COVER SHEET

CE02536

S.E.C. Registration Number

ABOITIZ EQUITY VENTURES, INC.

(Company's Full Name)

ABOITIZ CORPORATE CENTER

GOV. MANUEL CUENCO AVE.

KASAMBAGAN, CEBU CITY

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

LEAH I. GERALDEZ

Contact Person

(032) 411-1800

Company Telephone Number

3rd Quarterly Report

Fiscal Year	FORM TYPE	Annual Meeting
12 31 (*Month* *Day*)	17-Q	05 21 (*Month* *Day*)

Secondary License Type, if Applicable

SEC

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.

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended September 30, 2007

2. Commission identification number CEO2536 3. BIR Tax Identification No. 003-828-269-V

4. Exact name of issuer as specified in its charter

   ABOITIZ EQUITY VENTURES, INC.

5. Province, country or other jurisdiction of incorporation or organization

   Cebu City, Philippines

6. Industry Classification Code: (SEC Use Only)

7. Address of issuer's principal office — Postal Code

   Gov. Manuel A. Cuenco Avenue, Kasambagan, Cebu City, Philippines — 6000

8. Issuer's telephone number, including area code

   (032) 411-1800

9. Former name, former address and former fiscal year, if changed since last report

   N.A.

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

Title of each Class	Number of shares of common stock outstanding and amount of debt outstanding
Common stock, P1.00 par value	5,694,599,621
Total debt	22,338,208,286

11. Are any or all of the securities listed on a Stock Exchange?

    Yes [x] No [ ]

    If yes, state the name of such Stock Exchange and the class/es of securities listed therein:

    Philippine Stock Exchange — Common

12. Indicate by check mark whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports)

Yes [x] No [ ]

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

Yes [x] No [ ]

PART I -- FINANCIAL INFORMATION

Item 1. Financial Statements.

Please refer to the financial statements and schedules attached herewith

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

The following discussion and analysis of the Company's consolidated financial condition and results of operations should be read in conjunction with the consolidated financial statements and accompanying schedules and disclosures set forth elsewhere in this report.

Top Five Key Performance Indicators

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

1. **Equity in Net Earnings (Losses) of Investees.** Equity in net earnings (losses) of investees represents the group's share in the undistributed earnings or losses of its investees for each reporting period subsequent to acquisition of said investment, net of goodwill impairment cost, if any. Goodwill is the difference between the purchase price of an investment and the investor's share in the value of the net identifiable assets of investee at the date of acquisition. Equity in net earnings (losses) of investees indicates profitability of the investments and investees' contribution to the group's consolidated net income.
   Manner of Computation: Investee's Net Income (Loss) x Investor's % ownership – Goodwill Impairment Cost

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

3. **Cash Flow Generated.** Using the Statement of Cash Flows, management determines the sources and usage of funds for the period and analyzes how the group manages its profit and uses its internal and external sources of capital. This aids management in identifying the impact on cash flow when the group's activities are

in a state of growth or decline, and in evaluating management's efforts to control the impact.

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

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

During the period under review, all the key performance indicators were well within management expectations.

The growth in equity in net earnings of investees was sustained as fresh income contributions from newly-acquired investee companies were anticipated to make up for the projected drop in earnings of Luzon Hydro Corporation (LHC). The downward trend of LHC net income was mainly a result of the annual decline in capacity fee rates as stipulated in its contract with National Power Corporation (NPC).

Improvement in EBITDA was attributable to the robust operating margins generated by the group as a result of higher revenue and effectively-controlled costs and expenses. The additional margin contribution of the newly consolidated subsidiary further enhanced growth in earnings.

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

For the remaining part of 2007, the group expects to utilize the cash generated from the initial public offering (IPO) of Aboitiz Power Corporation (AP) in July 2007 in funding its identified power investments, major capital expenditures and other investment opportunities that may be presented in the future.

	SEPT 30, 2007	SEPT 30, 2006	DEC 31/2006
EQUITY IN NET EARNINGS OF INVESTEES	2,359,217	1,573,691	
EBITDA	6,423,804	4,802,449	
CASH FLOW GENERATED:			
Net cash provided by operating activities	3,816,789	2,281,356	
Net cash provided by (used in) investing activities	(1,169,863)	(113,401)	
Net cash provided by (used in) financing activities	5,149,037	(1,883,908)	
Net Increase in Cash & Cash Equivalents	7,795,963	284,046	
Cash & Cash Equivalent, Beginning	8,009,957	4,622,676	
Cash & Cash Equivalent, End	15,561,150	4,797,124	
CURRENT RATIO	2.29		2.07
DEBT-TO-EQUITY RATIO	0.51		0.68

Financial Results of Operations

AEV's consolidated net income for the first nine months of 2007 rose by 63% to P3.91 billion from P2.40 billion in the same period last year. Earnings per share improved to P0.69 from P0.49 for the comparative period in review. The strong showing was driven by robust performance of the power and banking groups, accounting for 54% and 26% of total income, respectively. Food continued to be a stable source of earnings (11% total income) while the transport group's operations (10% of total income) has sustained its profitability for the year.

Despite AEV's ownership dilution in AP, income contribution from the power group was up 11% year-on-year, from P1.83 billion to P2.03 billion. Higher electricity sales by the power distribution group led to a 4% improvement in income contribution, from P925 million to P957 million. Meanwhile, the power generation business shored in P1.0 billion in income contribution, a 15% growth from last year's P874 million, as total net generated power attributable to the Company grew by 97%, from 287 GwH to 566 GwH. This can be attributed to the increase in the Company's generating capacity.

The financial services group contributed net earnings of P963 million in the first nine months of 2007, 34% higher than previous year's P721 million due to strong performances of both Union Bank of the Philippines (UBP) and City Savings Bank (CSB).

Led by the strong showing of 77%-owned Aboitiz Transport System Corp. (ATS), the transport group ended the first nine months of 2007 with a net income contribution of P369 million. This was a reversal from previous year's net loss of P275 million. ATS's cost-saving measures and its improved operating efficiencies resulted to improved profitability despite the flat topline growth rate for the period.

The food group brought in an income contribution of P411 million, up by 17% from last year's P350 million. High selling prices for flour, coupled with improved mill operating efficiencies, enabled the flour business to achieve a 37% year-on-year expansion in operating income. Meanwhile, the food group's feed business and swine operations recorded a 22% year-on-year growth in combined revenues. These improvements tempered the adverse impact of higher input costs to the feeds business's profitability.

Material Changes in Line Items of Registrant's Income Statement

Consolidated net income attributable to equity holders increased by 63% due to the following:

Gross profit for the first nine months of 2007 amounted to P2.27 billion, a 33% increase over the P1.70 billion posted during the same period last year. The 10% growth in consolidated revenue more than offset the 8% hike in costs and expenses.

All the major subsidiaries reported improvement in margins due to increase in sales during the current period. Power distribution subsidiaries reported an average increase of 7% in gigawatt-hour (gWhr) sold and this translated to a 7% spike in revenue. Likewise, generation subsidiaries recorded a 215% increase in sales, mainly due to the additional revenue contribution by newly acquired subsidiary, Cebu Private Power Corp. (CPPC).

The 15% boost in sales for the food group was attributed to better selling prices and higher sales volume in its flour, feeds and swine businesses. Improved milling operations, which countered the impact of higher input costs for both flour and feeds also contributed to the improvement in margins.

Despite the flat growth in revenue due to the reduction in vessel capacity and stiff competition, ATS and its subsidiaries managed to generate a 132% increase in operating gross margins. This improvement was mainly a result of the P388 million or 5% decrease in consolidated costs and expenses. Maximized asset utilization and enormous savings which were achieved through the aggressive efficiency drive and cost-cutting measures, drove down operating expenses by 8% and terminal expenses by 11%.

Share in net earnings of associates increased by 50% primarily due to the combined income contribution of UBP and CSB which jumped 34% to P957 million. UBP recorded higher revenues across its businesses, with interest differential income and fees, commissions, and trading gains growing by 43% and 17%, respectively. Meanwhile, the 53% year-on-year growth in its loan portfolio and 22% increase in depositor base boosted CSB's profitability.

Income contribution of power generation associates also enhanced equity in net earnings. Newly acquired associates, Manila-Oslo Renewable Enterprise, Inc. (MORE) and East Asia Utilities Company (EAUC), contributed P750 million and P26 million, respectively. This combined fresh contribution more than offset the P306 million decrease in income contribution by LHC. LHC's decline in net profit was attributed to the drop in revenues resulting from the reduction in contracted capacity fee rates and decrease in gWhrs generated due to lesser rainfall, and the higher interest cost due to increase in debt.

Other Income increased to P708 million, 609% higher than the P100 million reported in the same period last year. This was substantially due to the P623 million gains generated by ATS on its sale of vessels. The increase was partially offset by the unrealized foreign exchange loss generated by a power subsidiary in restating its dollar denominated receivables.

The overall improvement in consolidated operating income was further boosted by the 223% increase in interest income, coupled with the 14% reduction in finance expense. Higher average cash balances maintained at AEV parent company and AP parent company levels and decrease in average debt and interest rates accounted for this improvement. Provision for income tax increased by 106% as a result of the higher taxable income reported by the group.

The 723% increase in net income attributable to minority interests was mainly due to the ownership dilution in AP, from 100% to 73.44%, as a result of the AP initial public offering in July 2007.

Changes in Registrant's Resources, Liabilities and Shareholders Equity

Compared to year–end 2006 levels, consolidated assets increased by 63%, from P40.84 billion in Dec. 2006 to P66.52 billion in September 2007, due to the following:

a. Cash and Cash Equivalents stood at P15.56 billion, 94% higher than the P8.01 billion reported as at year-end 2006. This increase was mainly due to undisbursed AP IPO proceeds. At the end of September 2007, AP reported a consolidated cash of P12.29 billion. Said increase was partially offset by the decrease in AEV parent's cash holdings when it made an additional capital infusion into AP and paid back its advances from AP in April 2007. AP then utilized these funds to finance its acquisition of CPPC, MORE and EAUC during the same month.

b. Trade and Other Receivables reached P13.36 billion, up 265% from P3.66 billion last year, largely due to the US$159 million advance made by the registrant to SN Aboitiz Power, Inc. (SNAP) to bridge finance its acquisition of the Magat Power Plant. Advances made to contractors related to the construction of a new hydropower plant in Davao and the first-time consolidation of CPPC receivables also contributed to the increase.

c. Inventories grew by 19% from P1.69 billion, due to higher wheat inventory carried by Pilmico Food Corporation (Pilmico), material and supplies build-up for use in future capex projects of Davao Light and Power Company Inc. (DLPC), and the consolidation of P91 million inventories of CPPC.

d. Other Current Assets increased by 61% from P1.08 billion to P1.74 billion, substantially due to accumulation of unutilized prepaid taxes by ATS and parent company. These prepaid taxes represent creditable taxes withheld by customers and creditable senior citizen discounts which can be used as payment of future income taxes by these companies.

e. Property, plant and equipment (PPE) and Investment properties registered a combined increase of 7% from P9.87 billion to P10.60 billion, substantially due to consolidation of CPPC's P854 million worth of PPE.

f. Investments and Advances totaled P21.83 billion, up by 57% from year-end 2006 level of P13.87 billion. This substantial increase was attributable to the following: a) acquisition of MORE & EAUC for a total consideration of P3.52 billion; b) extension of a stockholder's advance to MORE amounting to P2.85 billion; c) recognition of a P682 million gain on dilution in UBP; and d) decrease in the carrying value of existing investments due to the recording of P2.36 billion in equity in net earnings, net of P950 million cash dividends received from these investees during the current period.

The above increases were partially offset by the following decreases:

a. Noncurrent Asset Classified as Held For Sale decreased by 100%. This represents ATS's SuperFerry 17 vessel which was sold per Memorandum of Agreement (MOA) dated November 13, 2006. The vessel was eventually delivered to the buyer on May 10, 2007.

b. Goodwill declined by 76% to P184 million mainly due to the P618 million provisional negative goodwill recognized by APC in its acquisition of CPPC. This negative goodwill represents the excess of APC's share in CPPC's book value over its acquisition cost. It is temporarily recorded as a balance sheet item, pending the outcome of an ongoing fair value (FV) assessment of CPPC's assets and liabilities. It may be adjusted based on the final results of the FV assessment. The resulting negative goodwill, if any, will then be reclassified and recorded as a Profit & Loss item.

c. Deferred Income Tax Asset decreased by P49 million, mainly due to the reversal of a deferred tax asset related to previous year's unrealized foreign exchange losses which was realized during the current period.

Consolidated short-term bank loans increased by P6.74 billion primarily due to the foreign-denominated loan availed by parent company to bridge finance SNAP in its acquisition of Magat plant. On the other hand, long-term liabilities decreased by 29% or P2.82 billion compared to 2006 year-end level due to prepayment of debt. With its positive cashflows, ATS further reduced its interest-bearing debt by P1.68 billion during the period under review. The parent company also prepaid some of its long-term debt.

Trade and other payables rose by 30% from P4.62 billion to P6.02 billion mainly due to the assumption of a P878 million debt by APC in its acquisition of EAUC, and the first-time consolidation CPPC payables worth P344 million.

Customers' deposits was up 11%, from 1.13 billion to P1.25 billion, due to the increase in the power distribution group's customer base and adjustments in required amounts of deposits to comply with Magna Carta and Distribution Service and Open Access Rules (DSOAR).

Income tax payable increased by P329 million due to higher income tax provisions recorded by subsidiaries during the current period.

Equity attributable to equity holders of the parent reached P36.26 billion, up by 57% from year-end 2006 level of P23.08 billion. The upsurge was substantially due to the sale by registrant of all its treasury shares. The P4.45 billion net gains generated from this sale was credited to Additional Paid-in Capital, registering a 332% increase.

Retained earnings amounted to P20.14 billion as at Sept. 30, 2007, compared to P17.37 billion at December 31, 2006. This improvement reflects the positive operating performance of the group, generating P3.91 billion in net income, which resulted in a 16% over-all increase in retained earnings, despite the P1.14 billion cash dividend distribution.

Equity further increased due to the recognition of a P4.82 billion gains on dilution in AP and UBP as a result of AP's IPO in July 2007, and AEV's waiver of its pre-emptive right to subscribe to the new shares issued by UBP. During the period under review, AEV opted for the conservative approach of recognizing these dilution gains directly in equity instead of recording them as part of the consolidated net income.

The P164 million decrease in share in cumulative translation adjustments of associates was due to the further appreciation of the Philippine peso in September 2007, from P49.045 as of December 31, 2006 to P45.04 as of end of current period. The power generating associates, which adopt the US dollar functional currency financial reporting, recorded considerable foreign exchange adjustments in generating their September 2007 financial statements under the peso presentation currency. These foreign exchange adjustments are booked under Cumulative Translation Adjustments account.

Share in unrealized gains on AFS investments and underwriting accounts declined by P178 million. The drop in the market prices of these financial instruments as of the end of the current period resulted to a P139 million share in valuation losses, reversing the P40 million share in gains as of year end 2006.

Material Changes in Liquidity and Cash Reserves of Registrant

For the first nine months of 2007, the Group continues to support its liquidity mainly from cash generated from operations and dividends received from associates. External borrowings are also a source of liquidity. When opportunity arises, it raises capital or disposes of certain assets to strengthen its cash position to be financially prepared to partake in major investment projects.

Consolidated cash generated from operating activities increased by 67%, from P2.28 billion in the first nine months of 2006 to P3.82 billion in the current period under review. This increase was largely a result of higher income generated by the group.

The current period ended up with a P1.17 billion net cash used in investing activities, compared to the P113 million net cash used during same period last year. This was mainly due to the higher investment acquisitions made in 2007.

Net cash provided by financing activities jumped 373% to P5.15 billion. The treasury share sale in January 2007 added P5.94 billion to cash. This increase was partially reduced by the higher debt settlement and bigger cash dividends paid during the current period.

For period ended September 2007, net cash inflows were higher than cash outflows, resulting to a 94% increase in cash and cash equivalents, from P8.01 billion in December 2006 to P15.56 billion in September 2007.

Financial Ratios

Higher cash balances due to the unspent AP IPO proceeds accounted for the increase in current ratio, from 2.07:1 as of year-end 2006 to 2.29:1 as of June 2007. On the other hand, the increase in equity complemented by a decrease in consolidated liabilities further improved debt-to-equity ratios, from 0.68:1 as of December 31, 2006 to 0.51:1 as of September 30, 2007.

Known Trends, Events, Uncertainties, which may have Material Impact on Registrant

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

PART II -- OTHER INFORMATION

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

SIGNATURES

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

Issuer	Aboitiz Equity Ventures, Inc.
Principal Accounting Officer	Melinda R. Bathan
Signature and Title.	Vice President – Comptroller
Date	14 NOV 2007
Corporate Secretary	M. Jasmine S. Oporto
Signature and Title.	First Vice President - Legal / Corporate Secretary
Date	14 NOV 2007

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
AT SEPTEMBER 30, 2007 AND DECEMBER 31, 2006
(Amounts in Thousands)

	UNAUDITED SEP 2007	AUDITED DEC 2006
ASSETS		
Current Assets		
Cash and cash equivalents	**15,561,150**	8,009,957
Trade and other receivables - net	**13,357,299**	3,661,364
Inventories - net	**2,022,023**	1,693,333
Other current assets	**1,742,125**	1,080,628
	32,682,597	14,445,282
Noncurrent asset classified as held for sale	**-**	659,510
Total Current Assets	**32,682,597**	15,104,792
Noncurrent Assets		
Property, plant, and equipment - net	**10,368,375**	9,675,326
Investment Property	**237,210**	194,175
Investments and advances	**21,835,045**	13,873,533
Available-for-sale (AFS) investments	**94,011**	96,831
Goodwill	**183,725**	775,754
Pension Asset	**46,048**	16,731
Deferred income tax assets	**467,151**	516,304
Other noncurrent assets - net	**609,565**	590,977
Total Noncurrent Assets	**33,841,130**	25,739,631
TOTAL ASSETS	**66,523,727**	40,844,423
LIABILITIES AND EQUITY		
Current Liabilities		
Bank loans	**7,564,536**	823,720
Trade and other payables	**6,022,348**	4,625,153
Dividends payable	**11,882**	11,416
Income tax payable	**420,742**	92,270
Current portion of long-term debt	**184,501**	1,169,083
Current portion of obligations under finance lease	**88,320**	113,823
	14,292,329	6,835,465
Liabililities directly associated w/ asset classified as held for sale	**-**	455,037
Total Current Liabilities	**14,292,329**	7,290,502
Noncurrent Liabilities		
Long-term debt - net of current portion	**4,456,296**	5,855,787
Obligations under finance lease - net of current portion	**121,422**	81,080
Customers' deposits	**1,250,169**	1,128,794
Redeemable preferred shares	**2,139,832**	2,139,832
Pension liability	**56,943**	48,193
Deferred income tax liability	**21,217**	16,999
Total Noncurrent Liabilities	**8,045,879**	9,270,685
Total Liabilities	**22,338,208**	16,561,187
Equity Attributable to Equity Holders of the Parent		
Capital stock	**5,694,600**	5,694,600
Additional paid-in capital	**5,791,324**	1,341,245
Net unrealized gains on AFS investments	**20,610**	16,058
Cumulative translation adjustments	**(7,314)**	(4,189)
Share in cumulative translation adjustments of associates	**(57,221)**	107,427
Share in net unrealized gains (losses) on AFS investments and underwriting accounts of associates	**(138,767)**	39,519
Gain on Dilution	**4,818,969**	-
Retained earnings	**20,140,998**	17,368,629
Treasury stock at cost	**-**	(1,485,025)
	36,263,199	23,078,264
Minority Interests	**7,922,320**	1,204,972
Total Equity	**44,185,519**	24,283,236
TOTAL LIABILITIES AND EQUITY	**66,523,727**	40,844,423

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES
CONSOLIDATED INCOME STATEMENTS
FOR THE PERIODS ENDED SEPTEMBER 30, 2007 AND 2006
(Amounts in Thousands)
(UNAUDITED)

	JAN-SEP/07	JAN-SEP/06	JUL-SEP/07	JUL-SEP/06
REVENUES	**22,897,145**	20,844,527	**7,926,051**	6,997,189
COSTS AND EXPENSES	**20,625,327**	19,142,464	**7,186,617**	6,516,797
GROSS PROFIT	**2,271,818**	1,702,063	**739,434**	480,392
OTHER INCOME (CHARGES)				
Share in net earnings of associates	**2,359,217**	1,573,691	**899,943**	641,888
Interest income	**766,157**	237,274	**383,527**	89,049
Interest expense	**(594,818)**	(688,687)	**(224,613)**	(226,028)
Dividends on redeemable preferred	**(121,406)**	(152,782)	**(39,457)**	(53,043)
Other income (charges)	**708,105**	99,910	**395,415**	(35,858)
	3,117,255	1,069,406	**1,414,815**	416,008
INCOME BEFORE INCOME TAX	**5,389,073**	2,771,469	**2,154,249**	896,400
PROVISION FOR INCOME TAX	**940,233**	456,468	**309,096**	125,884
NET INCOME	**4,448,840**	2,315,001	**1,845,153**	770,516
ATTRIBUTABLE TO:				
EQUITY HOLDERS OF THE PARENT	**3,911,289**	2,401,325	**1,466,329**	844,668
MINORITY INTERESTS	**537,551**	(86,324)	**378,824**	(74,152)
	4,448,840	2,315,001	**1,845,153**	770,516
Earnings Per Common Share **				
Basic, for income for the period attributable to ordinary holders of the parent	**0.687**	0.487	**0.257**	0.170
Diluted, for income for the period attributable to ordinary holders of the parent	**0.687**	0.487	**0.257**	0.170

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

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE PERIODS ENDED SEPTEMBER 30, 2007 AND DECEMBER 31, 2006

	Attributable to equity holders of the parent											
	Capital Stock Common	Preferred	Additional Paid-in Capital	Net Unrealized Gains (Losses) on Noncurrent Marketable Equity Securities and AFS Investments	Cumulative Translation Adjustments	Share in Cumulative Translation Adjustments of Associates	Share in Net Unrealized Gains (Losses) on AFS Investments & Underwriting Accounts of an Associate	Gain on Dilution	Retained Earnings	Treasury Stock	Minority Interests	Total
Balances at December 31, 2006	**5,694,600**		**1,341,245**	**16,058**	**(4,189)**	**107,427**	**39,519**		**17,368,629**	**(1,485,025)**	**1,204,973**	**24,283,237**
Sale of treasury shares			4,450,080							1,485,025		5,935,104
Net income for the period									3,911,289		537,551	4,448,840
Gain on Dilution								4,818,969				4,818,969
Cash dividends								-	(1,138,920)			(1,138,920)
Acquisition of minority interest								-	-			-
Movement of unrealized valuation gains of AFS investments				4,552								4,552
Share in movement of unrealized valuation gains on AFS investments of associates							(178,286)					(178,286)
Movement of cumulative translation adjustments					(3,125)						6,179,797	6,176,671
Share in movement of cumulative translation adjustment of associates						(164,649)						(164,649)
Balances at September 30, 2007	**5,694,600**	**-**	**5,791,324**	**20,610**	**(7,314)**	**(57,221)**	**(138,767)**	**4,818,969**	**20,140,998**	**-**	**7,922,320**	**44,185,519**

	Attributable to equity holders of the parent											
	Capital Stock Common	Preferred	Additional Paid-in Capital	Net Unrealized Gains (Losses) on Noncurrent Marketable Equity Securities and AFS Investments	Cumulative Translation Adjustments	Share in Cumulative Translation Adjustments of Associates	Share in Net Unrealized Gains (Losses) on AFS Investments & Underwriting Accounts of an Associate	Gain on Dilution	Retained Earnings	Treasury Stock	Minority Interests	Total
Balances at December 31, 2005	**5,694,600**	**-**	**1,201,051**	**1,656**	**(2,097)**	**373,330**	**122,290**		**14,346,796**	**(1,576,463)**	**1,178,330**	**21,339,493**
Sale of treasury shares			140,194							91,438		231,632
Net income for the period									3,753,926		60,127	3,814,053
Cash dividends									(735,955)			(735,955)
Acquisition of minority interest									3,862			3,862
Movement of unrealized valuation gains of AFS investments				14,402							-	14,402
Share in movement of unrealized valuation gains on AFS investments of associates							(82,771)					(82,771)
Movement of cumulative translation adjustments					(2,092)						(33,485)	(35,577)
Share in movement of cumulative translation adjustment of associates						(265,902)						(265,902)
Balances at December 31, 2006	**5,694,600**	**-**	**1,341,245**	**16,058**	**(4,189)**	**107,427**	**39,519**	**-**	**17,368,629**	**(1,485,025)**	**1,204,972**	**24,283,237**

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE PERIODS ENDED SEPTEMBER 30, 2006

	Attributable to equity holders of the parent										
	Capital Stock Common	**Preferred**	**Additional Paid-in Capital**	**Net Unrealized Gains (Losses) on Noncurrent Marketable Equity Securities and AFS Investments**	**Cumulative Translation Adjustments**	**Share in Cumulative Translation Adjustments of Associates**	**Share in Net Unrealized Gains (Losses) on AFS Investments & Underwriting Accounts of an Associate**	**Retained Earnings**	**Treasury Stock**	**Minority Interests**	**Total**
Balances at December 31, 2005	**5,694,600**	**-**	**1,201,051**	**1,656**	**(2,097)**	**452,617**	**122,290**	**14,234,479**	**(1,576,463)**	**1,178,331**	**21,306,463**
Sale of treasury shares			133,862						87,438		221,300
Net income for the period								2,401,325		(86,323)	2,315,001
Cash dividends								(735,955)			(735,955)
Effect of peso translation of prior years' net US dollar foreign exchange gain								17,749			17,749
Movement of unrealized valuation gains of AFS investments				8,239						(985)	7,254
Share in movement of unrealized valuation gains on AFS investments of associates							(640,395)				(640,395)
Movement of cumulative translation adjustments					(641)					(2,083)	(2,724)
Share in movement of cumulative translation adjustment of associates						(200,061)					(200,061)
Balances at September 30, 2006	**5,694,600**	**-**	**1,334,912**	**9,895**	**(2,738)**	**252,556**	**(518,105)**	**15,917,598**	**(1,489,025)**	**1,088,939**	**22,288,632**

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE PERIODS ENDED SEPTEMBER 30, 2007 AND 2006
(Amounts in Thousands)
(UNAUDITED)

	JAN-SEP/07	JAN-SEP/06	JUL-SEP/07	JUL-SEP/06
CASH FLOWS FROM OPERATING ACTIVITIES:				
Income before income tax	**5,389,073**	2,771,469	**2,154,249**	896,400
Adjustments for:				
Share in net earnings of associates	**(2,359,217)**	(1,573,691)	**(899,944)**	(641,887)
Depreciation and amortization	**1,394,634**	1,318,239	**485,622**	474,256
Interest income	**(766,157)**	(237,274)	**(383,527)**	(89,049)
Interest expense	**716,224**	841,469	**264,070**	279,071
Franchise tax expense	**-**	35,074	**-**	35,074
Dividend income	**(751)**	-	**(45)**	26
Provision for losses on project costs, investments in shares of stock and advances to investees	**(150)**	-	**(150)**	-
Provision for decline in value of assets	**202**	160	**68**	48
Provision for retirement benefits	**4,091**	2,349	**1,517**	779
Unrealized foreign exchange loss	**259,229**	109,598	**141,088**	116,039
Gain on sale of investments in shares of stock	**(1,123)**	-	**(1,123)**	-
Loss (gain) on sale of available for sale investments	**-**	(576)	**1,123**	(408)
Gain on sale of property, plant & equipment	**(633,763)**	(44,098)	**(269,465)**	(8,023)
Operating income before working capital changes	**4,002,292**	3,222,720	**1,493,483**	1,062,325
Changes in:				
Decrease (increase) in operating current assets	**(1,141,182)**	(735,778)	**(313,657)**	79,868
Increase (decrease) in operating current liabilities	**1,371,562**	215,561	**380,149**	(200,245)
Cash provided by operations	**4,232,672**	2,702,503	**1,559,975**	941,948
Income and final taxes paid	**(415,883)**	(385,274)	**(172,691)**	(141,861)
Franchise taxes paid	**-**	(35,873)	**-**	(35,873)
Net cash provided by operating activities	**3,816,789**	2,281,356	**1,387,284**	764,214
CASH FLOWS FROM INVESTING ACTIVITIES:				
Dividends received	**951,262**	721,865	**431,828**	173,335
Interest received	**381,498**	222,584	**117,653**	93,079
Decrease (increase) in investments and advances	**(6,252,100)**	34,138	**72,354**	649
Acquisitions of property, plant and equipment - net	**(837,647)**	(998,265)	**(494,752)**	(328,373)
Disposals of available for sale investments	**7,523**	10,872	**11,999**	2,176
Acquisition of new subsidiaries, net of cash	**22,950**	-	**22,950**	-
Proceeds from sale of investments in shares of stock	**1,123**	-	**1,123**	-
Decrease (increase) in other assets	**4,555,527**	(104,595)	**4,105,070**	(24,816)
Net cash provided by (used in) investing activities	**(1,169,863)**	(113,401)	**4,268,224**	(83,951)
CASH FLOWS FROM FINANCING ACTIVITIES:				
Proceeds from (payments of) loans payable	**6,740,816**	(929,331)	**(11,336)**	(364,006)
Proceeds from (payments of) long-term debt	**(2,824,270)**	361,731	**(97,306)**	(206,250)
Advances to Related Parties	**(9,160,282)**		**(882,673)**	-
Interest paid	**(583,208)**	(798,585)	**(153,949)**	(270,883)
Cash dividends paid	**(1,138,920)**	(735,955)	**-**	-
Increase (decrease) in minority interest	**6,179,796**	(3,067)	**5,677,797**	(243)
Re-issuance of treasury shares	**5,935,104**	221,299	**-**	221,299
Net cash provided by (used in) financing activities	**5,149,037**	(1,883,908)	**4,532,533**	(620,083)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**7,795,963**	284,046	**10,188,041**	60,180
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH & CASH EQUIVALENTS	**(244,770)**	(109,598)	**(117,569)**	(116,039)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**8,009,957**	4,622,676	**5,490,677**	4,852,983
CASH AND SHORT-TERM INVESTMENTS AT END OF PERIOD	**15,561,150**	4,797,124	**15,561,150**	4,797,124

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES
FINANCIAL STATEMENT SCHEDULES AND DISCLOSURES
AT SEPTEMBER 30, 2007 AND DECEMBER 31, 2006
(Peso Amounts in Thousands)

A. INVESTMENTS AND ADVANCES

	% OWNERSHIP 2007	SEP 2007	DEC 2006
Investments in shares of stock			
At equity			
Acquisition cost:			
Union Bank of the Philippines	36.22%	**4,184,474**	4,184,474
Accuria, Inc.	49.54%	**567,451**	567,451
Western Mindanao Power Corporation	20.00%	**263,665**	263,665
Cebu International Container Terminal, Inc.	20.00%	**240,125**	240,125
Hijos de Escaño, Inc.	46.66%	**857,197**	857,197
San Fernando Electric Light & Power Co., Inc.	20.29%	**180,864**	180,864
Pampanga Energy Ventures, Inc.	42.84%	**209,465**	209,465
Southern Philippines Power Corporation	20.00%	**152,587**	152,587
Visayan Electric Co., Inc.	55.02%	**652,336**	651,469
Manila Oslo Renewable Enterprise, Inc.	83.33%	**2,508,474**	-
East Asia Utilities Corporation	50.00%	**1,009,143**	-
City Savings Bank	34.42%	**78,998**	78,991
South Western Cement Corporation	20.00%	**28,995**	28,995
Luzon Hydro Corporation	50.00%	**1,048,251**	1,048,251
Cordillera Hydro Corporation	35.00%	**88**	88
One Cebu Energy Solutions, Inc.	0.00%	**-**	750
Aboitiz Projects TS Corp.	50.00%	**1,888**	1,888
Reefer Van Specialist, Inc.	50.00%	**-**	7,150
Refrigerated Transport Services, Inc.	50.00%	**-**	4,600
MCC Phils.	33.00%	**16,500**	-
WG&A Jebsen Ship Management, Inc.	40.00%	**400**	400
Hapag-Lloyd Philippines, Inc.	15.00%	**1,800**	1,800
Jade Ocean Shipmanagement, Inc.	50.00%	**3,986**	3,986
JAIB, Inc.	49.00%	**1,884**	1,884
Balance at end of period		**12,008,571**	8,486,080
Accumulated equity in net earnings:			
Balance, beginning of year		**5,050,712**	5,288,814
Share in net earnings for the year		**2,359,217**	2,114,710
Investments sold		**-**	(42,919)
Accum equity in net earnings of RVSI & RTSI equitized in 2006 but consolidated in 2007		**(11,200)**	-
Effect of Power reorganization		**(592)**	-
Cash dividends received		**(950,512)**	(2,309,893)
Balance, end of period		**6,447,625**	5,050,712
Gain on dilution		**667,342**	-
Share in net unrealized gains (losses) on available-for-sale securities & underwriting accounts of an associate		**(138,766)**	39,519
Share in associates' cumulative translation adjustments		**(57,221)**	107,427
		18,927,550	13,683,738
Allowance for decline in value		**(28,995)**	(28,995)
Investments, at equity		**18,898,555**	13,654,743
Advances to investees		**2,936,490**	218,789
		21,835,045	**13,873,533**

B. ACCOUNTS PAYABLE & ACCRUED EXPENSES

Trade	3,014,096
DOSRI	-
Others	3,008,252
TOTAL	**6,022,348**

C. SHORT-TERM LOANS

	Effective Interest Rate	SEP 2007	DEC 2006
Financial institutions - unsecured	4.82% - 7.00%	**7,564,536**	823,720

D. LONG-TERM LOANS

	Effective Interest Rate	SEP 2007	DEC 2006
Company:			
Financial institutions - unsecured			
peso denominated loans	various	**2,700,000**	4,170,000
Non-financial institutions	11.00% - 12.00%	**21,000**	22,500
		2,721,000	4,192,500
Subsidiaries:			
ATSC and subsidiaries			
Financial institutions - secured:			
Peso loans due until 2008	various	**61,655**	1,711,859
Australian (AU) dollar loan due until 2008	LIBOR + 1.75%	**9,026**	18,215
		70,681	1,730,074
HEDCOR			
Financial institution - secured	2.25% over the applicable three-month Treasury Securities rate	**648,000**	649,000
DLP			
Financial institutions - secured	10.89% - 11.2%	**-**	320,000
PILMICO			
Financial institutions - secured	various	**731,731**	293,590
SEZC			
Financial institution - secured	9.50%	**185,000**	182,486
FILAM			
Financial institution - secured	7.22% - 10.04%	**275,000**	95,833
CLP			
Financial institution - secured	8.78%	**9,385**	16,423
		1,919,797	3,287,406
Total		**4,640,797**	7,479,906
Less: Current portion		**184,501**	1,169,082
		4,456,296	6,310,824
Less: Liabilities directly associated with noncurrent asset classified as held for sale		**-**	455,037
		4,456,296	5,855,787

E. DEBT SECURITIES

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

F. EARNINGS PER SHARE

Earnings per common share amounts were computed as follows:

	SEPT 2007	SEPT 2006
a. Net income to common stockholders	**3,911,289**	2,401,325
b. Average number of outstanding shares	**5,694,599,621**	4,928,228,183
c. Earnings per share (a/b)	**0.687**	0.487

G. BUSINESS SEGMENT INFORMATION

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

	Power		**Food Manufacturing**		**Transport Services**		**Parent Company and Others**		**Eliminations**		**Consolidated**	
	Jan-Sep 2007	Jan-Sep 2006	**Jan-Sep 2007**	Jan-Sep 2006	**Jan-Sep 2007**	Jan-Sep 2006	**Jan-Sep 2007**	Jan-Sep 2006	**Jan-Sep 2007**	Jan-Sep 2006	**Jan-Sep 2007**	Jan-Sep 2006
REVENUES	**8,130,699**	6,545,732	**6,330,274**	5,502,861	**8,312,795**	8,306,303	**365,965**	489,631	**(242,588)**	-	**22,897,145**	20,844,527
RESULT												
Segment results	**1,338,306**	1,105,982	**645,358**	561,729	**121,935**	(274,505)	**162,239**	308,858	**3,980**	-	**2,271,818**	1,702,063
Unallocated corporate income (expenses)	**49,492**	90,727	**23,285**	7,101	**645,089**	69,575	**(5,781)**	(67,493)	**(3,980)**	-	**708,105**	99,911
INCOME FROM OPERATIONS											**2,979,923**	1,801,974
Interest Expense	**(91,816)**	(132,332)	**(38,020)**	(34,735)	**(87,241)**	(238,629)	**(499,147)**	(435,773)	**-**	-	**(716,224)**	(841,469)
Interest Income	**115,682**	30,129	**3,404**	5,770	**23,773**	15,861	**623,298**	185,514	**-**	-	**766,157**	237,274
Share in net earnings of associates	**1,435,992**	696,240	**-**	3,282	**1,119**	94	**3,739,207**	2,395,552	**(2,817,101)**	(1,521,477)	**2,359,217**	1,573,691
Provision for Income tax	**(411,284)**	(352,876)	**(223,308)**	(192,694)	**(205,526)**	54,113	**(100,115)**	34,989	**-**	-	**(940,233)**	(456,468)
NET INCOME											**4,448,840**	2,315,001
OTHER INFORMATION	**Sep 2007**	Dec 2006	**Sep 2007**	Dec 2006	**Sep 2007**	Dec 2006	**Sep 2007**	Dec 2006	**Sep 2007**	Dec 2006	**Sep 2007**	Dec 2006
Segment assets	**14,743,499**	2,656,399	**2,473,805**	2,123,510	**3,587,159**	4,568,249	**12,091,635**	6,421,034	**(213,500)**	(664,400)	**32,682,597**	15,104,791
Investments and advances	**11,274,169**	2,153,859	**-**	-	**32,024**	37,355	**36,247,776**	24,697,161	**(25,718,924)**	(13,014,842)	**21,835,045**	13,873,533
Unallocated corporate assets	**4,310,352**	3,527,019	**1,489,756**	1,480,099	**4,821,502**	5,696,362	**818,852**	607,093	**565,622**	555,526	**12,006,085**	11,866,099
Consolidated total assets											**66,523,727**	40,844,423
Segment liabilities	**4,336,301**	1,596,445	**1,611,272**	1,714,021	**3,820,961**	5,473,623	**12,574,133**	8,343,781	**(503,360)**	(724,145)	**21,839,307**	16,403,725
Unallocated corporate liabilities	**307,845**	94,866	**85,625**	33,643	**79,890**	12,691	**25,541**	16,262	**-**	-	**498,901**	157,462
Consolidated total liabilities											**22,338,208**	16,561,187
Depreciation	**400,632**	323,090	**83,207**	9,010	**875,142**	956,268	**35,653**	29,871	**-**	-	**1,394,634**	1,318,239

H. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's financial instruments comprise cash and cash equivalents and long term debts. The main purpose of these instruments is to raise finances for the Group's operations. The Group has various other financial instruments such as trade and other receivables, amounts owed by parent company and related parties, accounts payable and accrued expenses and customers' deposits, which arise directly from its operations.

The main risks arising from the Group's financial instruments are liquidity risk, interest rate risk and credit risk. The Board of Directors reviews and agrees policies for managing each of these risks and they are summarized below. The Group also monitors the market price risk arising from all financial instruments.

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

In managing its long-term financial requirements, the Group's policy is that not more than 25% of long-term borrowings should mature in any twelve-month period. 6.14% of its debt will mature in less than one year at September 30, 2007 (Dec. 31, 2006: 13.14%). For its short-term funding, the Group's policy is to ensure that there are sufficient working capital inflows to match repayments of short-term debt.

Interest rate risk. The Group's exposure to market risk for changes in interest rates relates primarily to its long-term debt obligations. To manage this risk, the Group determines the mix of its debt portfolio as a function of the level of current interest rates, the required tenor of the loan, and the general use of the proceeds of its various fund raising activities. As of September 30, 2007, 43.58% of the Group's long term debt had floating interest rates ranging from 5.61% to 12.55%, and 56.42**%** are with fixed rates ranging from 6.75% to 16.86%. As of December 31, 2006, 47.5% of the Group's long term debt had floating interest rates ranging from 6.19% to 11.09%, and 52.5% are with fixed rates ranging from 7.75% to 12.0%.

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

As of September 30, 2007

	< 1 year	**1 - 5 years**	**> 5 years**	**Total**
Floating rate - long-term debt	156,166	2,040,860	-	**2,197,026**
Fixed rate - long-term debt	184,771	2,178,500	80,500	**2,443,771**
Redeemable preferred shares - floating	-	626,000	13,832	**639,832**
Redeemable preferred shares - fixed	-	1,000,000	500,000	**1,500,000**
Obligations under finance lease - floating	88,320	121,422	-	**209,742**
	429,257	5,966,782	594,332	**6,990,371**

As of December 31, 2006

	< 1 year	1 - 5 years	> 5 years	Total
Floating rate - long-term debt	387,667	3,439,548	-	3,827,215
Fixed rate - long-term debt	788,347	2,791,349	72,995	3,652,691
Redeemable preferred shares - floating	-	639,832	-	639,832
Redeemable preferred shares - fixed	-	1,000,000	500,000	1,500,000
Obligations under finance lease - floating	113,823	81,080	-	194,903
	1,289,837	7,951,809	572,995	9,814,641

Interest on financial instruments classified as floating rate is repriced at intervals of less than one year.

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

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings). There is no impact on the Group's equity.

	Increase/decrease in basis points	Effect on profit before tax	Effect on equity
Sept 2007	100	23,103	23,103
	50	11,552	11,552
Sept 2006	100	32,430	32,430
	50	16,215	16,215

The sources of interest expense recognized during the period are as follows:

	Sept 2007	**Sept 2006**
Bank loans and long term debt	543,426	580,315
Customers' deposits	2,640	9,087
Obligations under finance lease	12,588	24,436
Advances from related parties	36,164	74,849
	594,818	688,687

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

Foreign exchange risk. The foreign exchange risk of the Group pertains significantly to its foreign currency denominated borrowings, including obligations under finance lease. To mitigate the risk of incurring foreign exchange losses, foreign currency holdings are matched against the potential need for foreign currency in financing equity investments and new projects. As of September 30, 2007 and December 31, 2006, foreign currency denominated borrowings account for 52.1% and 2.7%, respectively, of total consolidated borrowings.

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

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

The Group monitors capital using a gearing ratio, which is net debt divided by equity attributable to equity holders of the parent plus net debt. The Group's policy is to keep the gearing ratio at 30% or below.
The Group determines net debt as the sum of interest-bearing short-term and long-term loans less cash and short-term deposits.

Gearing ratios of the Group as of September 30, 2007 and December 31, 2006 are as follows:

	SEPT 2007	DEC 2006
Bank Loans	7,564,536	1,278,757
Long - term debt	6,990,371	9,359,604
Cash and cash equivalents	(15,561,150)	(8,009,957)
Temporary advances to related parties	(9,160,282)	
Net Debt (a)	(10,166,524)	2,628,404
Equity attributable to equity holders of the parent	36,263,199	23,078,264
Equity and Net Debt (b)	26,096,674	25,706,668
Gearing Ratio (a/b)	**(38.96%)**	**10.22%**

I. DISCLOSURES

1. Accounting Policies

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the Philippines as set forth in Philippine Financial Reporting Standards (PFRS).

The same accounting policies and methods of computation are followed in the interim financial statements as compared with the most recent annual financial statements.

The Group has adopted the following new and amended PFRS and Philippine Interpretations during the period. Adoption of these revised standards and interpretations did not have any effect on the Group except for the additional disclosures on the financial statements.

- PFRS 7, *Financial Instruments: Disclosures*
- Complementary amendment to PAS 1, *Presentation of Financial Statements*
- Philippine Interpretation International Financial Reporting Interpretation Committeee (IFRIC) 11, PFRS 2 - Group and Treasury Share Transactions

The principal effects of these changes, if any, are as follows:

PFRS 7, *Financial Instruments: Disclosures*
PFRS 7 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, as well as sensitivity analysis to market risk. It replaces PAS 30, Disclosures in the Financial Statements of Banks and Similar Financial Institutions, and the disclosure requirements in PAS 32, Financial Instruments: Disclosure and Presentation. It is applicable to all entities that report under PFRS.

Complementary amendment to PAS 1, *Presentation of Financial Statements*
The amendment to PAS 1 introduces disclosures about the level of an entity's capital and how it manages capital. The Group is currently assessing the impact of PFRS 7 and the amendment to PAS 1 and expects that the main additional disclosures will be the sensitivity analysis to market risk and the capital disclosures required by PFRS 7 and the amendment to PAS 1.

Philippine Interpretation IFRIC 11, *PFRS 2 - Group and Treasury Share Transactions*
Philippine Interpretation IFRIC 11 requires arrangements whereby an employee is granted rights to an entity's equity instruments to be accounted for as an equity-settled scheme by an entity if the entity chooses or is required to buy those equity instruments (e.g., treasury shares) from another party, or the shareholders of the entity provide the equity instruments needed. Philippine Interpretation IFRIC 11 also extends the way in which subsidiaries, in their separate financial statements, account for schemes when their employees receive rights to equity instrument of the parent.

2. Seasonality of Interim Operations

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

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

3. Material Events and Changes

a. AEV Dividend Declaration
On January 11, 2007, AEV Board of Directors approved the declaration of cash dividend of P0.20 per share to all stockholders of record as of the close of business hours on February 9, 2007, payable on February 23, 2007. Cash dividends paid on said date amounted to P1.139 Billion, using internally-sourced funds.

For subsequent years, the Board also voted to adopt the policy of distributing at least one-third of its previous year's earnings as cash dividends to its stockholders.

b. Treasury Sales
On January 26, 2007, the Company successfully placed its entire treasury shares holdings representing 742,511,938 shares at a price of 8.20 per share or a 5.7% discount to the share price close of 8.70. The treasury sale transaction represents approximately 6.1 billion, equivalent to US$124 million. The proceeds of the sale will be used by the Company for its various power projects and participation in the privatization in the NPC's power plants.

c. Magat Power Plant
On January 9, 2007, the Power Sector Assets and Liabilities Management Corporation (PSALM) issued the Notice of Award to the consortium between Aboitiz Power Corporation (APC) and Norway's SN Power, SN Aboitiz Power, Inc. (SNAP), officially declaring the group as the winning bidder for the 360-megawatt Magat Hydroelectric Power Plant in Ramon, Isabela.

The Company was advised by its affiliate, SN Aboitiz Power, Inc. (SNAP), that as of midnight of April 26, 2007, the PSALM had turned over possession and control of the Magat power plant to SNAP after PSALM received a down payment of US$371 million toward the purchase of the plant. The balance of US$159 million is to be paid over a period of seven years.

SNAP is a special purpose joint venture company which is 60%-owned by Manila-Oslo Renewable Enterprise, Inc. (MORE) and 40%-owned by SN Power Holding Singapore Pte. Ltd. (SN Power Holding), a subsidiary of SN Power. In turn, MORE is 83.3%-owned by Philippine Hydropower Corporation (PHC), which is wholly-owned by APC, and 16.7%-owned by SN Power Holding.

d. Power Reorganization
In January 11, 2007, the Board of Directors of of the Company approved the consolidation of all the Company's power assets and the transfer of the Company's interests in various power distribution companies to Aboitiz Power Corporation (APC), a wholly-owned subsidiary, in exchange for APC shares, subject to the approval of the PSE, SEC, BIR and all other required regulatory authorities.

On January 16, 2007, the Company entered into a share exchange arrangement with APC wherein AEV transferred its ownership shares in the following distribution companies in exchange (Exchange) for approximately 2,889 million shares of APC:

	Acquired	
	% Ownership	Number of Shares
Davao Light & Power Co, Inc. (DLPC)	99.91%	299,729,524
Cotabato Light and Power Company (CLPC)	99.91%	150,689,118
Pampanga Energy Ventures, Inc. (PEVI)	42.84%	12,996,191
Visayan Electric Company, Inc. (VECO)	43.03%	3,291,719
Aboitiz Energy Solutions, Inc. (AESI)	100.00%	3,000,000
Subic Enerzone Corp. (SEZC)	20.00%	2,000,000
San Fernando Light and Power Co., Inc. (SFELAPCO)	20.29%	540,809
Hijos de F. Escaño, Inc. (HIJOS)	46.66%	13,340

The Reorganization was undertaken by the Group to consolidate its power generation and distribution assets and operations and allow the Group to enhance efficiencies and competitiveness.

The Exchange was approved by the Securities and Exchange Commission (SEC) on May 3, 2007.

As a result of the above Reorganization, all the power distribution companies as mentioned above have been transferred to the Company. Accordingly, after the Reorganization, the Group is now engaged in power generation and power distribution.

The above transaction was treated as a reorganization of companies under common control and accounted for at historical cost in a manner similar to pooling-of-interests method. Accordingly, all financial data as of and for the periods prior to the above Reorganization as presented have been restated to reflect the combination as if it had occurred from the beginning of the earliest period presented in the consolidated financial statements.

e. APC & TCIC Joint Venture

On February 17, 2007, APC entered into a Memorandum of Agreement with Taiwan Cogeneration Int'l. Corp. (TCIC) to collaborate in the building and operation of an independent coal-fired power plant in the Subic Bay Freeport Zone. APC and TCIC have agreed to form a joint venture company which will serve as a vehicle for the implementation of the proposed Subic Bay coal-fired power plant.

The proposed Subic Bay coal-fired power plant is expected to supply electricity to Subic Bay Metropolitan Authority (SBMA) and other economic zones around the country.

f. Capital Infusion into APC

On April 12, 2007, the Company subscribed for and was issued an additional 400,000,000 Shares of APC for a subscription price of P4.0 billion. APC intended to use this subscription amount to cover a portion of the initial 40% down payment of U.S.$212.0 million for the Magat hydroelectric plant payable on April 25, 2007.

g. Acquisition of EAUC

On April 20, 2007, APC acquired a 50% ownership interest in East Asia Utilities Company (EAUC) for a total consideration of P1.009 billion, broken into P131.0 million cash payment and P878.0 million assumption of seller's debt.

EAUC operates a 50 MW thermal plant within the MEPZ 1 export processing zone in Mactan Island near Cebu.

The fair value of the identifiable assets and liabilities as at the date of acquisition is still not determined since the result of the ongoing valuation by independent appraiser has not yet been received as of September 30, 2007. Below sets out EAUC's net book value as of March 31, 2007, which was provisionally used as the basis in determing the carrying value of this new investment in the books of APC, at the date of acquisition.

	(P '000) Carrying Value
Property, Plant and Equipment	921,925
Cash and Cash Equivalents	292,357
Trade and Other Receivables	1,988,518
Inventories	155,241
Other Assets	356,347
	3,714,388
Trade and Other Payables	604,325
Net Assets	3,110,063
APC's 50% Share in Net Assets of EAUC	1,555,032
Provisional goodwill arising from acquisition	(545,889)
Total Consideration	1,009,143

From the date of acquisition, this new associate has contributed P22 million to AEV's consolidated net income.

h. Acquisition of CPPC

On April 20, 2007, APC purchased 60% of the outstanding common shares of Cebu Private Power Corp. (CPPC) for approximately P176.0 million. CPPC operates a 70 MW thermal plant in Cebu City under a BOT agreement to supply 62 MW of power to VECO.

The fair value of the company as at the date of acquisition is still not determined since the result of the ongoing assessment by an independent party has not been received as of September 30, 2007. Below sets out CPPC's net book value as of March 31, 2007, which was provisionally used as the basis in determining the carrying value of this new investment in the books of APC, at the date of acquisition.

	(P '000)
	Carrying Value
Property, Plant and Equipment	928,282
Cash and Cash Equivalents	77,856
Trade and Other Receivables	342,108
Inventories	94,205
Deferred Tax Asset	69,133
Other Assets	240,870
	1,752,454
Trade and Other Payables	426,016
Net Assets	1,326,438
APC's 60% Share in Net Assets of CPPC	795,863
Provisional goodwill arising from acquisition	(617,797)
Total Consideration	178,066

Accordingly, the financial results and net assets of this new subsidiary are included in AEV's consolidated financial statements starting April 1, 2007. For the period ended and as at September 30, 2007, CPPC has contributed P47 million to consolidated net income, and P1,267 million, P1,049 million, P1,722 million and P423 million to consolidated net revenue, costs & expenses, assets and liabilities, respectively.

i. UBP Share Offering

UnionBank listed 78.3 million common shares at an offer price of P59 per share on May 10, 2007, and issued additional 11.7 million shares under the over-allotment portion on May 22, 2007. Out of this stock offering, P4.5 million shares were offered to its existing shareholders on record as of May 2, 2007.

AEV waived its pre-emptive right to subscribe to these shares. As a result, its equity ownership in UBP was reduced from 42.14% to 36.22%, and a gain on dilution amounting to P681.6million was generated. During the 2nd quarter of 2007, AEV opted to recognize this gain on dilution directly in equity instead of recording it as part of the consolidated net income.

j. APC Initial Public Offering (IPO)

On January 11, 2007, the Board of Directors of both APC and the Company approved the IPO of APC, subject to the approval of the PSE, SEC and all other required regulatory authorities.

The following IPO-related events transpired during the 2nd and 3rd quarters of 2007:

April 25 - In preparation for its IPO, APC filed a preliminary registration statement for the registration of 7.2 billion common shares with the SEC.

May 10 - APC filed a revised registration statement with the SEC, increasing the number of common shares to be registered to 7.4 billion.

May 28 - APC was granted PSE approval for the listing of its 7.4 billion common shares subject to its completion of PSE listing requirements. The IPO shall consist of a primary offering of up to 1.7 billion common shares and over-allotment option of up to 300 million shares.

June 15 - APC held its IPO domestic roadshow on this day.

June 18 - 29 - APC IPO International roadshow and bookbuilding were undertaken during this period.

June 30 - Offer price at P5.80 per common share was set on this date. A total of 1,739,130,435 APC common shares are to be offered to the domestic and international markets, while another 260,869,565 shares will be issued in case an over-allotment option is exercised. APC appointed UBS AG (UBS) as Sole Global Coordinator and Bookrunner, and CLSA Limited and Macquarie Securities (Asia) Pte Limited as Co-Lead Managers, of the international offer. It expected to raise total proceeds of P10.087 billion from the public offer, without taking into account the over-allotment option.

July 4 - SEC issued APC a Certificate of Permit to Offer Securities for Sale. This day marked the start of the domestic offer of up to 521,739,130 APC common shares. APC appointed BDO Capital & Investment Corp. and PCI Capital Corporation as Domestic Lead Underwriters, and ATR KimEng Capital Partners, Inc., BPI Capital Corporation and First Metro Investment Corp. as Domestic Co-Lead Underwriters.

July 16 - APC common shares were listed with the PSE on this date.

Aug 3 - UBS exercised its over-allotment option for an additional 48,533,565 APC common shares at the price of P5.80 per share.

k. <u>Acquisition of STEAG</u>

On August 10, 2007, APC signed a Share Purchase Agreement with STEAG GmbH, following its successful bid for a 34% stake in STEAG State Power, Inc. The winning bid tendered by APC was US$91.91 million. STEAG State Power, Inc. is the owner and operator of a 232MW (gross) coal-fired power plant located in the PHIVIDEC Industrial Estate in Misamis Oriental, Northern Mindanao. It enjoys a 25-year power purchase agreement with the National Power Corporation, which agreement is backed by a Performance Undertaking issued by the Republic of the Philippines. It built the plant under a BOT arrangement, and started commercial operations on November 15, 2006.

Under the terms of the Share Purchase Agreement, the sale and purchase of the 34% equity should close on or before November 30, 2007.

l. <u>Toledo Power Expansion Project</u>

On August 22, 2007, the Aboitiz Group together with the Garcia family of listed company Vivant Corp. entered into a consortium with Global Business Power Corporation (“Global Power”), a member of the Metrobank Group of Companies, and Formosa Plastic Group of Companies of Taiwan (“Formosa Group”), to invest some US$250 million to undertake the modernization of existing facilities and development of additional capacity in Global Power’s Toledo power plants in Sangi, Toledo City, Cebu. The project is estimated to cost US$ 250 million (“Toledo Project”).

The Toledo Project aims to address the growing demand for power in Cebu province, which is presently growing at about nine percent per year. The modernization program is in progress while the expansion project will break ground first quarter of 2008 for completion in 2010.

Global Power’s Toledo Power Company currently supplies electricity to Visayan Electric Company, Inc. (“VECO”) and Cebu 3 Electric Cooperative, Inc. III (“CEBECO 3”) from its existing 70-megawatt coal plant and 40-megawatt diesel plant.

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

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

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

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

4. Material Adjustments

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

5. Contingencies

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

ABOITIZ EQUITY VENTURES, INC. & SUBSIDIARIES

AGING OF RECEIVABLES

AS OF : SEPT 30/2007

	30 Days	60 Days	90 Days	Over 90 Days	Total
A/R - Trade:					
Power Generation/Distribution Customers	604,123	80,086	29,979	93,162	807,350
Food Production Customers	452,889	150,643	12,395	34,133	650,060
Aviation Services Customers	0	147	168	0	315
Real Estate Lessees	1,052	313	375	96	1,836
Transport Services Customers	331,635	119,582	89,217	645,940	1,186,374
Management Services Customers	55,223	792	10	5,585	61,610
Sub-total - A/R - Trade	**1,444,922**	**351,563**	**132,144**	**778,916**	**2,707,545**
Less : Allowance for Doubful Accounts					**306,705**
Net Trade Receivables					**2,400,840**
A/R - Non Trade	**2,684,987**	**385,493**	**188,881**	**7,697,098**	**10,956,459**
Grand Total	**4,129,909**	**737,056**	**321,025**	**8,476,014**	**13,357,299**

ACCOUNTS RECEIVABLE DESCRIPTION

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

NORMAL OPERATING CYCLE

Power Subsidiaries
- Distribution - 60 days
- Generation - 65 days

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