

COVER SHEET

C E 0 2 5 3 6

S.E.C. Registration Number

A B O I T I Z E Q U I T Y V E N T U R E S , I N C .

(Company's Full Name)

A B O I T I Z C O R P O R A T E C E N T E R

G O V . M A N U E L C U E N C O A V E .

K A S A M B A G A N , C E B U C I T Y

(Business Address: No. Street City / Town / Province)

LEAH I. GERALDEZ

Contact Person

(032) 411-1804

Company Telephone Number

Current Report

1 2 3 1

Month Day

Fiscal Year

1 7 - C

FORM TYPE

0 5 1 7

Month Day

Annual Meeting

Secondary License Type, if Applicable

S E C

Dept. Requiring this Doc

Amended Articles Number/Section

Total No. of Stockholders

X

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

Remarks = pls. Use black ink for scanning purposes

SECURITIES & EXCHANGE COMMISSION

SEC FORM 17-C

CURRENT REPORT UNDER SECTION 17
OF THE SECURITIES REGULATION CODE (SRC)
AND SRC RULE 17.2(c) THEREUNDER

1. **May 7, 2010**
Date of Report (Date of earliest event reported)
2. SEC Identification Number **CE02536** 3. BIR TIN **003-828-269-V**
4. **ABOITIZ EQUITY VENTURES, INC.**
Exact name of registrant as specified in its charter
5. **Cebu City, Philippines** 6. 
Province, country or other jurisdiction of incorporation Industry Classification Code
7. **Gov. Manuel A. Cuenco Ave., Kasambagan, Cebu City** **6000**
Address of principal office Postal Code
8. **(032) 411-1800**
Registrant's telephone number, including area code
9. **N.A.**
Former name or former address, if changed since last report
10. Securities registered pursuant to Sections 4 and 8 of the RSA
- | Title of Each Class | Number of Shares of Common Stock
Outstanding and Amount of Debt Outstanding
(as of March 31, 2010) |
|-----------------------------------|----------------------------------------------------------------------------------------------------------|
| Common Stock P1 Par Value | 5,521,871,821 |
| Amount of Debt Outstanding | P91,812,843,111 |
11. Indicate the item numbers reported herein: 2

Item 9: Other Events

Aboitiz Equity Ventures, Inc. ("AEV" or "the Company") ended the first quarter of 2010 with a consolidated net income of P6.2 billion, recording an increase of 341% year-on-year (YoY). This translates to an earnings per share of P1.13 for the period in review. Out of the total earnings contributions from the business segments, power accounted for 90%. Income share of the banking and food groups were roughly the same at 6% each, while the transport group turned in a negative contribution.

For the three-month period, AEV incurred a non-recurring gain of P308 million (versus a P550 million non-recurring income for the same period last year), which resulted from the appreciation of the Philippine peso. Adjusting for this one-off,

AEV's core net income for the quarter still grew at a very robust rate of 586% YoY, from ₱865 million to ₱5.9 billion.

Business Segments

Power

AP ended the quarter with an income contribution of ₱5.7 billion, a significant increase from ₱290 million from the same period last year. When adjusted for non-recurring items, the group recorded a 1341% YoY rise in its earnings share, from ₱373 million to ₱5.4 billion.

The power generation business contributed ₱5.8 billion, recording an increase of 6780% YoY. This was on the back of a 675% YoY rise in total attributable power sales, from 312 GWh to 2,418 GWh. The expansion mainly came from the acquired generation assets in 2009, which contributed a combined energy sales of 2,067 GWh, accounting for 85% of the total attributable power sales for the period.

As of quarter end, AP's attributable capacity was at 1,945 MW, posting a 237% YoY increase. The growth was due to the turnover of the Tiwi-Makban geothermal power plants in May 2009, which recorded peak generation of 467 MW in 2009, the assumption of the dispatch control over the 700 MW contracted capacity of the Pagbilao coal-fired power plant in October 2009 and the takeover of the two 100 MW power barges in the first quarter of this year.

The power distribution group's attributable electricity sales for the quarter grew by 9% YoY, from 772 GWh to 841 GWh. Growth was spurred by increases in attributable power consumption of the residential, commercial and industrial customers, recording YoY increases of 5%, 4% and 13%, respectively. The group's customer base still grew with the residential segment increasing by 4% and the non-residential inching up by 2%.

Despite the strong growth in electricity sales, the power distribution business recorded a 13% YoY drop in its earnings contribution to AEV, from ₱191 million to ₱167 million. Cotabato Light & Power Company ("CLP") and Davao Light & Power Company, Inc. booked higher operating expenses during the period, as their respective back-up power plants were forced to run to provide the much-needed power to the Mindanao grid. Moreover, the reduction in the systems loss allowance on January 1, 2010, from 9.5% to 8.5%, resulted to higher costs absorbed by Visayan Electric Company, Inc. ("VECO") and CLP. For the quarter in review, the additional cost booked by VECO and CLP amounted to ₱69 million.

Financial Services

The financial services group contributed net earnings of ₱379 million in the first quarter of 2010, recording a 57% YoY improvement from previous year's ₱242 million.

Union Bank of the Philippines ("UnionBank") ended the quarter with an earnings contribution of ₱353 million, up by 54% YoY, mainly as a result of a 51% YoY increase in the bank's net income for the period in review.

Net interest income for the quarter increased by 19% to ₱1.7 billion. This was mainly attributable to a 25% reduction in the bank's interest expense. Total interest income decreased by 4% YoY to ₱2.9 billion, as interest earnings on loans and receivables dropped by 5% YoY to ₱1.6 billion. Lower average loan yields for

the period offset the 9% YoY increase in the bank's total loans and other receivables, from ₱77.8 billion to ₱84.6 billion. In the meantime, interest earnings from investments and trading securities improved by 10% YoY to ₱1.1 billion, as the expansion on securities portfolio more than offset the decline in average yields.

UnionBank recorded a 55% YoY improvement in its securities trading gains, but was offset by the drop in service charges, fees and miscellaneous income. This resulted to a marginal decline of 3% YoY in the bank's other income. Meanwhile, other expenses remained flat at ₱1.4 billion as UnionBank continued to implement cost containment and efficiency improvements.

UnionBank's asset base stood at ₱236 billion as of quarter-end, with a deposit level of ₱186.8 billion and a loan book of ₱84.6 billion. The bank's capital adequacy ratio was at 15.1%, which remains above the industry minimum requirement of 10%, while non-performing loans cover was at 107%.

AEV's non-listed thrift bank, City Savings Bank ("CSB"), contributed earnings of ₱26 million during the quarter, up 95% YoY. The bank's higher earnings contribution could be attributed mainly to the 45% growth in its interest income on loans and service fees. CSB ended the quarter with a total loan book of ₱5.2 billion, up by ₱1.5 billion, or 40% YoY, from ₱3.7 billion. Total resources increased to ₱6.4 billion from the 2009 year-end level of ₱6.1 billion. The bank's NPL ratio stood at less than 1% while its NPL coverage ratio was at 178%. Total capital funds amounted to ₱844 million with a capital adequacy ratio of close to 16%.

Transport

The transport group ended the quarter with a net loss contribution of ₱110 million, vis-à-vis last year's net income contribution of ₱103 million.

The Aboitiz Transport System ("ATS") ended the quarter with consolidated revenues of ₱3.1 billion, recording a 10% YoY increase from ₱2.9 billion. Improvements in the company's international ship chartering business and increased patronage of its value added services mainly drove the topline performance of the company. Meanwhile, the local freight business experienced a 5% YoY decline in revenues. This is in spite of increased volumes, as the business maintained a 77% load factor with higher capacity. The passage business operated at very limited capacity during the first quarter of the year, as three SuperFerry vessels were drydocked and put under maintenance. This redounded to a ₱210 million reduction in revenues (inclusive of ancillary revenues) for the period in review.

ATS registered a net loss of ₱142 million for the quarter in review. This was mainly attributable to the 31% YoY increase in operating expenses to ₱2 billion. Fuel prices reversed its trend and recorded a rise of close to 50% YoY during the quarter.

Food

For the first quarter 2010, income contribution from AEV's non-listed food subsidiary, Pilmico Foods Corporation ("Pilmico"), recorded a 170% YoY increase to ₱372 million. Income contribution from the flour business grew by more than sevenfold as volume expansion offset the adverse impact of lower average selling prices. Growth in volumes, coupled with improved margins that resulted from the business' enhanced cost structure (due to lower freight and raw material costs), led to a significant increase in the feeds business' income contribution, growing by

92% YoY. Improvements in both sales volume and selling prices led to a 164% YoY expansion in the swine business' bottomline.

Financial Condition

For the quarter ending March 31, 2010, the Company's consolidated assets amounted to P154.6 billion, up by 8% from year-end 2009 level. Cash and cash equivalents was at P5.7 billion, slightly higher than year-end 2009 level of P5.6 billion. Consolidated liabilities amounted to P91.8 billion, while Equity Attributable to Equity Holders of the Parent increased by 14% to P51.1 billion. Current ratio as of quarter end was at 0.98x (versus year-end 2009's 0.79x), while net debt-to-equity ratio was at 1.12x (versus year-end 2009's 1.28x).

Other Developments

On March 10, 2010, the Board of Directors of AEV approved the proposal to acquire up to 60% of its affiliate CSB, a Cebu-based thrift bank. Pilmico, a wholly owned subsidiary of AEV, will also acquire the remaining 40% of the CSB equity. The combined purchase by AEV and Pilmico is valued at approximately P1.36 billion. The planned acquisition is conditional upon AEV's obtaining the necessary Monetary Board approval for the transaction. As of March 31, 2010, AEV owns approximately 36% of CSB.

On March 10, 2010, AEV declared a regular cash dividend in the amount of P0.52 per share or for a total amount of P2.9 billion to all stockholders as of March 24, 2010. The dividend was paid out on April 16, 2010.

SIGNATURE (S)

Pursuant to the requirements of the Securities Regulation Code, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

ABOITIZ EQUITY VENTURES, INC.

By



M. JASMINE S. OPORTO

Corporate Secretary

Dated: May 7, 2010