CSR projects implemented by the entire Aboitiz Group; it embarked on bigger undertakings and expanded its reach across the country, thereby allowing it to implement various projects amounting to P245 million.



Years ago, farmers in Sitio Bayabas in the mountain barangay of Adlaon relied merely on hope and faith—that their small plots would be able to yield a decent volume of produce to assure them of being able to plant again after harvesting.

Whether they'd be able to buy seeds and fertilizers or rent farming equipment depended on how much money would be left to them after paying off loans and setting aside an amount for the needs of their families.

This uncertainty, however, is now a thing of the past.

In 2008, the farmers, who are now members of the Bayabas United Farmers Association (BUFA) led by 74-year-old Tomas “Nong Tomas” Naquines, approached the Aboitiz Foundation, Inc. (Foundation) primarily to secure funds to improve their yield.

BUFA aims to help its members sustain income-generating activities they had started individually.

In 2009, the Foundation granted the organization its first loan amounting to P126,000. The money was made available for coop members to borrow and buy seeds, fertilizers and farming equipment.

“We never thought that the Foundation would accommodate an organization as small as ours. We were very thankful when we learned that our loan application was approved,” Nong Tomas shares.

BUFA is among the 18 cooperatives that have benefited from the wider coverage and bigger budget appropriated by the Foundation for its projects. In 2010, it was again able to secure a loan from the Foundation, this time to be used to expand their plots or buy feeds for their swine. To ensure that they continue to enjoy the goodwill that the Foundation has extended to BUFA, Nong Tomas says they came up with guidelines on the payment of dues.

“We will still be implementing the same system of collecting monthly dues from members. We cannot afford to destroy our record with the Foundation. After all, they have been very instrumental in improving our way of life,” Nong Tomas says.

Indeed, 2010 was a breakthrough year of tremendous growth for corporate social responsibility (CSR) projects implemented by the entire Aboitiz Group. It embarked on bigger undertakings and expanded its reach across the country, thereby allowing it to implement various projects amounting to P245 million.

The Foundation increased its allocations for projects to P106 million in 2010, allowing it to implement new projects and improve existing projects in its focus areas of education, enterprise development, primary health and child care, and environment.

Business units (BUs) nationwide also directly funded their own community development and infrastructure projects to complement those being implemented by the Foundation. CSR initiatives that were directly funded by BUs reached P138 million.

With the increased funding and expansion to other areas, the Foundation focused on training and developing new CSR teams, and helping existing teams enhance their projects to ensure that these would translate to more sustained growth of their partner communities.

The Foundation will also introduce to BUs its scorecard system that will measure the impact of projects and how beneficiaries have benefited from them. The system also identifies the strengths and weaknesses of projects, and serves as a guide for the Foundation on how to improve project implementation. The Foundation will then use the results of the evaluation as basis to reward performing beneficiaries with more assistance. The results will also guide the board of trustees in determining where to put the Foundation's resources and which projects to replicate Group-wide.

In 2010, as in the previous years, education remained the main area of focus, getting the bulk in terms of monetary and time allocation at P131 million. Allocation for projects that promote primary health and child care reached P21.86 million, while more environment-related and outreach projects were implemented.

The enterprise development program, which provides microfinance and skills development projects to cooperatives, expanded its portfolio in 2010. After being very successful in Cebu, the program has been replicated in Benguet and Davao. Funding allocation for projects increased to P19 million in 2010, benefiting 18 partner cooperatives nationwide.

Success stories like the one of BUFA inspire the Foundation to continue to be unrelenting in its pursuit to become the neighbor of choice and be instrumental in helping people help themselves.



The tremendous growth enjoyed by the Aboitiz Foundation and the Aboitiz Group in 2010 paved the way for the implementation of bigger and better CSR and outreach projects in different areas nationwide.



BOARD OF DIRECTORS

BOARD



JON RAMON ABOITIZ
Chairman

ERRAMON I. ABOITIZ
Director

ROBERTO R. ROMULO
Independent Director



ROBERTO E. ABOITIZ
Director

ENRIQUE M. ABOITIZ, JR.
Director

JOSE C. VITUG
Independent Director

BOARD OF DIRECTORS



JUSTO A. ORTIZ
Director

ANTONIO R. MORAZA
Director

STEPHEN CuUNJIENG
Independent Director

BOARD COMMITTEES

BOARD CORPORATE GOVERNANCE COMMITTEE

Jon Ramon Aboitiz (Chairman)
Stephen CuUnjieng (Independent Director)
Roberto R. Romulo (Independent Director)
Jose C. Vitug (Independent Director)
Roberto E. Aboitiz
Xavier J. Aboitiz (Ex-Officio member, Chief Human Resources & Quality Officer)
Sebastian R. Lacson (Ex-Officio member, Chief Reputation Officer)
M. Jasmine S. Oporto (Ex-Officio member, Chief Legal & Compliance Officer)

BOARD AUDIT COMMITTEE

Jose C. Vitug (Chairman, Independent Director)
Stephen CuUnjieng (Independent Director)
Roberto R. Romulo (Independent Director)
Roberto E. Aboitiz
Justo A. Ortiz
Rolando C. Cabrera (Ex-Officio member, Chief Risk Management Officer)
Stephen G. Paradies (Ex-Officio member, Chief Financial Officer)

BOARD RISK MANAGEMENT COMMITTEE

Jon Ramon Aboitiz (Chairman)
Stephen CuUnjieng (Independent Director)
Justo A. Ortiz
Enrique M. Aboitiz, Jr.
Stephen G. Paradies (Ex-Officio member, Chief Financial Officer)
Rolando C. Cabrera (Ex-Officio member, Chief Risk Management Officer)

CORPORATE OFFICERS

CORP



ERRAMON I. ABOITIZ
President
Chief Executive Officer



STEPHEN G. PARADIES
Senior Vice President
Chief Financial Officer
Corporate Information Officer



ENRIQUE M. ABOITIZ, JR.
Senior Vice President



LUIS MIGUEL ABOITIZ
First Vice President

M. JASMINE S. OPORTO
First Vice President
Chief Legal Officer / Corporate Secretary
Chief Compliance Officer

GABRIEL T. MAÑALAC
Senior Vice President
Group Treasurer

HORACIO C. ELICANO
First Vice President
Chief Technology Officer

CORPORATE OFFICERS



XAVIER JOSE ABOITIZ
Senior Vice President
Chief Human Resources
and Quality Officer



MIKEL A. ABOITIZ
Senior Vice President
Chief Information Officer
Chief Strategy Officer



JUAN ANTONIO E. BERNAD
Senior Vice President



PATRICK B. REYES
First Vice President
Corporate Finance

ROLANDO C. CABRERA
First Vice President
Chief Risk Management Officer

SEBASTIAN R. LACSON
First Vice President
Chief Reputation Officer

CORPORATE OFFICERS



MA. LUISA MOLINA-SALUD
Vice President
Branding

MELINDA R. BATHAN
Vice President
Controller

JOSEPH TRILLANA T. GONZALES
Vice President
Legal and Corporate Services

NARCISA S. LIM
Vice President
Human Resource and Quality

BUSINESS UNIT HEADS



SABIN M. ABOITIZ
President
Chief Executive Officer
Pilmico Foods Corporation

ANTONIO R. MORAZA
Executive Vice President
Chief Operating Officer
Power Generation Group
Aboitiz Power Corporation

JAIME JOSE Y. ABOITIZ
Executive Vice President
Chief Operating Officer
Power Distribution Group
Aboitiz Power Corporation

JUSTO A. ORTIZ
Chairman
Chief Executive Officer
Union Bank of the Philippines

MIKEL A. ABOITIZ
President
Chief Executive Officer
City Savings Bank

MANAGEMENT DIRECTORY

BOARD OF DIRECTORS

Jon Ramon Aboitiz
Chairman

Stephen CuUnjieng
Independent Director

Roberto R. Romulo
Independent Director

Jose C. Vitug
Independent Director

Roberto E. Aboitiz
Director

Enrique M. Aboitiz, Jr.
Director

Erramon I. Aboitiz
Director

Justo A. Ortiz
Director

Antonio R. Moraza
Director

CORPORATE OFFICERS

Erramon I. Aboitiz
President
Chief Executive Officer

Mikel A. Aboitiz
Senior Vice President
Chief Information Officer
Chief Strategy Officer

Xavier Jose Aboitiz
Senior Vice President
Chief Human Resources
and Quality Officer

Enrique M. Aboitiz, Jr.
Senior Vice President

Juan Antonio E. Bernad
Senior Vice President

Gabriel T. Mañalac
Senior Vice President
Group Treasurer

Stephen G. Paradies
Senior Vice President
Chief Financial Officer
Corporate Information Officer

Luis Miguel Aboitiz
First Vice President

Rolando C. Cabrera
First Vice President
Chief Risk Management Officer

Horacio C. Elicano
First Vice President
Chief Technology Officer

Sebastian R. Lacson
First Vice President
Chief Reputation Officer

M. Jasmine S. Oporto
First Vice President
Chief Legal and Compliance Officer
Corporate Secretary

Patrick B. Reyes
First Vice President
Corporate Finance

Melinda R. Bathan
Vice President
Controller

Joseph Trillana T. Gonzales
Vice President
Legal & Corporate Services

Narcisa S. Lim
Vice President
Human Resources and Quality

Ma. Luisa Molina-Salud
Vice President
Branding

Riella Mae Christa B. Guioguo
Assistant Vice President
Corporate Finance

Caroline G. Ballesteros
Assistant Vice President
Corporate Communications

Christopher M. Camba
Assistant Vice President
Human Resources

Julie Ann T. Diongzon
Assistant Vice President
Treasury

Iris Louise R. Dorado
Assistant Vice President
Audit

M. Carmela N. Franco
Assistant Vice President
Investor Relations

Leah I. Geraldez
Assistant Vice President
Legal and Corporate Services
Assistant Corporate Secretary

Aylmerita C. Peñaloza
Assistant Vice President
Treasury

Marilou P. Plando
Assistant Vice President
Legal Business Administration

Geraldine Polanco-Onganon
Assistant Vice President
Human Resources
(seconded to Pilmico)

Ronaldo S. Ramos
Assistant Vice President
Business Risk Management

Ma. Kristina C.V. Rivera
Assistant Vice President
Human Resources
(seconded to AboitizPower)

Robin Patrick R. Sarmiento
Assistant Vice President
Strategy

Jackson O. Sotingco
Assistant Vice President
Insurance Risk Management

Stella Olive A. Sualit
Assistant Vice President
Talent Management

BUSINESS UNIT HEADS

Mikel A. Aboitiz
President
Chief Executive Officer
City Savings Bank

Sabin M. Aboitiz
President
Chief Executive Officer
Pilmico Foods Corporation

Justo A. Ortiz
Chairman
Chief Executive Officer
Union Bank of the Philippines

Jaime Jose Y. Aboitiz
Executive Vice President
Chief Operating Officer
Power Distribution Group
Aboitiz Power Corporation

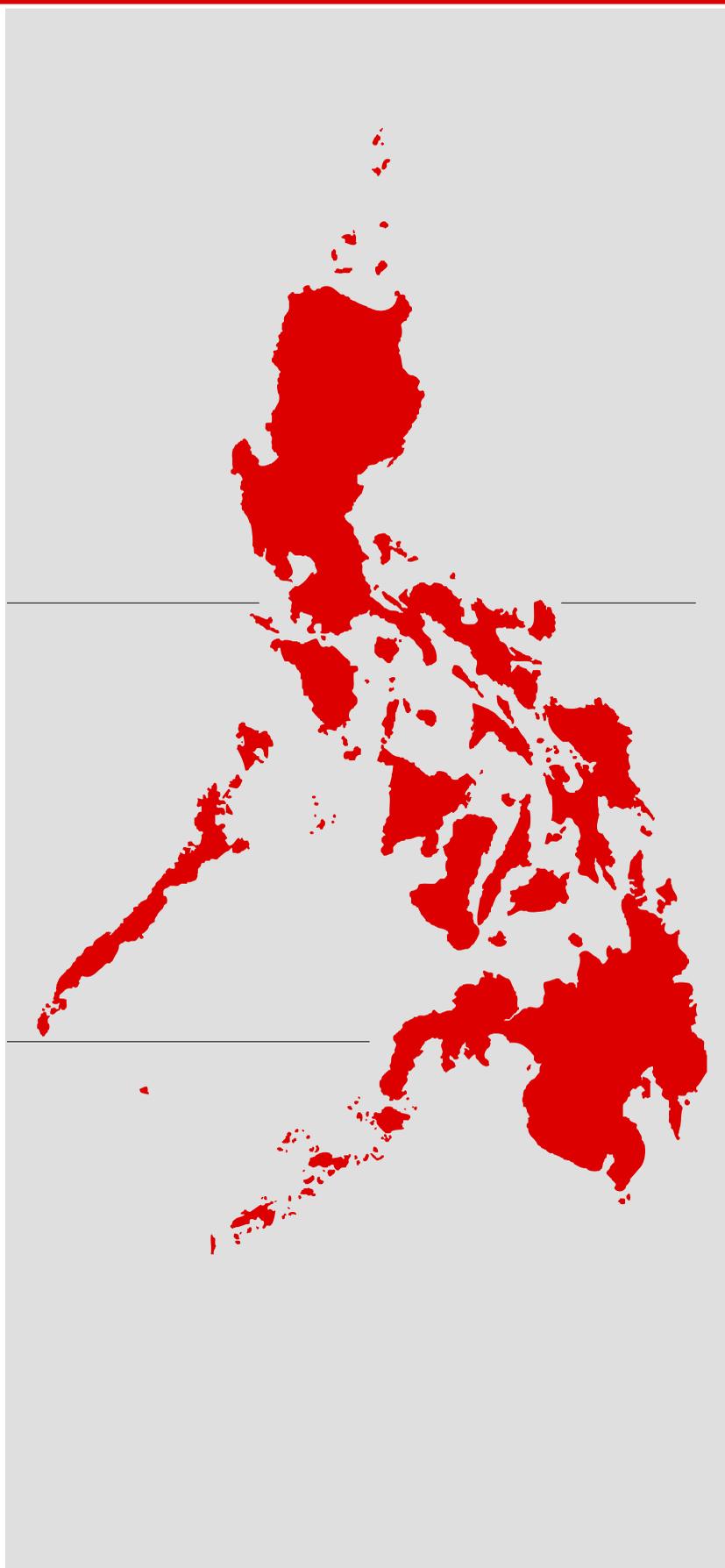
Antonio R. Moraza
Executive Vice President
Chief Operating Officer
Power Generation Group
Aboitiz Power Corporation

LOCATION OF OPERATIONS

- SN Aboitiz Power –Magat, Inc.
- SN Aboitiz Power–Benguet, Inc.
- SN Aboitiz Power–Res, Inc.
- Luzon Hydro Corporation
- Hedcor, Inc.
- Pilmico Animal Nutrition Corporation
- San Fernando Electric Light & Power Company
- Aboitiz Jebsen Bulk Transport Corporation
- Aboitiz Jebsen Manpower Solutions, Inc.
- Jebsen Maritime, Inc.
- Subic EnerZone Corporation
- Union Bank of the Philippines
- Therma Luzon, Inc.
- Redondo Peninsula Energy, Inc.
- AP Renewables, Inc. – MakBan
- AP Renewables, Inc. – Tiwi

- Aboitiz Equity Ventures, Inc.
- Aboitiz Power Corporation
- Visayan Electric Company, Inc.
- Cebu Private Power Corporation
- East Asia Utilities Corporation
- City Savings Bank
- Aboitiz Energy Solutions, Inc.
- Advent Energy, Inc.
- Prism Energy, Inc.
- Mactan EnerZone Corporation
- Balamban EnerZone Corporation
- Cebu Energy Development Corporation
- Cebu Praedia Development Corporation

- STEAG State Power, Inc.
- Pilmico Foods Corporation
- Davao Light & Power Company, Inc.
- Hedcor Sibulan, Inc.
- Hedcor Tamugan, Inc.
- Therma Marine, Inc. 1 & 2
- Therma South, Inc.
- Cotabato Light & Power Company
- Southern Philippines Power Corporation
- Western Mindanao Power Corporation



CORPORATE STRUCTURE (as of end-2010)

POWER	OWNERSHIP (%)
Aboitiz Power Corporation	76
Power Generation	
Aboitiz Renewables, Inc.	100
AP Renewables, Inc.	100
Hedcor, Inc.	100
Hedcor Sibulan, Inc.	100
Hedcor Tamugan, Inc.	100
Luzon Hydro Corporation	50
Manila–Oslo Renewable Enterprise, Inc.	83
SN Aboitiz Power–Magat, Inc.	60
SN Aboitiz Power–Benguet, Inc.	60
Therma Power Inc.	100
Therma Luzon, Inc.	100
Therma Marine, Inc.	100
Therma South, Inc.	100
Abovant Holdings, Inc.	60
Cebu Energy Development Corporation	44
Redondo Peninsula Energy, Inc.	50
STEAG State Power, Inc.	34
Cebu Private Power Corporation	60
East Asia Utilities Corporation	50
Southern Philippines Power Corporation	20
Western Mindanao Power Corporation	20
Power Distribution	
Davao Light & Power Company, Inc.	100
Cotabato Light & Power Company	100
Visayan Electric Company, Inc.	55
Subic EnerZone Corporation	100
Mactan EnerZone Corporation	100
Balamban EnerZone Corporation	100
San Fernando Electric Light & Power Company, Inc.	44
Retail Electricity Services	
Aboitiz Energy Solutions, Inc.	100
Advent Energy, Inc.	100
Manila–Oslo Renewable Enterprise, Inc.	83
SN Aboitiz Power–Res, Inc.	60
Prism Energy, Inc.	60
FINANCIAL SERVICES	
Union Bank of the Philippines	41
City Savings Bank	100
FOOD	
Pilmico Foods Corporation	100
Pilmico Animal Nutrition Corporation	100
OTHERS	
AEV Aviation, Inc.	100
Cebu Praedia Development Corporation	100
Aboitiz Jebsen Bulk Transport Corporation	62
Aboitiz Jebsen Manpower Solutions, Inc.	62
Jebsen Maritime, Inc.	62

The Board Audit Committee Report to the Board of Directors

The Audit Committee's roles and responsibilities are embodied in the Audit Committee Charter approved by the Board of Directors. It provides assistance to the Board of Directors in fulfilling the Board's oversight responsibility to the shareholders relating to: (a) the quality and integrity of the Company's accounting, auditing, legal, ethical and regulatory compliance; (b) risk management; (c) financial reporting practices and (d) corporate governance. Any proposed changes to the Audit Committee Charter are referred to the Board for approval.

Membership

As of December 31, 2010, the Audit Committee is composed of five (5) members, 3 independent directors and 2 executive directors.

Jose C. Vitug, a retired Justice of the Supreme Court (Independent Director), chairs the Committee and is ably assisted by Roberto R. Romulo (Independent Director), Stephen CuUnjieng (Independent Director), Justo A. Ortiz (Executive Director) and Roberto E. Aboitiz (Executive Director). Ex-officio members also include Stephen G. Paradies, AEV Chief Finance Officer and Rolando C. Cabrera, Chief Risk Management Officer.

Meetings

Four (4) regular meetings were held during the year: March 3, May 5, August 5, and November 4, 2010. In these meetings, the Chief Financial Officer, Chief Risk Management Officer, AEV VP–Controller and Corporate Audit Head were also present.

Financial Reports

On a high level basis, the Committee reviewed, discussed and endorsed for the approval of the Board the quarterly unaudited consolidated financial statements and the annual audited consolidated financial statements of the Company and its subsidiaries, including the results of operations upon prior review and discussion with management, the internal auditors and SGV & Co., the Company's independent auditor.

These activities were performed in the following context:

- That management has the primary responsibility for the financial statements and the financial reporting process; and
- That SGV & Co. is responsible for expressing an opinion on the conformity of the Company's audited consolidated financial statements with Philippine Financial Reporting Standards;

Independent Auditors

The overall scope and audit plan of SGV & Co. was reviewed and approved. The terms of engagement were also reviewed.

The Committee also discussed with SGV & Co. the results of SGV's audits and its assessment of the overall quality of the financial reporting process. SGV & Co. also presented the effects of changes in relevant accounting standards and presentation of financial statements that impact on the reported results.

The Committee also approved the proposal to submit to the approval of the stockholders the delegation of the appointment of the Company's external auditors for 2011 to the Board of Directors and/or the Audit Committee.

Internal Auditors

The Committee also reviewed and approved the annual audit program of the internal audit team of the Company. Included in this review is the adequacy of resources, competencies of staff and effectiveness of the internal audit function.

Further, the Committee reviewed the reports of the internal auditors, which indicated that the Group's internal controls are adequate and the basic control assertions of reliability, integrity, and compliance to policies, procedures, laws and regulations have been satisfactorily complied with.

It is also the internal audit team's assessment that operational efficiency, standardization, alignment of processes across the Group and timeliness of information remain the focus of management efforts.

The Committee likewise reviewed, approved, and endorsed the revised Internal Audit Charter, which focused mainly on internal audit's role in the Enterprise Risk Management program.

Risk Management

In keeping with its charter, the Committee reviewed and discussed the progress of the implementation of the Enterprise Risk Management (ERM) initiative. In 2010, the Company's top risks were identified and approved by the Board Risk Management Committee. These were then utilized as inputs to the internal audit team's risk-based audit planning process.

In behalf of the Committee,



Jose C. Vitug (Retired Justice, Supreme Court/Independent Director)
Chairman

SECURITIES & EXCHANGE COMMISSION

SEC Building, EDSA Greenhills
Mandaluyong, Metro Manila

STATEMENT OF MANAGEMENT’S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of Aboitiz Equity Ventures, Inc. is responsible for all information and representations contained in the consolidated financial statements of Aboitiz Equity Ventures, Inc. and subsidiaries for the years ended December 31, 2010 and 2009. The consolidated financial statements have been prepared in conformity with generally accepted accounting principles in the Philippines and reflect amounts that are based on the best estimates and informed judgment of management with an appropriate consideration to materiality.

In this regard, management maintains a system of accounting and reporting which provides for the necessary internal controls to ensure that transactions are properly authorized and recorded, assets are safeguarded against unauthorized use or disposition and liabilities are recognized. The management likewise discloses to the Company’s Audit Committee and to its external auditor: (i) all significant deficiencies in the design or operation of internal controls that could adversely affect its ability to record, process, and report financial data; (ii) material weaknesses in the internal controls; and (iii) any fraud that involves management or other employees who exercise significant roles in internal controls.

The Board of Directors reviews the consolidated financial statements before such statements are approved and submitted to the stockholders of the Company.

Sycip Gorres Velayo & Co., the independent auditors appointed by the stockholders, has examined the consolidated financial statements of the Company in accordance with generally accepted auditing standards in the Philippines and has expressed its opinion on the fairness of presentation upon completion of such examination, in its report to the Board of Directors and stockholders.


JON RAMON M. ABOITIZ
Chairman of the Board


ERRAMON I. ABOITIZ
President & Chief Executive Officer


STEPHEN G. PARADIES
Senior Vice President – Chief Finance Officer

Republic of the Philippines)
City of Cebu) S.S.

Before me, a notary public in and for the city named above, personally appeared:

Name	Passport No.	Date/Place Issued
Jon Ramon M. Aboitiz	XX4393111	August 18, 2009, Manila
Erramon I. Aboitiz	XX1560733	July 7, 2008, Manila
Stephen G. Paradies	ZZ202455	January 18, 2007, Manila

who are personally known to me and to me known to be the same persons who presented the foregoing instrument and signed the instrument in my presence, and who took an oath before me as to such instrument.

Witness my hand and seal this _____ day of APR 06 2011 2011.

Doc. No. 394;
Page No. 79;
Book No. XVI;
Series of 2011.


LEAH T. GERARDEZ
NOTARY PUBLIC
UNTIL DECEMBER 31, 2011
PTR NO. 1860521 Talisay City 01.07.11
IBP Lifetime Membership No. 593227
ROLL No. 41369

INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors

Aboitiz Equity Ventures, Inc.
Aboitiz Corporate Center
Gov. Manuel A. Cuenco Avenue, Cebu City

We have audited the accompanying consolidated financial statements of Aboitiz Equity Ventures, Inc. and its Subsidiaries, which comprise the consolidated balance sheets as at December 31, 2010 and 2009, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2010, and a summary of significant accounting policies and other explanatory information. We did not audit the 2009 and 2008 financial statements of the following subsidiaries: Aboitiz Energy Solutions, Inc., AEV Aviation, Inc., Cebu Praedia Development Corporation, Mactan Enerzone Corporation and Balabnan Enerzone Corporation; and the 2008 financial statements of Aboitiz Renewables, Inc. (formerly Philippine Hydropower Corporation) and Subsidiaries, which statements reflect total assets of 5.7% of the consolidated assets as at December 31, 2009; and total revenues of 4.4% and 6.3% of the consolidated revenues in 2009 and 2008, respectively. Also, we did not audit the 2009 and 2008 financial statements of the following associates: Union Bank of the Philippines, City Savings Bank, Pampanga Energy Ventures, Inc., Hijos de F. Escano, Inc., East Asia Utilities Corporation and STEAG State Power, Inc., the investments in which represent 15.3% of the total consolidated assets as at December 31, 2009, and the Group's share in net earnings represents 27.9% and 40.3% of the consolidated net income for 2009 and 2008, respectively. Those statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion on the 2009 and 2008 consolidated financial statements, insofar as it relates to the amounts included for those entities, is based solely on the reports of the other auditors.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Philippine Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained and the reports of the other auditors are sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, based on our audits and the reports of other auditors for 2009 and 2008, the consolidated financial statements present fairly, in all material respects, the financial position of Aboitiz Equity Ventures, Inc. and its Subsidiaries as at December 31, 2010 and 2009, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2010 in accordance with Philippine Financial Reporting Standards.

SYCIP GORRES VELAYO & CO.



J. Carlitos G. Cruz

Partner

CPA Certificate No. 49053

SEC Accreditation No. 0072-AR-2

Tax Identification No. 102-084-648

BIR Accreditation No. 08-001998-14-2009,

June 1, 2009, Valid until May 31, 2012

PTR No. 2641514, January 3, 2011, Makati City

March 3, 2011

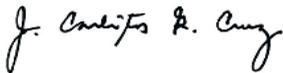
INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors

Aboitiz Equity Ventures, Inc.
Aboitiz Corporate Center
Gov. Manuel A. Cuenco Avenue, Cebu City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Aboitiz Equity Ventures, Inc. and Subsidiaries included in this Form 17-A and have issued our report thereon dated March 3, 2011. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to Financial Statements and Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for purposes of complying with the Securities Regulation Code Rule 68 and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state in all material respects the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.



J. Carlitos G. Cruz
Partner
CPA Certificate No. 49053
SEC Accreditation No. 0072-AR-2
Tax Identification No. 102-084-648
BIR Accreditation No. 08-001998-14-2009,
June 1, 2009, Valid until May 31, 2012
PTR No. 2641514, January 3, 2011, Makati City

March 3, 2011

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Amounts in Thousands)

	December 31	
	2010	2009
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	P26,097,203	P5,582,228
Trade and other receivables (Note 5)	15,702,445	7,634,835
Derivative asset (Note 33)	7,670	846
Inventories (Note 6)	4,075,091	3,268,720
Other current assets (Notes 7 and 8)	1,880,646	1,918,068
Total Current Assets	47,763,055	18,404,697
Noncurrent Assets		
Investments in and advances to associates (Note 10)	44,849,975	38,568,422
Property, plant and equipment (Notes 12 and 18)	77,444,279	80,564,992
Intangible asset – service concession rights (Notes 2, 3 and 13)	936,996	882,308
Investment properties (Notes 3 and 26)	402,486	306,611
Available-for-sale (AFS) investments (Note 3)	70,814	84,935
Pension asset (Note 27)	179,425	105,507
Deferred income tax assets (Note 28)	251,090	514,530
Goodwill (Notes 9 and 11)	1,639,518	1,812,783
Other noncurrent assets (Notes 8 and 15)	1,429,635	2,036,023
Total Noncurrent Assets	127,204,218	124,876,111
TOTAL ASSETS	P174,967,273	P143,280,808
LIABILITIES AND EQUITY		
Current Liabilities		
Bank loans (Note 16)	P5,667,340	P9,035,038
Trade and other payables (Notes 17, 31 and 35)	10,560,377	10,745,734
Income tax payable	299,920	457,223
Dividends payable	8,681	38,711
Derivative liabilities (Note 33)	323	16,476
Current portions of:		
Long-term debt (Note 18)	1,552,022	722,867
Obligations under finance lease (Notes 12 and 20)	1,102,080	2,277,216
Redeemable preferred shares	1,000,000	-
Long-term obligation on Power Distribution System (PDS) (Notes 2 and 3)	40,000	40,000
Payable to preferred shareholder of a subsidiary	13,797	11,263
Total Current Liabilities	P20,244,540	P23,344,528

(Forward)

	December 31	
	2010	2009
Noncurrent Liabilities		
Noncurrent portions of:		
Obligations under finance lease (Notes 12 and 20)	P47,203,036	P43,340,516
Long-term debt (Note 18)	22,347,765	18,223,835
Deposit liabilities of CSB (Note 17)	3,683,745	–
Redeemable preferred shares (Note 21)	500,000	1,520,176
Long-term obligations on PDS (Notes 2 and 3)	242,559	247,460
Payable to preferred shareholder of a subsidiary	62,970	76,767
Customers' deposits (Note 19)	2,011,285	1,786,681
Pension liability (Note 27)	32,350	55,631
Deferred income tax liabilities (Note 28)	321,595	43,003
Total Noncurrent Liabilities	76,405,305	65,294,069
Total Liabilities	96,649,845	88,638,597
Equity Attributable to Equity Holders of the Parent		
Capital stock (Note 21)	5,694,600	5,694,600
Additional paid-in capital (Note 14)	6,110,957	5,791,324
Net unrealized valuation gain on AFS investments	7,443	15,647
Cumulative translation adjustments	–	(1,302)
Share in cumulative translation adjustments of associates (Note 10)	44,606	88,118
Share in net unrealized valuation gains (losses) on AFS investments of an associate (Note 10)	314,840	(64,734)
Gain on dilution (Notes 2 and 10)	5,376,176	5,376,176
Acquisition of non-controlling interest (Note 14)	(527,203)	(500,177)
Retained earnings (Note 22)	48,586,535	29,592,607
Treasury stock at cost (Note 21)	(1,295,163)	(1,295,163)
	64,312,791	44,697,096
Non-controlling Interests	14,004,637	9,945,115
Total Equity	78,317,428	54,642,211
TOTAL LIABILITIES AND EQUITY	P174,967,273	P143,280,808

See accompanying Notes to Consolidated Financial Statements.

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(Amounts in Thousands, Except Earnings Per Share Amounts)

	Years Ended December 31		
	2010	2009 (As represented, see Note 14)	2008 (As represented, see Note 14)
CONTINUING OPERATIONS			
REVENUES			
Sale of:			
Power and electricity (Notes 23)	₱59,543,462	₱23,174,265	₱12,108,415
Goods	11,817,769	10,170,083	9,773,827
Bank revenues (Notes 4, 5 and 9)	1,471,458	–	–
Fair value of swine (Note 8)	1,061,815	878,230	955,161
Service fees (Note 35)	435,443	450,377	415,642
Others (Note 31)	220,755	252,457	209,315
	74,550,702	34,925,412	23,462,360
COSTS AND EXPENSES			
Cost of generated and purchased power (Note 35)	25,883,895	13,030,852	6,625,385
Cost of goods sold (Notes 6 and 24)	9,944,591	9,113,512	9,424,887
Operating expenses (Notes 24, 31, 35 and 36)	9,153,560	5,301,343	4,581,557
Bank interest expense (Notes 16 and 18)	436,992	–	–
Overhead expenses (Note 24)	262,910	337,762	302,450
	45,681,948	27,783,469	20,934,279
OPERATING PROFIT	28,868,754	7,141,943	2,528,081
Share in net earnings of associates (Note 10)	6,843,156	4,264,551	3,631,338
Interest income (Notes 4, 15 and 31)	287,691	503,886	631,577
Interest expense (Notes 31 and 32)	(7,034,751)	(3,077,994)	(551,911)
Dividends on redeemable preferred shares (Note 21)	(126,646)	(161,596)	(168,575)
Other income – net (Notes 26 and 31)	2,065,725	1,812,540	165,982
INCOME BEFORE INCOME TAX	30,903,929	10,483,330	6,236,492
PROVISION FOR INCOME TAX (Note 28)	1,624,634	1,038,378	964,690
NET INCOME FROM CONTINUING OPERATIONS	29,279,295	9,444,952	5,271,802
DISCONTINUED OPERATIONS			
Net income (loss) from discontinued operations (Note 14)	(1,466,348)	509,572	24,716
NET INCOME	₱27,812,947	₱9,954,524	₱5,296,518

(Forward)

	Years Ended December 31		
	2010	2009 (As represented, see Note 14)	2008 (As represented, see Note 14)
ATTRIBUTABLE TO:			
Equity holders of the parent	₱21,865,302	₱8,306,868	₱4,120,886
Non-controlling interests	5,947,645	1,647,656	1,175,632
	₱27,812,947	₱9,954,524	₱5,296,518
EARNINGS PER SHARE (Note 29)			
Basic and diluted, for net income for the year attributable to ordinary equity holders of the parent	₱3.960	₱1.494	₱0.734
EARNINGS PER SHARE FOR CONTINUING OPERATIONS (Note 29)			
Basic and diluted, for net income for the year from continuing operations attributable to ordinary equity holders of the parent			
	₱4.196	₱1.429	₱0.729

See accompanying Notes to Consolidated Financial Statements.

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in Thousands)

	Years Ended December 31		
	2010	2009	2008
NET INCOME ATTRIBUTABLE TO:			
Equity holders of the parent	₱21,865,302	₱8,306,868	₱4,120,886
Non-controlling interests	5,947,645	1,647,656	1,175,632
	27,812,947	9,954,524	5,296,518
OTHER COMPREHENSIVE INCOME			
Share in movement in unrealized valuation gains (losses) on AFS investments of an associate	386,149	235,345	(429,874)
Share in movement in cumulative translation adjustments of associates	(51,895)	133,495	611,608
Movement in unrealized valuation gains (losses) on AFS investments	6,598	(236)	(21,741)
Movement in cumulative translation adjustments	(1,721)	(3,382)	12,038
Total other comprehensive income	339,131	365,222	172,031
Income tax effect on other comprehensive income	-	-	-
Total other comprehensive income, net of tax	339,131	365,222	172,031
TOTAL COMPREHENSIVE INCOME	₱28,152,078	₱10,319,746	₱5,468,549
ATTRIBUTABLE TO:			
Equity holders of the parent	₱22,209,052	₱8,653,213	₱4,092,192
Non-controlling interests	5,943,026	1,666,533	1,376,357
	₱28,152,078	₱10,319,746	₱5,468,549

See accompanying Notes to Consolidated Financial Statements.

ABOITIZ EQUITY VENTURES, INC., AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2010, 2009 AND 2008
(Amounts in Thousands, Except Dividends Per Share Amounts)

Attributable to equity holders of the parent

	Share in										Total		
	Capital Stock: Common (Note 21)	Additional Paid-in Capital	Net Unrealized Valuation Gain on AFS Investments	Cumulative Translation Adjustments	Share in Cumulative Translation Adjustments of Associates (Note 10)	Share in Unrealized Valuation Gain(Losses) on AFS Investments of an Associate (Note 10)	Equity Balances of Disposal Group Classified as Held for Sale (Note 14)	Gain on Dilution	Acquisition of Non-controlling Interest	Retained Earnings (Note 22)		Treasury Stock (Note 21)	Non-controlling Interests
Balances at December 31, 2007	P5,694,600	P5,791,324	P16,248	(P7,855)	(P422,982)	P129,796	P-	P5,023,252	(P83,147)	P22,143,793	P-	P8,811,273	P47,096,302
Total comprehensive income	-	-	(12,752)	9,299	408,975	(434,216)	-	-	-	4,120,886	-	1,376,357	5,468,549
Movement in share in equity balances of disposal group	-	-	-	-	-	-	422	-	-	-	-	-	422
Acquisition of non-controlling interests	-	-	-	-	-	-	-	-	(278,299)	-	-	133,977	(144,322)
Acquisition of treasury shares (Note 21)	-	-	-	-	-	-	-	-	-	-	(830,657)	-	(830,657)
Cash dividends - P0.61 per share (Note 22)	-	-	-	-	-	-	-	-	-	(3,473,706)	-	-	(3,473,706)
Cash dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(498,522)	(498,522)
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(962,465)	(962,465)
Balances at December 31, 2008	P5,694,600	P5,791,324	P3,496	P1,444	(P14,007)	(P304,420)	P422	P5,023,252	(P361,446)	P22,790,973	(P830,657)	P8,860,620	P46,655,601

See accompanying Notes to Consolidated Financial Statements.

Attributable to equity holders of the parent

	Capital Stock: Common (Note 21)	Additional Paid-in Capital	Net Unrealized Valuation Gain on AFS Investments	Cumulative Translation Adjustments	Share in Cumulative Translation Adjustments of Associates (Note 10)	Share in Gain(Losses) on AFS Investments of an Associate (Note 10)	Equity Balances of Disposal Group Classified as Held for Sale (Note 14)	Acquisition of Non-controlling Interest	Retained Earnings (Note 22)	Treasury Stock (Note 21)	Non-controlling Interests	Total
Balances at December 31, 2008	P5,694,600	P5,791,324	P3,496	P1,444	(P14,007)	(P304,420)	P422	(P361,446)	P22,790,973	(P830,657)	P8,860,620	P46,655,601
Re-presentation of reserve of disposal group	-	-	-	-	579	4,342	(422)	(4,449)	-	-	-	-
Balances at January 1, 2009	5,694,600	5,791,324	3,496	1,444	(13,428)	(300,078)	-	(365,895)	22,790,973	(830,657)	8,860,620	46,655,601
as re-presented	-	-	-	-	-	-	-	-	-	-	-	-
Total comprehensive income	-	-	12,151	(2,746)	101,596	235,344	-	-	8,306,868	-	1,666,533	10,319,746
Acquisition of non-controlling interests	-	-	-	-	-	-	-	(134,282)	-	-	128,522	(5,760)
Gain on dilution	-	-	-	-	-	-	-	-	-	-	-	-
Acquisition of treasury shares (Note 21)	-	-	-	-	-	-	-	352,924	-	-	352,924	352,924
Cash dividends - P0.27 per share (Note 22)	-	-	-	-	-	-	-	-	-	(464,506)	-	(464,506)
Cash dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	(1,505,234)	-	-	(1,505,234)
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	(218,642)	(218,642)
Balances at December 31, 2009	P5,694,600	P5,791,324	P15,647	(P1,302)	P88,118	(P64,734)	P-	(P500,177)	P29,592,607	(P1,295,163)	P9,945,115	P54,642,211

See accompanying Notes to Consolidated Financial Statements.

Attributable to equity holders of the parent

	Capital Stock: Common (Note 21)	Additional Paid-in Capital	Net Unrealized Valuation Gain on AFS Investments	Cumulative Translation Adjustments	Share in Cumulative Translation Adjustments of Associates (Note 10)	Share in Gains (Losses) on AFS Investments of an Associate (Note 10)	Gain on Dilution	Acquisition of Non-controlling Interest (Note 2)	Retained Earnings (Note 22)	Treasury Stock (Note 21)	Total	Non-controlling Interests	Total
	P5,694,600	P5,791,324	P15,647	(P1,302)	P88,118	(P64,734)	P5,376,176	(P500,177)	P29,592,607	(P1,295,163)	P44,697,096	P9,945,115	P54,642,211
Balances at January 1, 2010													
Total comprehensive income	-	-	6,449	1,240	(43,512)	379,574	-	-	21,865,302	-	22,209,053	5,943,025	28,152,078
Acquisition of non-controlling interests (Notes 14)	-	-	-	-	-	-	-	(31,475)	-	-	(31,475)	31,475	-
Step-acquisition of an associate to a subsidiary (Note 10)	-	-	-	-	-	-	-	-	-	-	-	8,142	8,142
Disposal of a subsidiary (Note 14)	-	319,633	(14,653)	62	-	-	-	4,449	-	-	309,491	(917,835)	(608,344)
Cash dividends - P0.52 per share (Note 22)	-	-	-	-	-	-	-	-	(2,871,374)	-	(2,871,374)	-	(2,871,374)
Cash dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(746,036)	(746,036)
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(259,249)	(259,249)
Balances at December 31, 2010	P5,694,600	P6,110,957	P7,443	P-	P44,606	P314,840	P5,376,176	(P527,203)	P48,586,535	(P1,295,163)	P64,312,791	P14,004,637	P78,317,428

See accompanying Notes to Consolidated Financial Statements.

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in Thousands)

	Years Ended December 31		
	2010	2009 (As re-presented, see Note 14)	2008 (As re-presented, see Note 14)
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax from continuing operations	₱30,903,929	₱10,483,330	₱6,236,492
Income (loss) before income tax from discontinued operations	(1,877,315)	676,909	38,025
Income before income tax	29,026,614	11,160,239	6,274,517
Adjustments for:			
Interest expense and dividends on redeemable preferred shares (Note 32)	7,390,275	3,313,691	761,369
Depreciation and amortization (Note 24)	4,653,476	2,675,239	1,730,975
Impairment loss on property and equipment	778,830	-	-
Loss (gain) on sale of:			
Investment in subsidiary and associate	431,580	(52,500)	15,051
Property, plant and equipment (Note 26)	19,710	(29,973)	2,661
AFS investments (Note 26)	(57,895)	(296)	74
Provision for (recovery of) decline in value of various assets, project costs and others	95,390	(14,693)	(58,162)
Reduction (increase) in carrying amount of goodwill and property, plant and equipment in disposal group (Note 26)	-	(574,789)	574,789
Dividend income (Note 26)	(54)	(6,795)	(11,356)
Unrealized valuation losses (gains) on derivatives	(22,977)	15,630	-
Unrealized valuation gain on investment property - net	(66,282)	-	(7,014)
Interest income (Note 32)	(292,954)	(516,737)	(644,627)
Unrealized foreign exchange losses (gains)	(1,515,043)	(22,633)	63,011
Share in net earnings of associates (Note 10)	(6,883,363)	(4,321,679)	(3,624,976)
Operating income before working capital changes	33,557,307	11,624,704	5,076,312
Decrease (increase) in:			
Trade and other receivables	(4,743,174)	(3,382,220)	(562,573)
Inventories	(1,488,182)	299,034	(1,795,073)
Other current assets	(827,734)	(11,013)	(237,625)
Increase in:			
Trade and other payables	4,419,963	3,979,173	322,064
Customers' deposits	223,268	201,690	197,162
Net cash generated from operations	31,141,448	12,711,368	3,000,267
Service fees paid	(40,000)	(40,000)	(40,000)
Income and final taxes paid	(1,550,586)	(885,464)	(933,249)
Net cash flows from operating activities	29,550,862	11,785,904	2,027,018

(Forward)

	Years Ended December 31		
	2010	2009 (As re-presented, see Note 14)	2008 (As re-presented, see Note 14)
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividends received (Note 10)	₱2,363,909	₱1,132,476	₱2,376,648
Interest received	291,171	571,133	641,564
Additions to intangible asset – service concession rights (Note 13)	(104,250)	(70,259)	(227,401)
Increase in:			
Other noncurrent assets (Note 15)	(153,570)	(1,048,212)	(42,162)
Investment properties	–	–	(54,172)
Acquisitions of subsidiaries, net of cash acquired (Note 9)	(241,652)	(4,800)	(301,985)
Proceeds from sale of:			
Investments in subsidiary, net of cash disposed	2,770,924	57,300	–
Property, plant and equipment	369,974	421,152	199,809
AFS investments	64,905	7,524	1,462
Investments in associates	–	–	46,674
Additions to:			
Investments in and advances to associates (Note 10)	(2,738,311)	(2,014,843)	(5,494,332)
Property, plant and equipment (Note 12)	(8,342,674)	(25,787,197)	(4,548,616)
Net cash flows used in investing activities	(5,719,574)	(26,735,726)	(7,402,511)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from availment of long-term debts	5,286,067	9,714,447	5,711,664
Acquisition of:			
Non-controlling interests	31,475	(218,642)	(135,296)
Treasury shares (Note 21)	–	(464,506)	(830,657)
Cash dividends paid to equity holders of the parent (Note 22)	(2,871,373)	(1,505,234)	(3,473,706)
Interest and dividends on redeemable preferred shares paid	(2,307,103)	(2,017,867)	(679,948)
Payments of:			
Obligations under finance lease (Note 20)	(1,125,746)	(57,659)	(105,386)
Long-term debts	(252,417)	(542,334)	(445,500)
Payable to preferred shareholder of a subsidiary	(31,070)	(31,070)	(31,070)
Redeemable preferred shares	–	(626,000)	–
Net proceeds from (settlements of) bank loans	(1,123,536)	981,859	4,010,899
Cash dividends paid and others to non-controlling interest	(860,749)	(577,327)	(1,059,836)
Net cash flows from (used in) financing activities	(3,254,452)	4,655,667	2,961,164
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	20,576,836	(10,294,155)	(2,414,329)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(61,861)	(161,090)	465,284
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	5,582,228	16,037,473	17,986,518
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	₱26,097,203	₱5,582,228	₱16,037,473

See accompany Notes to Consolidated Financial Statements.



Aboitiz Equity Ventures, Inc. (AEV) is the publicly listed holding and investment management company of the Aboitiz Group with major investments in power generation and distribution, financial services, and food. Two of its investee companies are also listed on the Philippine Stock Exchange. AEV is consistently recognized in international surveys as among the Philippines' best managed companies and has also been cited for its commitment to good corporate governance.



Aboitiz Power Corporation (AboitizPower) is the holding company for the Aboitiz Group's investments in power generation, distribution, retail and power services. It is a major producer of Cleanergy, its brand for clean and renewable energy in the Philippines with several hydroelectric and geothermal assets in its generation portfolio and also has non-renewable power plants located across the country. The company owns distribution utilities that operate in high-growth areas in Luzon, Visayas and Mindanao.



Union Bank of the Philippines (UnionBank), a partnership among AEV, Insular Life and Social Security System, is recognized in the banking industry for its leadership in creating financial value, achieving operational excellence, building a customer franchise and demonstrating superior innovation. It has championed 'Smart Banking' as the philosophy behind engaging its customers in a unique UnionBank experience, boosting prospects for sustained long-term growth of the bank's profitability. As of end-2010, the Bank had a total network of 186 branches, 214 onsite and offsite ATMs, a call center, and Internet bank www.unionbankph.com



Aboitiz Foundation, Inc. (Foundation) is the concrete manifestation of the Aboitiz Group's strong commitment to corporate social responsibility. Guided by its mission, helping people help themselves, the Foundation addresses social and economic development needs of less privileged communities and members of society in areas where Aboitiz companies operate. The Foundation acts primarily through chosen programs in education, enterprise development, primary health and childcare, and the environment, in order to improve the quality of life of its beneficiaries.

Investor Information

Head Office: Aboitiz Corporate Center
Gov. Manuel A. Cuenco Avenue
Kasambagan, Cebu City 6000
Philippines
Tel (63-32) 411-1800 • Fax (63-32) 231-4037

Metro Manila: 110 Legazpi Street
Legaspi Village, Makati City
Manila, Philippines
Tel (63-2) 793-2800 • Fax (63-2) 817-3560

Common Stock
The Company's common stock is listed and traded on the Philippine Stock Exchange.

Stockholders' Meeting
The Company's regular stockholders' meeting is held on the third Monday of May of every year.

Stockholder Services and Assistance
The Securities Transfer Services, Inc. (STSI) serves as the Company's stock transfer agent registrar.

For matters concerning dividend payments, account status, lost or damaged stock certificates, change of address, please write or call:

SECURITIES TRANSFER SERVICES, INC.
Ground Floor, Benpres Building
Meralco Avenue cor. Exchange Road
Ortigas Center, Pasig City, Philippines
Tel (63-2) 490-0070 / 477-3080
Fax (63-2) 631-7148
Email: tonyg@stsi.ph / stsi@stsi.ph

AEV welcomes inquiries from institutional investors, analysts, and the financial community. Please write or call:

Investor Relations
Aboitiz Equity Ventures, Inc.
Tel (63-32) 411-1756
Fax (63-32) 231-4037

Email: aev_investor@aboitiz.com
www.aboitiz.com



Julius Andrew Sagrado

THE ARTIST

is one of six young artists from the University of the Philippines Visayas Cebu College commissioned by Aboitiz Equity Ventures, Inc. (AEV) to make visual representations on the themes of the 2010 Annual Reports of AEV, Aboitiz Power Corporation and Aboitiz Foundation, Inc., and the 2nd Aboitiz Sustainability Report.

Julius Andrew's source of inspiration and motivation for his artworks is his family. He said, "They have been there since I began. They are there to support and guide me in all things." He earned his Certificate in Fine Arts major in Painting from the University of the Philippines Visayas-Cebu College. He was a finalist in the 32nd and 35th Jose Joya Awards.



Passion for A Better World



The cover and the inside pages of this 2010 Aboitiz Equity Ventures Annual Report are printed on Splendorge! EW, ultra-fine paper made of pure elemental chlorine-free ecological pulp, and is 100% biodegradable and recyclable. The ink used is from the Aniva euro series, which is a high-pigmented and mineral oil-free offset ink based on renewable raw materials.

The management directory, location of operations and financial statements are printed on Econobond, which is 100% recycled uncoated paper made from post-consumer collected waste.

abotiz
Equity Ventures

www.abotiz.com