SEC Number **CE-02536**

COVER SHEET

ABOITIZ EQUITY VENTURES, INC.
NAME OF CORPORATION

Aboitiz Corporate Center, Gov. Manuel A. Cuenco Avenue,
Kasambagan, Cebu City
PRINCIPAL ADDRESS/ADDRESS OF THE CORPORATION

(63-32) 231-2580
TELEPHONE NO. OF THE CORPORATION
(or any of the incorporators)

December 31, 2006
FISCAL YEAR

17-Q
(First Quarterly Report)
FORM TYPE

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 **March 31, 2006**

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) 2312580

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

N.A.

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

Title of each Class	Number of shares of common stock outstanding and amount of debt outstanding
Common stock, P1.00 par value	**4,906,368,698**
Total debt	**19,201,172,715**

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.

Top Five Key Performance Indicators

Management uses the following indicators to evaluate the performance of registrant and its subsidiaries:

1. **Equity in Net Earnings (Losses) of Investees.** This represents the group's share in the undistributed earnings or losses of its investees for each reporting period after the acquisition of said investments, net of amortization of goodwill, if any. Goodwill is the difference between purchase price of investment and investor's share in the value of the net assets of investee at the date of acquisition. Equity in net earnings (losses) of investees indicates the profitability of the investments and the investees' contribution to the group's net income.

   Computation: Investee's Net Income (Loss) X Investor's Percentage Ownership less Goodwill Amortization

2. **Earnings before Interest, Taxes, Depreciation and Amortization (EBITDA**). EBITDA is calculated as net income before minority interest, net interest expense, income tax expense, amortization and depreciation. 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.

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 funds. This aids management in identifying the impact on cash flow when the group's activities are either in a state of growth or decline, and in evaluating management's efforts to control the impact.

4. **Current Ratio**. This is a measurement of liquidity, calculated by dividing total current assets by the 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.** This 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.

For the 1st quarter 2006, all the key performance indicators were well within expected levels. The decrease in both equity earnings and EBITDA was anticipated due to the projected decline in earnings of Luzon Hydro Corporation (LHC) this year mainly as a result of decreased revenues brought about by the 8% drop in capacity fee rates as provided for in its contract with the National Power Corporation (NPC).

At the parent company level, the availment of the P2.2B long-term loan towards the end of the 1st quarter 2006 was planned to prepay the more expensive debt and to increase cash holdings to enable the company to take advantage of future investment opportunities.

Despite the challenging economic environment, the group continues to manage its cashflows and operations effectively. Thus, as in the previous years, financial ratios are anticipated to remain robust in 2006.

The table below shows the comparative figures of the top five key performance indicators for the first quarter of 2005 and 2006 and as of December 31, 2005 (amounts in thousands except for the financial ratios):

	MAR 31/2006	**MAR 31/2005** As restated *	**DEC 31/2005**
EQUITY IN NET EARNINGS OF INVESTEES	**563,433**	637,965	
EBITDA	**1,329,484**	1,419,978	
CASH FLOW GENERATED:			
Net cash provided by operating activities	**(244,876)**	392,029	
Net cash used in investing activities	**39,666**	(405,798)	
Net cash used in financing activities	**1,284,572**	(1,369,958)	
Net Increase (Decrease) in Cash & Cash Equivalents	**1,009,868**	(1,428,684)	
Cash & Cash Equivalent, Beginning	**4,622,676**	4,384,459	
Cash & Cash Equivalent, End	**5,632,544**	2,955,775	
CURRENT RATIO	**1.47**	1.17	1.29
DEBT-TO-EQUITY RATIO	**0.97**	0.95	0.84

* Figures were restated as a result of the full adoption of PFRS and the reorganization of the Transport Group.

Financial Results of Operations

Aboitiz Equity Ventures (AEV) reported a net income to common shareholders of P650 million in the first quarter of 2006, 5% above the same period last year.

AEV's power group posted the largest contribution to 2006's first quarter income, with a combined contribution of P456 million. However this was 10% lower than its first quarter 2005 contribution. This was mainly due to the 33% decrease in the generation companies' income contribution because of lower earnings from its hydro group.

AEV's banking group contributed P342 million, up 5% versus the same period last year. Pilmico Foods Corp. (PFC) contributed P103 million, an increase of 55% as against the same period last year.

The transport group had a net loss contribution of P126 million, compared to a net loss contribution of P97 million in the 1st quarter of 2005. High fuel costs and an inability to pass on fully these cost increases meant lower operating margins for the transport business. Also, volumes in both passage and freight were lower versus last year's 1st quarter due to a smaller fleet, stiffer competition, and a weaker market, resulting in a 12% drop in revenue from the same period last year.

Material Changes in Line Items of Registrant's Income Statement

Gross profit for the first quarter of 2006 remained flat at P253 million as compared to the same period last year. This was mainly due to the 72% decrease in gross margins of transport subsidiary Aboitiz Transport System Corporation (ATSC), which completely offset the increase posted by the rest of the other subsidiaries. The decline in ATSC's margins was attributed to the 12% drop in revenues brought about by lower passage and freight volumes as a result of a smaller fleet, stiffer competition, weaker market, and to the further increase in fuel costs which could not be timely recovered through rate adjustments.

Despite relatively flat operating margins, the 12% decrease in equity earnings and 27% drop in other income, the group still managed to post a 5% increase in net income attributable to equity holders. This growth was driven primarily by lower interest expense due to a decrease in average debt level and interest rates. The 24% spike in interest income due to higher fund holdings at parent level and the increased minority stockholders' share in ATSC's net loss also contributed to the increase.

Share in net earnings of associates was down 12% largely due to the 55% decrease in income contribution by LHC. The decline in LHC net income for the quarter was attributed to the 49% decrease in revenues due to the lesser number of days in downtime billings generated in 2006 compared to that of last year, and to the 8% decrease in capacity fee rates based on agreed tariff structure provided for under its contract with NPC.

The 27% decrease in other income was mainly due to the higher unrealized foreign exchange loss generated at the parent level on its dollar holdings as a result of the value appreciation of the Philippine peso against the US dollar (P51.158: $1.00 in March 2006 vs P53.062: $1.00 in December 2005).

Changes in Registrant's Resources, Liabilities and Shareholders Equity

Compared to year-end 2005 levels, consolidated assets increased by 5%, from P38.2 billion in 2005 to P40.1 billion in 2006 due to the following:

a. Cash & Cash Equivalents went up by 21% (P5.6 billion vs. P4.6 billion) mainly due to the higher fund holdings generated from the remaining proceeds of the P2.2 billion long-term loan availed by parent company in March 2006. Part of the proceeds was used to pay maturing obligations while a certain amount was retained to finance future investments and projects.
b. Inventories grew by 33% (P2.0 billion vs. P1.5 billion) due to higher wheat inventory volume carried by PILMICO in 2006.
c. Other Current Assets increased by 8% (P807 million vs. P746 million) substantially due to build up of prepaid taxes in 2006 compared to year-end 2005 when prepaid taxes were applied against resulting income tax payable.
d. Investments and Advances jumped to P14.8 billion due to the increase in the carrying value of equitized investments. This was a result of the recording of P563 million share in net earnings of associates during the period, net of the P20 million cash dividends received and the recognition of a combined P205M decrease in share of associates' cumulative translation adjustments and unrealized valuation gains on available-for-sale (AFS) investments.
e. Deferred Income Tax Assets increased by 11% (P351M vs P317M) mainly due to higher provisions for doubtful accounts, which required the set up of additional deferred income tax benefits with Deferred Income Tax Assets as contra-account.

Consolidated liabilities was higher by P2.26 billion compared to 2005 year-end level. This was mainly due to the P2.2 billion long-term loan availed by the parent company. The P325 million combined increase in bank loans, trade payables and income tax payable was substantially offset by the P277M drop in obligations under finance lease and the current portion of long-term debt as amortizations due were paid.
The 15% increase in bank loans was primarily due to the increase in the food subsidiary's debt to finance inventory purchases.

Equity attributable to equity holders of the parent was down 1.7%, from P20.1 billion in 2005 to P19.8 billion in 2006. This was due to the decrease in retained earnings, share in cumulative translation adjustments of associates and share in net unrealized valuation gains on AFS investments of associates.

The group was able to sustain its positive operating performance, contributing to retained earnings another P650 million in net income. This increase was more than offset by the P736 million cash dividend distribution, resulting to a very slight decrease in retained earnings.

Share in cumulative transaction adjustments (CTA) declined by P116 million in 2006. These translation adjustments were recorded in the books of hydropower generating associates, LHC, Western Mindanao Power Corporation and Southern Philippines Power Corporation, which had shifted to the functional currency financial reporting method in 2005. The appreciation of the Philippine peso against the US dollar as of March 2006 resulted in the decrease of this CTA account. AEV then recorded its share of this decrease in the first quarter of 2006.

Share in unrealized gain on AFS instruments declined by P89 million. This mainly represents AEV's share in its banking associate's unrealized valuation gains on its AFS assets. The drop in the market prices of these financial instrument as of March 2006 resulted to the decrease in valuation gains.

Material Changes in Liquidity and Cash Reserves of Registrant

Consolidated cash generated from operating activities decreased by 162%, from P392 million in first quarter 2005 to -P245 million in first quarter 2006. As compared to the quarter a year ago, more funds were used in financing interest payments and higher inventory purchases during the current period.

Net cash provided by investing activities amounted to P40 million, an improvement from the previous quarter's P406 million fund usage. This was mainly due to the higher interest income received, and lower capital expenditures in 2006.

Net cash provided by financing activities increased by P2.6 billion primarily due to the P2.2 billion loan availment by the parent company.

For the first quarter of 2006, net cash inflows were higher than cash outflows, resulting to a 22% increase in cash and cash equivalents, from P4.6 billion in December 2005 to P5.6 billion in March 2006.

Financial Ratios

The increase in cash and cash equivalents substantially accounted for the increase in current ratio, from 1.29:1 as of year-end 2005 to 1.47:1 as of March 2006. Due to the availment of the P2.2 billion long-term loan by the parent company in March 2006, both net debt-to-equity and debt-to-equity ratios increased from 0.38:1 as of December 2005 to 0.43:1 as of March 2006 and from 0.84:1 as of yearend 2005 to 0.97:1 as of the 1st quarter 2006.

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

While there are some areas of concern regarding the country's overall business situation, AEV is optimistic that 2006 will bring more opportunities for further growth to the Group. This view is based on a number of industry specific developments that will affect how well AEV's investee companies perform in the current year. These developments are as follows:

Power Industry (Generation Sector)

With the consolidation of its operating companies into HEDCOR, Inc. it is expected that the hydropower generation group will be in a position to aggressively pursue opportunities from the privatisation of NPC's hydropower generation assets, as well as develop its own new hydropower projects in 2006.

Power Industry (Distribution Sector)

All of the distribution utilities are expected to carry on their solid performance from 2005. Specifically, Davao Light and Power Co. will continue to lead the group in income contribution and operating efficiency. Likewise, it is anticipated that with the system and operating changes it has established over the past couple of years, Visayan Electric Co., Inc. will generate a larger portion of the group's income in the coming year. San Fernando Light and Power Company will continue to enjoy sales and volume growth from its acquisition in 2004 of additional distribution franchise and service area (i.e. from Manson Corp. covering the area of Floridablanca in Pampanga).

Financial Services

Union Bank of the Philippines (UBP) and City Savings Bank are expected to sustain their robust performance of the preceding year into 2006. UBP foresees that growth in liquidity, specially with its handling nationwide of the GSIS e-cards for government employees, will drive its earnings potential for the year. A better trading environment is also expected for UBP's large portfolio of securities.

Also, UBP is finalizing its agreement to acquire up to 100% of International Exchange Bank. The merger will create the country's seventh largest private universal bank in terms of assets and sixth largest in terms of branch network.

As in most of AEV's other businesses, the financial services companies are among the leaders in operating cost efficiency in their respective markets.

Food Manufacturing

The current high prices of oil and fuel products might have a ripple effect on consumer demand for an industry already marked by high material costs (i.e. high cost of imported wheat and freight). However, given management's focus to be a low cost producer, Pilmico Foods Corporation (Pilmico) is well positioned in terms of inventory and contracted supplies to ride out and even benefit from the current market condition. Furthermore, its feed and yeast subsidiaries have done well in 2005 and are expected to continue doing so in the coming year. As such, Pilmico projects another robust performance in 2006.

Transport

ATSC had a challenging year in 2005 and in view of the high current high level of oil prices, the company will continue to see pressure on margins in 2006. The high oil prices have pushed up fuel costs, a major component of the company's operating expenses. Security related costs were also high last year but insurance premiums have started to come down significantly because of the risk management initiatives the company has taken.

However, with the consolidation of its various transport and logistic businesses in 2005, ATSC is in better position to optimize its operational efficiencies and better weather the poor business environment. For 2006, ATSC will continue its various initiatives to remain as the premier transport company in the Philippines.

ATSC will also continue to focus on increasing its overall efficiency through proper utilization, optimization, and upgrade of its existing vessels. Finally, ATSC will continue to undertake investments in various software application systems for both its frontline services and backroom support.

All these initiatives are expected to improve the company's freight and passage businesses. These will then translate to a bigger market share of the industry and better margins for ATSC.

Except for the developments as already disclosed in this report, there are, as of March 31, 2006, 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.

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 *(original signed)***

Signature and Title. **Vice President - Comptroller**

Date **May 22, 2005**

Corporate Secretary **M. Jasmine S. Oporto *(original signed)***

Signature and Title. **First Vice President - Legal / Corporate Secretary**

Date **May 22, 2005**

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
AT MARCH 31, 2006 AND DECEMBER 31, 2005
(Amounts in Thousands)

	UNAUDITED MAR 2006	AUDITED DEC 2005
ASSETS		
Noncurrent Assets		
Property, plant, and equipment - net	**11,074,212**	11,203,404
Investment Property	**386,153**	391,860
Investments and advances	**14,828,065**	14,504,621
Available-for-sale (AFS) investments	**139,298**	149,835
Goodwill	**784,883**	784,883
Pension Asset	**30,638**	45,414
Deferred income tax assets	**351,490**	317,185
Other noncurrent assets - net	**592,757**	573,924
Total Noncurrent Assets	**28,187,496**	27,971,126
Current Assets		
Cash and cash equivalents	**5,632,544**	4,622,676
Trade and other receivables - net	**3,479,260**	3,367,854
Inventories - net	**2,040,592**	1,535,480
Other current assets	**806,977**	745,570
Total Current Assets	**11,959,373**	10,271,580
TOTAL ASSETS	**40,146,869**	38,242,706
LIABILITIES AND EQUITY		
Current Liabilities		
Bank loans	**1,493,769**	1,299,353
Trade and other payables	**4,706,418**	4,595,416
Dividends payable	**18,096**	16,147
Income tax payable	**262,097**	142,103
Current portion of long-term debt	**1,523,294**	1,756,246
Current portion of obligations under finance lease	**137,804**	140,393
Total Current Liabilities	**8,141,478**	7,949,658
Noncurrent Liabilities		
Long-term debt - net of current portion	**7,914,204**	5,810,786
Obligations under finance lease - net of current portion	**168,720**	210,490
Customers' deposits	**1,054,091**	1,016,253
Redeemable preferred shares	**1,886,940**	1,886,940
Pension liability	**14,413**	40,863
Deferred income tax liability	**21,327**	21,253
Total Noncurrent Liabilities	**11,059,695**	8,986,585
Total Liabilities	**19,201,173**	16,936,243
Equity Attributable to Equity Holders of the Parent		
Capital stock	**5,694,600**	5,694,600
Additional paid-in capital	**1,201,051**	1,201,051
Net unrealized valuation gain (loss) of AFS investments	**(4,637)**	1,656
Cumulative translation adjustments	**(2,760)**	(2,097)
Share in cumulative translation adjustments of associates	**336,855**	452,617
Share in net unrealized loss on available-for-sale securities & underwirting accounts of associates	**33,370**	122,290
Retained earnings	**14,148,604**	14,234,479
Treasury stock at cost	**(1,576,463)**	(1,576,463)
	19,830,620	20,128,133
Minority Interests	**1,115,076**	1,178,330
Total Equity	**20,945,697**	21,306,463
TOTAL LIABILITIES AND EQUITY	**40,146,869**	38,242,706

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES
CONSOLIDATED INCOME STATEMENTS
FOR THE PERIODS ENDED MARCH 31, 2006 AND 2005
(Amounts in Thousands)
(UNAUDITED)

	JAN-MAR/06	RESTATED JAN-MAR/05
REVENUES	**6,281,111**	6,392,538
COSTS AND EXPENSES	**6,028,457**	6,139,507
GROSS PROFIT	**252,654**	253,031
OTHER INCOME (CHARGES)		
Share in net earnings of associates	**563,433**	637,965
Interest income	**80,630**	64,814
Interest expense	**(295,011)**	(349,024)
Other income	**74,613**	102,831
	423,665	456,586
INCOME BEFORE INCOME TAX	**676,319**	709,617
PROVISION FOR INCOME TAX	**89,495**	91,066
NET INCOME	**586,824**	618,551
ATTRIBUTABLE TO:		
EQUITY HOLDERS OF THE PARENT	**650,080**	618,931
MINORITY INTERESTS	**(63,256)**	(380)
	586,824	618,551
Earnings Per Common Share **		
Basic, for income for the period attributable to ordinary holders of the parent	**0.132**	0.129
Diluted, for income for the period attributable to ordinary holders of the parent	**0.132**	0.129

** 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 MARCH 31, 2006 AND DECEMBER 31, 2005

	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, 2004, as restated	**5,694,600**	**186,700**	**2,466,793**	**(1,024)**		**639,242**	**(383,473)**	**12,203,380**	**(1,710,084)**	**1,158,428**	**20,254,562**
Effects of adoption of PAS 39		(186,700)	(1,680,300)					(461,232)		(28,748)	(2,356,980)
Effects of reorganization of transport group			94,515					(70,199)		(10,037)	14,279
Sale of treasury shares			320,043						133,621		453,664
Net income for the year								3,159,132		58,361	3,217,493
Cash dividends								(596,602)			(596,602)
Movement of unrealized valuation gains of AFS investments				2,680						985	3,665
Share in unrealized valuation gains on AFS investments of associates							505,763				505,763
Movement of cumulative translation adjustments					(2,097)					(659)	(2,756)
Share in movement of cumulative translation adjustment of associates						(186,625)					(186,625)
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)**	**1,178,330**	**21,306,463**
Net income for the period								650,080		(63,257)	586,824
Cash dividends								(735,955)			(735,956)
Movement of unrealized valuation gains of AFS investments				(6,293)						(60)	(6,353)
Share in movement of unrealized valuation gains on AFS investments of associates							(88,920)				(88,920)
Movement of cumulative translation adjustments					(663)					64	(599)
Share in movement of cumulative translation adjustment of associates						(115,763)					(115,763)
Balances at March 31, 2006	**5,694,600**	**-**	**1,201,051**	**(4,637)**	**(2,760)**	**336,854**	**33,370**	**14,148,604**	**(1,576,463)**	**1,115,077**	**20,945,696**

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE PERIODS ENDED MARCH 31, 2006 AND 2005
(Amounts in Thousands)
(UNAUDITED)

	JAN-MAR/06	RESTATED JAN-MAR/05
CASH FLOWS FROM OPERATING ACTIVITIES:		
Income before income tax	**676,319**	709,617
Adjustments for:		
Share in net earnings of associates	**(563,433)**	(637,965)
Depreciation	**438,785**	426,150
Interest income	**(80,630)**	(64,814)
Interest expense	**295,010**	349,024
Franchise tax expense	**-**	31,511
Provision for decline in value of fixed assets	**-**	2,519
Unrealized foreign exchange loss	**69,495**	44,956
Gain on sale of property, plant & equipment	**(33,341)**	(2,959)
Operating income before working capital changes	**802,205**	858,039
Changes in:		
Increase in operating current assets	**(892,320)**	(101,926)
Increase in operating current liabilities	**460,757**	92,679
Cash provided by operations	**370,642**	848,792
Income and final taxes paid	**(10,539)**	(30,521)
Interest paid	**(604,979)**	(395,977)
Franchise taxes paid	**-**	(30,265)
Net cash provided by (used in) operating activities	**(244,876)**	392,029
CASH FLOWS FROM INVESTING ACTIVITIES:		
Dividends received	**20,281**	14,785
Interest received	**295,025**	121,451
Decrease (increase) in investments and advances	**15,024**	(2,047)
Acquisitions of property, plant and equipment - net	**(270,545)**	(455,374)
Disposals of available for sale investments	**4,245**	-
Increase in other assets	**(24,364)**	(84,613)
Net cash provided by (used in) investing activities	**39,666**	(405,798)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from loans payable	**194,416**	130,585
Proceeds from (payments of) long-term debt	**1,826,107**	(850,195)
Cash dividends paid	**(735,955)**	(596,604)
Increase (decrease) in minority interest	**4**	(4,867)
Acquisition of treasury shares	**-**	(48,877)
Net cash provided by (used in) financing activities	**1,284,572**	(1,369,958)
Effect of foreign exchange rate changes	**(69,494)**	(44,957)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**1,009,868**	(1,428,684)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**4,622,676**	4,384,459
CASH AND SHORT-TERM INVESTMENTS AT END OF PERIOD	**5,632,544**	2,955,775

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES
FINANCIAL STATEMENT SCHEDULES AND DISCLOSURES
AT MARCH 31, 2006 AND DECEMBER 31, 2005
(peso amounts in thousands)

A. INVESTMENTS AND ADVANCES

	% OWNERSHIP 2006	MAR 2006	DEC 2005
		(In Thousands)	
Investments in shares of stock			
At equity			
Acquisition cost:			
Union Bank of the Philippines	42.14%	**4,184,474**	4,184,474
Accuria, Inc.	49.54%	**567,451**	567,451
Western Mindanao Power Corporation	20.00%	**267,370**	267,370
Cebu International Container Terminal, Inc.	20.00%	**240,125**	240,125
Hijos de Escaño, Inc.	46.66%	**856,945**	856,945
San Fernando Electric Light & Power Co., Inc.	43.78%	**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.	54.68%	**511,560**	511,220
City Savings Bank	34.38%	**78,818**	78,818
Resort Ville 5 Project	25.00%	**33,750**	33,750
South Western Cement Corporation	20.00%	**28,995**	28,995
PILMICO-Mauri Foods Corporation	50.00%	**26,240**	26,240
Luzon Hydro Corporation	50.00%	**1,048,251**	1,048,251
Cordillera Hydro Corporation	35.00%	**88**	88
New Zealand Lumber Shippers Ltd.	50.00%	**-**	-
Aboitiz Projects TS Corp.	50.00%	**1,888**	1,888
Reefer Van Specialist, Inc.	50.00%	**7,150**	7,150
Refrigerated Transport Services, Inc.	50.00%	**4,600**	4,600
WG&A Jebsen Ship Management, Inc.	50.00%	**400**	400
Hapag-Lloyd Philippines, Inc.	40.00%	**1,800**	1,800
Jade Ocean Shipmanagement, Inc.	15.00%	**3,986**	3,986
JAIB, Inc.	49.00%	**1,884**	1,884
Balance at end of period		**8,408,691**	8,408,351
Accumulated equity in net earnings:			
Balance, beginning of year		**5,312,663**	4,374,638
Equity in net earnings for the year		**563,433**	2,155,343
Accumulated equity in net earnings of investments sold		**(14,867)**	(371)
Share in associates' prior period's adjustments charged to Retained Earnings (PAS implementation)			(487,457)
Effect of Transport reorganization			4,259
Cash dividends received		**(20,281)**	(733,749)
Balance, end of period		**5,840,947**	5,312,663
Share in net unrealized loss on available-for-sale securities & underwriting accounts of an associate		**33,376**	122,290
Effect of Transport reorganization		**-**	(1,352)
Share in associates' cumulative translation adjustments		**335,496**	452,617
		14,618,509	14,294,570
Allowance for decline in value		**(28,995)**	(28,995)
Investments, at equity		**14,589,514**	14,265,575
Advances to investees		**238,551**	239,046
		14,828,065	14,504,621

B. ACCOUNTS PAYABLE & ACCRUED EXPENSES

Trade	1,457,687
DOSRI	-
Others	3,248,731
TOTAL	**4,706,418**

C. SHORT-TERM LOANS

Name of Creditor	Type of Obligation	Date of Availment	Date of Maturity	Interest Rate	Amount of Availment
Allied Banking Corporation	Working Capital Line	various dates	various dates	various	129,500
Banco de Oro Private Bank	Working Capital Line	various dates	various dates	various	649,978
Bank of the Philippine Islands	Working Capital Line	various dates	various dates	various	420,000
Equitable PCIBank	Working Capital Line	various dates	various dates	various	47,000
Fokus Bank	Working Capital Line	various dates	various dates	various	99,133
Hongkong Bank	Working Capital Line	various dates	various dates	various	47,700
IBank	Working Capital Line	various dates	various dates	various	47,500
IEB	Working Capital Line	various dates	various dates	various	450
Security Bank & Trust Co.	Working Capital Line	various dates	various dates	various	52,508
TOTAL					**1,493,769**

D. LONG-TERM LOANS

Name of Creditor	Type of Obligation	Date of Availment	Date of Maturity	Interest Rate	Amount of Availment
AEV PARENT					
Aboitiz Group Foundation, Inc.	Long-term loan	04/01/04	04/01/09	Variable	15,000
Aboitiz Group Foundation, Inc.	Long-term loan	04/01/04	04/01/09	Variable	10,500
ALFIFI	Long-term loan	03/02/06	03/02/11	Variable	900,000
Allied Banking Corp.	Long-term loan	11/28/02	09/13/07	Variable	65,000
API	Long-term loan	03/02/06	03/02/11	Variable	37,000
Ayala Life Assurance, Inc.	Long-term loan	03/02/06	03/02/11	Variable	53,000
Banco de Oro	Long-term loan	12/18/03	12/18/08	Variable	200,000
Banco de Oro Universal Bank	Long-term loan	09/13/02	09/13/07	Variable	325,000
Bank of Commerce	Long-term loan	11/28/02	09/13/07	Variable	65,000
Bank of the Philippine Islands	Long-term loan	03/02/06	03/02/11	Variable	1,000,000
Equitable PCIBank	Long-term loan	09/13/02	09/13/07	Variable	325,000
Equitable PCIBank	Long-term loan	11/04/04	11/04/09	Variable	1,000,000
International Exchange Bank	Long-term loan	03/02/06	03/02/11	Variable	200,000
Metropolitan Bank & Trust Corp.	Long-term loan	03/17/03	03/17/08	Variable	666,667
Robinsons Savings Bank	Long-term loan	11/28/02	09/13/07	Variable	65,000
Security Bank & Trust Co.	Long-term loan	09/13/02	09/13/07	Variable	325,000
UMIC	Long-term loan	03/02/06	03/02/11	Variable	10,000
SUB-TOTAL					**5,262,167**
APC					
Equitable PCIBank	Long-tern loan	01/28/05	01/28/10	variable	449,000
Equitable PCIBank	Long-tern loan	10/20/05	10/20/10	variable	200,000
SUB-TOTAL					**649,000**
CLP					
Union Bank of the Phils.	Long-term loan	09/25/03	09/25/08	Variable	25,808
SUB-TOTAL					**25,808**
DLP					
China Banking Corp.	Long-term loan	10/18/04	10/18/09	Variable	320,000
Union Bank of the Phils.	Long-term loan	12/21/01	12/20/06	Variable	69,231
SUB-TOTAL					**389,231**
PILMICO & SUBSIDIARIES					
Equitable PCIBank	Long-term loan	01/31/03	01/31/08	Variable	100,000
Equitable PCIBank	Long-term loan	12/12/03	12/06/08	Variable	45,833
Union Bank of the Phils.	Long-term loan	10/14/02	10/14/07	Variable	134,615

Name of Creditor	Type of Obligation	Date of Availment	Date of Maturity	Interest Rate	Amount of Availment
Union Bank of the Phils.	Long-term loan	11/12/03	11/06/08		91,667
Metropolitan Bank & Trust Co.	Long-term loan	10/03/05	10/03/12		22,000
Metropolitan Bank & Trust Co.	Long-term loan	10/03/05	10/03/12	Variable	40,000
Metropolitan Bank & Trust Co.	Long-term loan	10/03/05	10/03/12	Variable	88,000
SUB-TOTAL					**241,667**
ATSC & SUBSIDIARIES					
Banco de Oro Universal Bank	Long-term loan	07/31/03	07/31/08	Variable	153,846
China Banking Corp.	Long-term loan	02/10/03	02/11/08	Variable	106,667
China Trust Bank	Long-term loan	03/29/04	03/29/14	Variable	77,500
China Trust Bank	Long-term loan	04/01/04	03/29/14	Variable	22,500
Citibank, N.A.	Long-term loan	02/10/03	02/11/08	Variable	106,667
Development Bank of the Phils.	Long-term loan	04/16/04	03/29/14	Variable	84,000
Development Bank of the Phils.	Long-term loan	11/16/04	03/29/14	Variable	77,985
Development Bank of the Phils.	Long-term loan	08/03/04	03/29/14	Variable	146,000
Development Bank of the Phils.	Long-term loan	01/07/05	03/29/14	Variable	42,015
Equitable PCIBank	Long-term loan	02/10/03	02/11/08	Variable	133,333
Equitable PCIBank	Long-term loan	12/16/05	12/16/10	Variable	48,000
Equitable PCIBank	Long-term loan	12/16/05	12/16/10	Variable	176,000
Equitable PCIBank	Long-term loan	03/29/04	03/29/14	Variable	400,000
Equitable PCIBank	Long-term loan	03/29/04	03/29/14	Variable	50,000
International Exchange Bank	Long-term loan	02/10/03	02/11/08	Variable	53,333
International Exchange Bank	Long-term loan	12/16/05	12/16/10	Variable	27,000
International Exchange Bank	Long-term loan	12/16/05	12/16/10	Variable	99,000
Orix Leasing	Long-term loan	02/10/03	02/11/08	Variable	26,667
Metropolitan Bank & Trust Co.	Long-term loan	02/10/03	02/11/08	Variable	80,000
Planters Bank	Long-term loan	03/29/04	03/29/14	Variable	77,500
Planters Bank	Long-term loan	04/01/04	03/29/14	Variable	22,500
Phil. National Bank	Long-term loan	12/16/05	12/16/10	Variable	22,500
Phil. National Bank	Long-term loan	12/16/05	12/16/10	Variable	82,500
Robinsons Savings Bank	Long-term loan	12/16/05	12/16/10	Variable	22,500
Robinsons Savings Bank	Long-term loan	12/16/05	12/16/10	Variable	82,500
Security Bank & Trust Co.	Long-term loan	02/10/03	02/11/08	Variable	80,000
Security Bank & Trust Co.	Long-term loan	12/16/05	12/16/10	Variable	30,000
Security Bank & Trust Co.	Long-term loan	12/16/05	12/16/10	Variable	110,000
Interpool (Container Lease)	Long-term loan	various dates	various dates	Variable	306,524
Vereins UND Bank Germany	Long-term loan	07/16/03	07/16/08	Variable	31,234
SUB-TOTAL					**2,778,271**
SUBIC ENERZONE CORP.					
Development Bank of the Phils.	Long-term loan	10/10/05	10/10/15	Variable	89,000
Development Bank of the Phils.	Long-term loan	02/15/06	10/10/15	Variable	28,430
SUB-TOTAL					**117,430**
TOTAL					**9,463,574**

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:

	2006	**2005**
a. Net income to common stockholders	**650,080**	618,932
b. Average number of outstanding shares	**4,906,368,698**	4,803,385,200
c. Earnings per share (a/b)	**0.132**	0.129

G. BUSINESS SEGMENT INFORMATION

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

	Power		Food Manufacturing		Transport Services		Parent Company & Others		Eliminations		Consolidated	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005
REVENUE	**1,998,694**	1,835,527	**1,696,230**	1,687,112	**2,485,992**	2,817,371	**100,195**	52,529	**-**	-	**6,281,111**	6,392,539
RESULT												
Segment results	**295,325**	299,839	**158,332**	113,445	**(245,553)**	(142,946)	**44,550**	(17,307)	**-**	-	**252,654**	253,031
Unallocated corporate income (expenses)	**26,624**	53,336	**153**	(2,152)	**110,369**	108,088	**(62,534)**	(56,441)	**-**	-	**74,613**	102,831
Operating Income											**252,654**	253,031
Interest Expense	**(53,690)**	(60,468)	**(13,795)**	(13,659)	**(92,787)**	(94,320)	**(134,738)**	(180,578)	**-**	-	**(295,010)**	(349,025)
Interest Income	**20,548**	3,236	**1,737**	1,247	**10,504**	2,099	**47,841**	58,232	**-**	-	**80,630**	64,814
Share in net income of associates	**147,643**	297,830	**1,916**	2,149	**(460)**	(2,201)	**724,945**	340,187	**(310,612)**	-	**563,433**	637,965
Income taxes	**(95,552)**	(97,277)	**(45,496)**	(34,803)	**25,533**	27,536	**26,020**	13,478	**-**	-	**(89,495)**	(91,066)
Income before minority interest											**586,824**	618,551

H. 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 1st quarter 2005 comparative financial statements are restated to retro-actively apply the new/revised accounting standards implemented in 2005 and to comply with the requirement of the Transport Group reorganization. In the 4th quarter of 2005, transport subsidiary ATSC acquired, through a share-swap deal, other transport-related businesses of the Aboitiz Group. This acquisition was accounted for under the pooling-of-interests method, which required the consolidation of the 2004 and 2005 financial data of these newly-acquired subsidiaries into ATSC's restated financial statements for the same periods.

Restatement of Jan-Mar 2005 Net Income

			January - March 2005	
	Notes	Previous GAAP	Effect of Adoption of PFRS and Transport Reorganization	PFRS
REVENUES	a	5,357,837	1,034,702	**6,392,539**
COSTS AND EXPENSES	a	5,095,886	1,043,622	**6,139,507**
GROSS PROFIT		261,951	(8,920)	**253,031**
OTHER INCOME (CHARGES)				
Share in net earnings of associates	b & c	676,167	(38,202)	**637,965**
Interest income		64,814	-	**64,814**
Interest expense	a & d	(290,646)	(58,379)	**(349,025)**
Other income	a	44,686	58,145	**102,831**
		495,021	(38,435)	**456,586**
INCOME BEFORE INCOME TAX	a	756,972	(47,355)	**709,617**
PROVISION FOR INCOME TAX	a	82,682	8,384	**91,066**
NET INCOME		674,290	(55,739)	**618,551**
ATTRIBUTABLE TO:				
EQUITY HOLDERS OF THE PARENT		679,514	(60,583)	**618,932**
MINORITY INTERESTS	a	(5,224)	4,843	**(380)**
		674,290	(55,739)	**618,551**

Notes:

a. Transport Reorganization - The 1st quarter 2005 income statement prepared last year did not consider the operating results of the newly-acquired subsidiaries. To comply with the requirement of this reorganization, said income statement has been restated to consolidate the financial data of these new subsidiaries. As a result, revenues increased by P1.035 billion, costs and expenses by P1.044 billion, interest expense by P4 million, other income by P58 million, provision for income tax by P8 million and equity earnings by P2 million, and minority interests decreased by P5 million.

b. PAS 16 (Property, Plant and Equipment) - This new standard requires that depreciation reflects the useful life of the significant components of the assets. Adoption of said standard increased the depreciation expense of the hydro power generating associates as certain plant components were determined to have shorter asset lives than what were previously used. The 1st quarter 2005 net income of these associates decreased, and AEV's share of their net earnings correspondingly reduced by P27 million.

c. PAS 40 (Investment Property) - The group opted to measure its investment properties at cost. The adoption of this new standard requires that where cost method is used, investment properties, other than land, will be carried at cost less accumulated depreciation. Under the old GAAP, idle depreciable assets were not required to be depreciated. Under the PAS, these assets are now classified as investment properties, and thus, subject to depreciation. Its banking associate, UBP, owns investment properties which now have to be depreciated. As a result, UBP's 1st quarter 2005 net income decreased due to additional depreciation expense, and AEV's share of its net earnings correspondingly declined by P9 million.

d. PAS 32 (Financial Instruments: Disclosure and Presentation) - This new standard requires financial instruments to be classified as debt or equity in accordance with their substance and not their legal form. The 1st quarter 2005 AEV financial statements prepared last year still treated its redeemable preferred shares as equity and the preferred dividends paid as a charge to retained earnings. The adoption of this new standard requires the restatement of the 1st quarter 2005 net income to treat the P54 million preferred cash dividends paid as part of interest expense. As a result, interest expense increased by P54 million.

Effect on the cash flow statement in 1st Quarter 2005

There are no differences between the cash flow statement prepared under PFRS and the cash flow statement presented under previous GAAP except for the effect of the noncash adjustments.

2. Seasonality of Interim Operations

The hydro-power generating companies traditionally experience their peak production and revenue period between the months of May and November.

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

3. Material Events and Changes

On February 9, 2006, AEV Board of Directors approved the declaration of cash dividend of P0.15 per share to all stockholders of record as of the close of business hours on February 24, 2006, payable on March 10, 2006. The cash dividend declaration will require approximately P735 Million of AEV's funds which will be sourced internally.

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 since the end of the most recently completed fiscal year, and no other known trends, events or uncertainties that have had or are reasonably expected to have a material favorable or unfavorable impact on revenues or income from continuing operations. 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 other material, non-recurring adjustments made during the 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 : MAR 31/2006

	30 Days	60 Days	90 Days	Over 90 Days	Total
A/R - Trade:					
Power Generation/Distribution Customers	292,396	71,808	62,770	133,789	560,763
Food Production Customers	350,492	79,240	4,464	27,517	461,713
Aviation Services Customers	0	-	1,742,000	-	1,742
Real Estate Lessees	5,744	-	-	0	5,744
Transport Services Customers	1,247,292	101,915	135,730	54,950	1,539,887
Sub-total - A/R - Trade	**1,895,924**	**252,963**	**204,706**	**216,256**	**2,569,849**
Less : Allowance for Doubful Accounts					**328,898**
Net Trade Receivables					**2,240,951**
A/R - Non Trade	**720,561**	**199,904**	**86,907**	**230,938**	**1,238,310**
Grand Total	**2,616,485**	**452,867**	**291,613**	**447,194**	**3,479,261**

ACCOUNTS RECEIVABLE DESCRIPTION

Type of Receivable	Nature / Description	Collection 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