COVER SHEET

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S.E.C. Registration Number

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

(Company's Full Name)

A B O I T I Z   C O R P O R A T E   C E N T E R , G O V .
M A N U E L   A.   C U E N C O   A V E N U E , K A S A M B
A G A N , C E B U   C I T Y

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

LEAH I. GERALDEZ	(032) 231-2580 LOC 310
Contact Person	Company Telephone Number

2nd Quarterly Report

1 2	3 1	1 7 - Q	0 5	1 5
Month	*Day*	FORM TYPE	*Month*	*Day*

Fiscal Year

Annual Meeting

Secondary License Type, if Applicable

S E C	
Dept. Requiring this Doc	Amended Articles Number/Section

12,771	x	
Total No. of Stockholders	Domestic	Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

S T A M P S

Remarks = pls. Use black ink for scanning purposes

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 **June 30, 2006**

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

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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	**17,420,412,089**

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 Aboitiz Equity Ventures (AEV) and its subsidiaries (collectively referred to as the “group”):

1. **Equity in Net Earnings (Losses) of Investees.** This represents the Aboitiz Equity Ventures’ (AEV) 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 AEV’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 first semester of 2006 all key performance indicators where within expected level. 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 parent level, the availment of the P2.7 billion long-term loan during the current semester was planned to prepay more expensive debts 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 second quarter of 2006 and 2005 and as of December 31, 2005 (amounts in thousands except for the financial ratios):

	JUNE 30/2006	**JUNE 30/2005** As restated *	**DEC 31/2005**
EQUITY IN NET EARNINGS OF INVESTEES	**931,803**	1,125,304	
EBITDA	**3,133,226**	3,414,258	
CASH FLOW GENERATED:			
Net cash provided by operating activities	**989,465**	691,264	
Net cash used in investing activities	**(29,476)**	(266,002)	
Net cash used in financing activities	**(736,123)**	(1,945,199)	
Net Increase (Decrease) in Cash & Cash Equivalents	**230,307**	(1,522,544)	
Cash & Cash Equivalent, Beginning	**4,622,676**	4,567,791	
Cash & Cash Equivalent, End	**4,852,983**	3,045,246	
CURRENT RATIO	**1.66**	1.24	1.29
DEBT-TO-EQUITY RATIO	**0.85**	0.91	0.84

* Figures were restated as a result of the full adoption of Philippine Financial Reporting Standards (PFRS) and the reorganization of the transport group.

Financial Results of Operations

AEV ended the first six months of this year with P1.56 billion in net income to common shareholders, a 6% decrease from the restated net income in the first semester of 2005. This is equivalent to P0.32 in earnings per share (EPS). Earnings before interest, taxes, depreciation and amortization (EBITDA) went down by 8% to P3.13 billion.

The power group again posted better earnings, while the other business groups, namely banking, food and transport, showed lower profits versus the same period last year.

The power group contributed P965 million in the first half, up 10.7% over the same period last year.

The banking group however posted lower earning contributions of P495 million to AEV, 20% lower than its income contribution for the first half of 2005. Likewise, the food group contributed P199 million, which is almost 6% lower than the figure for the first semester last year. The transport group also contributed a net loss of P1.1 million in the first six months, down from a net income of P214 million for the same period last year.

Material Changes in Line Items of Registrant's Income Statement

Gross profit for the first half of 2006 went down by 7% as compared to the same period last year. This was mainly due to the 78% decrease in gross margins of Aboitiz Transport System Corporation (ATSC), which completely offset the increase posted by majority 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 and weaker market, and to the further increase in fuel costs which could not be timely recovered through rate adjustments.

Share in net earnings of associates was down 17% largely due to the decrease in income contributions of LHC and Union Bank of the Philippines (UBP). The 37% decline in LHC net income was brought about by lower revenues due to 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 interim impact of expenses related to the purchase of International Exchange Bank (iBank) and lower interest margins accounted for the 25% dip in UBP's income contribution. The improvement in net income of Visayan Electric Company, Inc. (VECO), San Fernando Electric Light Power Company (SFELAPCO), Southern Philippines Power Corporation (SPPC) and Western Mindanao Power Corporation (WMPC) partially offset this decrease in equity earnings.

Other income dropped by 11% as compared to that of the same period last year mainly due to the lower gain generated by ATSC on its sale of a tied-up vessel.

The overall decline in consolidated bottom line was partially offset by the 25% increase in interest income, coupled with a 14% reduction in interest expense. Higher fund holdings at parent level and decrease in average debt level and interest rates accounted for this improvement.

Changes in Registrant's Resources, Liabilities and Shareholders Equity

Compared to year–end 2005 levels, consolidated assets slightly increased by 2% in 2006 (from P38.2 billion to P39.1 billion). This increase was mainly due to following:

- Cash & Cash Equivalents - up 5% (P4.85 billion vs P4.62 billion) mainly due to the higher fund holdings generated from the remaining proceeds of the P2.7 billion long-term loan availed by AEV in March and June, 2006. Part of the proceeds was used to prepay other more expensive debts while a certain amount was retained to finance future investments and projects.
- Trade and Other Receivables - up 8% (P3.632 billion vs P3.368 billion) largely due to higher trade receivables which correspondingly rose in consonance with the growth in revenues of AEV Parent and the food group.
- Inventories - grew by 23% (P1.9 billion vs P1.5 billion) due to higher wheat inventory volume carried by Pilmico Foods Corporation (Pilmico) in 2006.
- Other Current Assets - increased by 29% (P961 million vs P746 million) largely due to interim build up of prepaid expenses and taxes during the first half of 2006, as compared to year-end 2005 level. As of December 2005, prepaid expenses had been fully charged to P&L while prepaid taxes had been substantially applied against resulting 2005 income tax payable.
- Deferred Income Tax Assets - increased by 10% (P348 million vs P317 million) mainly due to higher provisions for doubtful accounts, which required the setting up of additional deferred income tax benefits, with Deferred Income Tax Assets as contra-account.

Consolidated liabilities was higher by P484 million compared to 2005 year-end level, mainly due to the additional long-term loan availed by AEV. This increase in debt was offset by the combined decrease in the transport group's bank debt and obligations under finance lease of by about P465 million due to payment of principal amortization dues using internally generated funds.

Accounts payable and other current liabilities were higher by 17% primarily due to the increase in trade payables and accrued expenses of the transport and food groups. Customer deposits increased by 5% due to the increase in the power distribution group's customer base.

Equity attributable to equity holders of AEV increased by 2% - from P20.1 billion in 2005 to P20.5 billion in 2006. This improvement was substantially due to the 6% growth in retained earnings, which was partially offset by the group's share in unrealized valuation losses on AFS investments and underwriting accounts of its banking associate.

During the 1st half of 2006 the group continued to deliver a positive operating performance, generating P1.557 billion in net income which resulted in a 6% increase in retained earnings, despite the P736 million cash dividend distribution.

Share in unrealized gains (losses) on AFS investments and underwriting accounts declined by P413 million. The drop in the market prices of these financial instruments as of June 2006 resulted to a P291 million share in valuation losses, reversing the P122 million share in gains as of year-end 2005.

Material Changes in Liquidity and Cash Reserves of Registrant

Consolidated cash generated from operating activities increased by 43%, from P691 million in first half 2005 to P989 million in first half 2006. As compared to the same semester a year ago, the group was able to retain more of its internally-generated funds.

Net cash used in investing activities decreased to P29 million, an improvement from the P266 million fund usage for the first semester of the previous year. This was mainly due to the higher cash dividends received from associates and lower capital expenditures in 2006.

Net cash used in financing activities declined by P1.2 billion primarily due to higher loan amortization paid during the same period last year compared to the current period.

For the first semester 2006, net cash inflows were higher than cash outflows, resulting to a 5% increase in cash and cash equivalents, from P4.62 billion in December 2005 to P4.85 billion in June 2006.

The P1.14 billion drop in current liabilities, resulting from prepayment of short-term borrowings and loan amortizations using either internally-generated funds or long-term loan proceeds, accounted for the improvement in current ratio - from 1.29:1 as of year-end 2005 to 1.66:1 as of June 2006. Likewise, net debt-to-equity decreased from 0.38:1 as of December 2005 to 0.36:1 as of first half 2006, while debt-to-equity ratio stood at 0.85:1.

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 privatization of NPC's hydropower generation assets, as well as develop its own new hydropower projects in 2006.

Power Industry (Distribution Sector)

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

Financial Services

With its recent acquisition of iBank, UBP is expected to more than sustain its 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.

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 impacted by high costs of imported wheat and freight. However, given its management's focus to be a low cost producer, 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 businesses 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 current 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 the various Aboitiz transport and logistic businesses under it in 2005, ATSC is in a better position to optimize its operational efficiencies and weather the poor business environment. For 2006, ATSC will continue its various initiatives to remain as a 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 and better margins for ATSC.

Except for the developments already disclosed in this report, there are, as of June 30, 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**

Signature and Title. **Vice President – Controller**

Date **August 14, 2006**

Corporate Secretary **M. Jasmine S. Oporto** M. Jasmine S. Oporto

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

Date **August 14, 2006**

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
AT JUNE 30, 2006 AND DECEMBER 31, 2005
(Amounts in Thousands)

	UNAUDITED JUN 2006	AUDITED DEC 2005
ASSETS		
Current Assets		
Cash and cash equivalents	**4,852,983**	4,622,676
Trade and other receivables - net	**3,632,037**	3,367,854
Inventories - net	**1,890,308**	1,535,480
Other current assets	**960,925**	745,570
Total Current Assets	**11,336,253**	10,271,580
Noncurrent Assets		
Property, plant, and equipment - net	**11,263,508**	11,392,102
Investment properties	**193,628**	203,162
Investments and advances	**14,446,346**	14,504,621
Available-for-sale (AFS) investments	**144,590**	149,835
Goodwill	**784,883**	784,883
Pension Asset	**44,415**	45,414
Deferred income tax assets	**347,933**	317,185
Other noncurrent assets - net	**566,634**	573,924
Total Noncurrent Assets	**27,791,937**	27,971,126
TOTAL ASSETS	**39,128,190**	38,242,706
LIABILITIES AND EQUITY		
Current Liabilities		
Bank loans	**734,028**	1,299,353
Trade and other payables	**4,994,225**	4,595,416
Dividends payable	**13,369**	16,147
Income tax payable	**193,224**	142,103
Current portion of long-term debt	**736,813**	1,756,246
Current portion of obligations under finance lease	**140,389**	140,393
Total Current Liabilities	**6,812,048**	7,949,658
Noncurrent Liabilities		
Long-term debt - net of current portion	**7,463,763**	5,810,786
Obligations under finance lease - net of current portion	**144,931**	210,490
Customers' deposits	**1,070,724**	1,016,253
Redeemable preferred shares	**1,886,940**	1,886,940
Pension liability	**21,597**	40,863
Deferred income tax liability	**20,409**	21,253
Total Noncurrent Liabilities	**10,608,364**	8,986,585
Total Liabilities	**17,420,412**	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 gains on AFS investments	**4,939**	1,656
Cumulative translation adjustments	**(1,687)**	(2,097)
Share in cumulative translation adjustments of associates	**457,639**	452,617
Share in net unrealized gains (losses) on AFS investments and underwriting accounts of associates	**(290,816)**	122,290
Retained earnings	**15,055,180**	14,234,479
Treasury stock at cost	**(1,576,463)**	(1,576,463)
	20,544,443	20,128,133
Minority Interests	**1,163,335**	1,178,330
Total Equity	**21,707,778**	21,306,463
TOTAL LIABILITIES AND EQUITY	**39,128,190**	38,242,706

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

CONSOLIDATED INCOME STATEMENTS
FOR THE PERIODS ENDED JUNE 30, 2006 AND 2005
(Amounts in Thousands)
(UNAUDITED)

	JAN-JUN/06	RESTATED JAN-JUN/05	APR-JUN/06	RESTATED APR-JUN/05
REVENUES	**13,847,338**	13,972,134	**7,566,227**	7,579,595
COSTS AND EXPENSES	**12,625,666**	12,658,844	**6,597,209**	6,519,336
GROSS PROFIT	**1,221,672**	1,313,290	**969,018**	1,060,259
OTHER INCOME (CHARGES)				
Share in net earnings of associates	**931,803**	1,125,304	**368,370**	487,338
Interest income	**148,225**	118,962	**67,595**	54,148
Interest expense	**(562,398)**	(652,722)	**(267,388)**	(303,698)
Other income	**135,768**	152,463	**61,156**	49,632
	653,398	744,007	**229,733**	287,420
INCOME BEFORE INCOME TAX	**1,875,070**	2,057,297	**1,198,751**	1,347,679
PROVISION FOR INCOME TAX	**330,584**	309,606	**241,089**	218,540
NET INCOME	**1,544,486**	1,747,691	**957,662**	1,129,139
ATTRIBUTABLE TO:				
EQUITY HOLDERS OF THE PARENT	**1,556,656**	1,659,344	**906,576**	1,040,412
MINORITY INTERESTS	**(12,170)**	88,347	**51,086**	88,727
	1,544,486	1,747,691	**957,662**	1,129,139
Earnings Per Common Share **				
Basic, for income for the period attributable to ordinary holders of the parent	**0.317**	0.345	**0.185**	0.217
Diluted, for income for the period attributable to ordinary holders of the parent	**0.317**	0.345	**0.185**	0.217

** 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 JUNE 30, 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								1,556,656		(12,171)	1,544,486
Cash dividends								(735,955)			(735,955)
Movement of unrealized valuation gains of AFS investments				3,283						(60)	3,223
Share in movement of unrealized valuation gains on AFS investments of associates							(413,107)				(413,107)
Movement of cumulative translation adjustments					410					(2,765)	(2,354)
Share in movement of cumulative translation adjustment of associates						5,022					5,022
Balances at June 30, 2006	**5,694,600**	**-**	**1,201,051**	**4,939**	**(1,687)**	**457,639**	**(290,817)**	**15,055,180**	**(1,576,463)**	**1,163,335**	**21,707,777**

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE PERIOD ENDED JUNE 30, 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)	(1,265,742)					14,180		(24,306)	(1,462,568)
Sale of treasury shares									(48,876)		(48,876)
Net income for the period								1,659,344		88,347	1,747,691
Cash dividends								(596,602)			(596,602)
Movement of unrealized valuation gains of AFS investments				14,454						-	14,454
Share in unrealized valuation gains on AFS investments of associates							168,298				168,298
Movement of cumulative translation adjustments					(3,122)					(980)	(4,102)
Share in movement of cumulative translation adjustment of associates						260,019					260,019
Balances at June 30, 2005	**5,694,600**	**-**	**1,201,051**	**13,430**	**(3,122)**	**899,261**	**(215,175)**	**13,210,103**	**(1,758,960)**	**1,210,611**	**20,251,798**

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE PERIODS ENDED JUNE 30, 2006 AND 2005
(Amounts in Thousands)
(UNAUDITED)

	JAN-JUN/06	RESTATED JAN-JUN/05	APR-JUN/06	RESTATED APR-JUN/05
CASH FLOWS FROM OPERATING ACTIVITIES:				
Income before income tax	**1,875,070**	2,057,296	**1,198,751**	1,347,679
Adjustments for:				
Share in net earnings of associates	**(931,803)**	(1,125,304)	**(368,371)**	(487,339)
Depreciation	**843,983**	823,201	**405,198**	397,051
Interest income	**(148,225)**	(118,962)	**(67,595)**	(54,148)
Interest expense	**562,398**	545,870	**267,388**	196,845
Franchise tax expense	**-**	64,353	**-**	32,842
Provision for doubtful accounts		26,956	**-**	26,956
Provision for decline (recovery) in value of fixed assets	**112**	-	**112**	(2,519)
Provision for retirement benefits	**1,570**	787	**1,570**	787
Unrealized foreign exchange loss (gain)	**(6,441)**	2,607	**(75,936)**	(42,349)
Gain on sale of available for sale investments	**(168)**	-	**(168)**	-
Gain on sale of property, plant & equipment	**(36,075)**	(70,814)	**(2,734)**	(67,855)
Operating income before working capital changes	**2,160,421**	2,205,990	**1,358,215**	1,347,951
Changes in:				
Decrease (increase) in operating current assets	**(815,646)**	(792,771)	**(149,456)**	(690,844)
Increase in operating current liabilities	**624,918**	280,964	**103,323**	188,284
Cash provided by operations	**1,969,693**	1,694,184	**1,312,082**	845,391
Income and final taxes paid	**(243,413)**	(362,688)	**(232,874)**	(332,167)
Interest paid	**(736,815)**	(581,171)	**(70,998)**	(185,193)
Franchise taxes paid	**-**	(59,061)	**-**	(28,796)
Net cash provided by operating activities	**989,465**	691,264	**1,008,210**	299,235
CASH FLOWS FROM INVESTING ACTIVITIES:				
Dividends received	**548,504**	338,064	**528,223**	323,278
Interest received	**129,505**	170,527	**60,611**	49,076
Decrease (increase) in investments and advances	**33,489**	(15,310)	**18,466**	(13,263)
Acquisitions of property, plant and equipment - net	**(669,892)**	(756,679)	**(399,347)**	(301,305)
Disposals (acquisitions) of available for sale investments	**8,696**	(10,549)	**4,451**	(10,549)
Cash of newly-acquired subsidiary		308,750	**-**	-
Decrease (increase) in other assets	**(79,778)**	(300,804)	**(55,415)**	275,892
Net cash provided by (used in) investing activities	**(29,476)**	(266,002)	**156,989**	323,128
CASH FLOWS FROM FINANCING ACTIVITIES:				
Proceeds from (payments of) loans payable	**(565,325)**	255,002	**(759,741)**	124,417
Proceeds from (payments of) long-term debt	**567,981**	(1,518,560)	**(1,258,126)**	(668,366)
Cash dividends paid	**(735,955)**	(596,602)		
Decrease in minority interest	**(2,824)**	(36,164)	**(2,828)**	(31,292)
Acquisition of treasury shares	**-**	(48,876)	**-**	
Net cash provided used in financing activities	**(736,123)**	(1,945,199)	**(2,020,695)**	(575,241)
Effect of foreign exchange rate changes	**6,441**	(2,607)	**75,936**	42,349
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**230,307**	(1,522,544)	**(779,560)**	89,471
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**4,622,676**	4,567,791	**5,632,544**	2,955,775
CASH AND SHORT-TERM INVESTMENTS AT END OF PERIOD	**4,852,983**	3,045,246	**4,852,983**	3,045,246

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES
FINANCIAL STATEMENT SCHEDULES AND DISCLOSURES
AT JUNE 30, 2006 AND DECEMBER 31, 2005
(peso amounts in thousands)

A. INVESTMENTS AND ADVANCES

	% OWNERSHIP 2006	JUN 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.	54.70%	**512,181**	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		**8,409,312**	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		**931,803**	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		**(548,504)**	(733,749)
Balance, end of period		**5,681,095**	5,312,663
Share in net unrealized gains (losses) on available-for-sale securities & underwriting accounts of an associate		**(290,810)**	122,290
Effect of Transport reorganization		**-**	(1,352)
Share in associates' cumulative translation adjustments		**456,281**	452,617
		14,255,878	14,294,570
Allowance for decline in value		**(28,995)**	(28,995)
Investments, at equity		**14,226,883**	14,265,575
Advances to investees		**219,463**	239,046
		14,446,346	14,504,621

B. ACCOUNTS PAYABLE & ACCRUED EXPENSES

Trade	2,108,675
DOSRI	-
Others	2,885,550
TOTAL	**4,994,225**

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	46,700
Banco de Oro Private Bank	Working Capital Line	various dates	various dates	various	565,192
Equitable PCI Bank	Working Capital Line	various dates	various dates	various	10,000
Fokus Bank	Working Capital Line	various dates	various dates	various	80,282
Security Bank & Trust Co.	Working Capital Line	various dates	various dates	various	31,854
TOTAL					**734,028**

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	9,000
Allied Banking Corp.	Long-term loan	11/28/02	09/13/07	Variable	12,222
Ayala Life Assurance, Inc.	Long-term loan	03/02/06	03/02/11	Variable	53,000
Ayala Life Fixed Income Fund, Inc.	Long-term loan	03/02/06	03/02/11	Variable	900,000
Ayala Plans, Inc.	Long-term loan	03/02/06	03/02/11	Variable	37,000
Banco de Oro Universal Bank	Long-term loan	09/13/02	09/13/07	Variable	61,111
Bank of Commerce	Long-term loan	11/28/02	09/13/07	Variable	12,223
Bank of the Philippine Islands	Long-term loan	03/02/06	03/02/11	Variable	1,000,000
Development Bank of the Philippines	Long-term loan	06/07/06	03/02/11	Variable	500,000
Equitable PCIBank	Long-term loan	09/13/02	09/13/07	Variable	61,111
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	250,000
Robinsons Savings Bank	Long-term loan	11/28/02	09/13/07	Variable	12,222
Security Bank & Trust Co.	Long-term loan	09/13/02	09/13/07	Variable	61,111
Universal Malayan Insurance Corp.	Long-term loan	03/02/06	03/02/11	Variable	10,000
SUB-TOTAL					**4,194,000**
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	21,116
SUB-TOTAL					**21,116**
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	46,153
SUB-TOTAL					**366,153**
PILMICO & SUBSIDIARIES					
Equitable PCIBank	Long-term loan	01/31/03	01/31/08	Variable	87,500
Equitable PCIBank	Long-term loan	12/12/03	12/06/08	Variable	41,667
Metropolitan Bank & Trust Co.	Long-term loan	10/03/05	10/03/12	Variable	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

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	10/14/02	10/14/07	Variable	115,385
Union Bank of the Phils.	Long-term loan	11/12/03	11/06/08	Variable	83,333
SUB-TOTAL					**477,885**
ATSC & SUBSIDIARIES					
Banco de Oro Universal Bank	Long-term loan	07/31/03	07/31/08	Variable	138,462
China Banking Corp.	Long-term loan	02/10/03	02/11/08	Variable	93,333
China Trust Bank	Long-term loan	03/29/04	03/29/14	Variable	75,078
China Trust Bank	Long-term loan	04/01/04	03/29/14	Variable	21,797
Citibank, N.A.	Long-term loan	02/10/03	02/11/08	Variable	93,333
Development Bank of the Phils.	Long-term loan	04/16/04	03/29/14	Variable	81,375
Development Bank of the Phils.	Long-term loan	11/16/04	03/29/14	Variable	75,548
Development Bank of the Phils.	Long-term loan	08/03/04	03/29/14	Variable	141,438
Development Bank of the Phils.	Long-term loan	01/07/05	03/29/14	Variable	40,702
Equitable PCIBank	Long-term loan	02/10/03	02/11/08	Variable	116,667
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	12/16/05	12/16/10	Variable	22,500
Equitable PCIBank	Long-term loan	12/16/05	12/16/10	Variable	82,500
Equitable PCIBank	Long-term loan	03/29/04	03/29/14	Variable	387,500
Equitable PCIBank	Long-term loan	03/29/04	03/29/14	Variable	48,437
International Exchange Bank	Long-term loan	02/10/03	02/11/08	Variable	46,667
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	23,333
Metropolitan Bank & Trust Co.	Long-term loan	02/10/03	02/11/08	Variable	70,000
Planters Bank	Long-term loan	03/29/04	03/29/14	Variable	75,077
Planters Bank	Long-term loan	04/01/04	03/29/14	Variable	21,797
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	70,000
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	285,320
Vereins UND Bank Germany	Long-term loan	07/16/03	07/16/08	Variable	31,255
SUB-TOTAL					**2,637,119**
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	10/10/05	10/10/15	Variable	28,430
Development Bank of the Phils.	Long-term loan	04/05/06	10/10/15	Variable	6,520
Development Bank of the Phils.	Long-term loan	06/13/06	10/10/15	Variable	16,673
SUB-TOTAL					**140,623**
TOTAL					**8,485,896**

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 isuuances 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	**1,556,656**	1,659,344
b. Average number of outstanding shares	**4,906,368,683**	4,805,514,252
c. Earnings per share (a/b)	**0.317**	0.345

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	**4,213,868**	3,850,590	**3,547,583**	3,488,159	**5,738,935**	6,518,063	**346,952**	115,321	**-**	-	**13,847,338**	13,972,134
RESULT												
Segment results	**582,370**	598,722	**323,677**	293,328	**97,094**	442,466	**218,530**	(21,226)	**-**	-	**1,221,672**	1,313,290
Unallocated corporate income (expenses)	**33,364**	73,146	**3,213**	(7,109)	**50,997**	90,207	**48,194**	(3,781)	**-**	-	**135,768**	152,463
Gross Profit											**1,221,672**	1,313,290
Interest Expense	**(84,687)**	(115,288)	**(24,718)**	(25,021)	**(165,246)**	(183,623)	**(287,747)**	(328,790)	**-**	-	**(562,398)**	(652,722)
Interest Income	**20,471**	7,775	**3,580**	3,272	**7,596**	5,943	**116,578**	101,972	**-**	-	**148,225**	118,962
Share in net income of associates	**296,261**	453,429	**2,990**	2,918	**2,027**	8,802	**1,486,023**	1,917,653	**(855,498)**	(1,257,499)	**931,803**	1,125,304
Income taxes	**(192,611)**	(171,537)	**(110,087)**	(56,729)	**(17,956)**	(76,968)	**(9,930)**	(4,372)	**-**	-	**(330,584)**	(309,606)
Income for the period											**1,544,486**	1,747,691

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 2nd 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-Jun 2005 Net Income

		January - June 2005		
	Notes	Previous GAAP	Effect of Adoption of PFRS and Transport Reorganization	PFRS
REVENUES	a	11,810,118	2,162,016	**13,972,134**
COSTS AND EXPENSES	a	10,660,064	1,998,780	**12,658,844**
GROSS PROFIT		1,150,054	163,236	**1,313,290**
OTHER INCOME (CHARGES)				
Share in net earnings of associates	b & c	1,221,278	(95,975)	**1,125,304**
Interest income		118,962	-	**118,962**
Interest expense	a & d	(538,978)	(113,744)	**(652,722)**
Other income	a	167,319	(14,856)	**152,463**
		968,581	(224,575)	**744,007**
INCOME BEFORE INCOME TAX	a	2,118,635	(61,339)	**2,057,296**
PROVISION FOR INCOME TAX	a	268,500	41,106	**309,606**
NET INCOME		1,850,135	(102,445)	**1,747,691**
ATTRIBUTABLE TO:				
EQUITY HOLDERS OF THE PARENT		1,824,881	(165,537)	**1,659,344**
MINORITY INTERESTS	a	25,254	63,092	**88,347**
		1,850,135	(102,445)	**1,747,691**

Notes:

a. Transport Reorganization - The 1st half 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, the ff. accounts increased - revenues by P2.162 billion, costs and expenses by P1.999 billion, interest expense by P7 million, share in associates' earnings by P8 million, provision for income tax by P41 million and, and minority interests by P63 million, while other income decreased by P15 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 half 2005 net income of these associates decreased, and AEV's share of their net earnings correspondingly reduced by P86 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 half 2005 net income decreased due to additional depreciation expense, and AEV's share of its net earnings correspondingly declined by P18 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 half 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 half 2005 net income to treat the P107 million preferred cash dividends paid as part of interest expense. As a result, interest expense increased by P107 million.

Effect on the cash flow statement in 1st Half 2005

There are no differences between the cash flow statements prepared under PFRS and 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. Cash dividends paid on said date amounted to P736 Million, using internally-sourced funds.

In June 2006, UnionBank of the Philippines (UBP) purchased around 98% of the voting shares of The International Exchange Bank (iBank).

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 : JUN 30/2006

	30 Days	60 Days	90 Days	Over 90 Days	Total
A/R - Trade:					
Power Generation/Distribution Customers	495,649	43,793	34,808	99,307	673,557
Food Production Customers	457,516	94,732	13,832	29,268	595,348
Aviation Services Customers	1,946	246,000	1,284,000	-	3,476
Real Estate Lessees	8,087	-	-	2,992	11,079
Transport Services Customers	1,045,631	145,088	89,270	264,398	1,544,387
Sub-total - A/R - Trade	**2,008,829**	**283,859**	**139,194**	**395,965**	**2,827,847**
Less : Allowance for Doubful Accounts					**350,311**
Net Trade Receivables					**2,477,536**
A/R - Non Trade	**807,012**	**59,764**	**34,417**	**253,308**	**1,154,501**
Grand Total	**2,815,841**	**343,623**	**173,611**	**649,273**	**3,632,037**

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