

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

20 - IS
(Preliminary Information Statement)
FORM TYPE

**SECURITIES AND EXCHANGE COMMISSION
SEC FORM 20-IS
INFORMATION STATEMENT PURSUANT TO SECTION 20
OF THE SECURITIES REGULATION CODE**

1. Check the appropriate box:
 Preliminary Information Statement
 Definitive Information Statement
2. Name of Registrant as specified in its charter **ABOITIZ EQUITY VENTURES, INC.**
3. **Cebu, Philippines**
 Province, country or other jurisdiction of incorporation or organization
4. SEC Identification Number **CEO2536**
5. BIR Tax Identification Code **003-828-269-V**
6. **Aboitiz Corporate Center, Gov. Manuel A. Cuenco Avenue, Kasambagan, Cebu City, Philippines**
 Address of principal office Postal Code **6000**
7. Registrant's telephone number, including area code **(032) 231-2580**
8. **15 May 2006, 4 o'clock p.m., Grand Ballroom, Cebu City Marriott Hotel, Cebu Business Park, Cebu City, Cebu**
 Date, time and place of the meeting of security holders
9. Approximate date when the Information Statement is first to be sent or given to security holders **21 April 2006**
10. In case of Proxy Solicitations: **NA**
11. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the Revised Securities Act (information on number of shares and amount of debt is applicable only to corporate registrants):

Title of Each Class	Number of Shares of Stock Outstanding and Amount of Debt Outstanding
Authorized Capital Stock: (9,600,000,000 Common Shares, PV P1.00; 400,000,000 Preferred Shares, PV P1.00)	10,000,000,00
No. of Common Shares Outstanding as of 28 February 2006	5,093,068,683
Amount of Debt Outstanding as of 31 December 2005	17,938,106,000
12. **Are any or all of registrant's securities listed on a Stock Exchange?**
 Yes No

The common stock of the Corporation is listed on the Philippine Stock Exchange.

INFORMATION REQUIRED IN INFORMATION STATEMENT

A. GENERAL INFORMATION

Item 1. Date, time and place of annual stockholders' meeting

Date of meeting	:	15 May 2006
Time of meeting	:	4 o'clock p.m.
Place of meeting	:	Grand Ballroom, Cebu City Marriott Hotel, Cebu Business Park, Cebu City

Approximate mailing date of this statement	:	21 April 2006
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Complete mailing address of the principal office of the registrant	:	Aboitiz Corporate Center Gov. Manuel A. Cuenco Avenue Kasambagan, Cebu City 6000 Philippines
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Item 2. Dissenter's Right of Appraisal

There are no matters or proposed actions included in the Agenda of the Meeting that may give rise to a possible exercise by stockholders of their appraisal rights. Generally, however, the stockholders of Aboitiz Equity Ventures, Inc. (AEV) have the right of appraisal in the following instances: (a) in case any amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholder or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence; (b) in case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets as provided in the Corporation Code; and (c) in case of merger or consolidation.

Any stockholder who wishes to exercise his appraisal right must have voted against the proposed corporate action. He must also make a written demand on AEV within thirty (30) days after the date on which the vote was taken, for payment of the fair value of his shares. Failure to make the demand within such period shall be deemed a waiver of such appraisal right. If the proposed corporate action is implemented or effected, AEV shall pay to such stockholder, upon surrender of the certificate or certificates of stock representing his shares, the fair value thereof, as of the day prior to the date on which the vote was taken, excluding any appreciation or depreciation in anticipation of such corporate action.

If, within a period of sixty (60) days from the date the corporate action was approved by the stockholders, the withdrawing stockholder and AEV cannot agree on the fair value of the shares, it shall be determined and appraised by three (3) disinterested persons, one of whom shall be named by the stockholder, another by AEV, and the third by the two thus chosen. The findings of the majority of the appraiser shall be final, and their award shall be paid by AEV within thirty (30) days after such award is made. No payment shall be made to any dissenting stockholder unless AEV has unrestricted retained earnings in its books to cover such payment. Upon payment by AEV of the agreed or awarded price, the stockholder shall forthwith transfer his shares to AEV.

Item 3. Interest of Certain Persons in or Opposition to Matters to be Acted Upon

- (a.) No current director or officer of AEV, or nominee for election as director of AEV or any associate of any of the foregoing persons has any substantial interest, direct or indirect, by security holdings or otherwise, in any matter to be acted upon in the stockholders' meeting, other than election to office.
- (b.) No director has informed AEV in writing that he intends to oppose any action to be taken by AEV at the meeting.

B. CONTROL AND COMPENSATION INFORMATION

Item 4. Voting Securities and Principal Holders Thereof

(a.) Class of Voting Shares as of 28 February 2006:

<u>Class of Voting Shares</u>	<u>No. of Shares Entitled to Vote</u>
Common Shares	5,093,068,683

Every stockholder shall be entitled to one vote for each share of stock held as of the established record date.

(b.) Record Date: 31 March 2006

All stockholders of record as of 31 March 2006 are entitled to notice and to vote at AEV's Annual Stockholders' Meeting.

(c.) Election of Directors and Cumulative Voting Rights

With respect to the election of directors, a stockholder may vote such number of shares for as many persons as there are directors to be elected. He may also cumulate said shares and give one candidate as many votes as the number of directors to be elected, or distribute the shares on the same principle among as many candidates as he shall see fit, provided, that the total number of votes cast by the stockholder shall not exceed the total number of shares owned by him as shown in the books of AEV multiplied by the whole number of directors to be elected.

Article 1 Section 5 of the amended By-Laws of AEV provides that voting upon all questions at all meetings of the stockholders shall be by shares of stock and not per capita. Likewise, Section 6 of the same Article states that stockholders may vote at all meetings either in person or by proxy duly given in writing and presented to the Secretary for inspection, validation and record at least seven (7) days prior to the opening of said meeting. A proxy bearing a signature that is not legally acknowledged shall not be recognized by the Secretary.

Section 1, Article II of the amended By-Laws provides that nominations for election of members of the Board of Directors by stockholders must be submitted in writing to the Board of Directors no later than five (5) working days prior to the date of the regular annual stockholders' meeting, except as may be provided by the Board of Directors in appropriate guidelines that it may promulgate from time to time in compliance with law.

No discretionary authority to cumulate votes is solicited.

(d.) No proxy solicitation is being made.

(1) Security Ownership of Certain Record and Beneficial Owners and Management

Security Ownership of Certain Record and Beneficial Owners (more than 5%) as of 28 February 2006

Title of Class	Name/Address of Stockholder and Beneficial Owner	Relationship with AEV	Citizenship	No. of Shares and Nature of Ownership (Record or Beneficial)	Percent of Class
Common	1. Aboitiz and Company, Inc.* Aboitiz Corporate Center Gov. Manuel A. Cuenco Avenue Kasambagan, Cebu City 6000	Stockholder	Filipino	2,476,022,415 (Record)	48.6155%
Common	2. PCD Nominee Corp.	Stockholder	Filipino	890,210,828 (Beneficial)	17.4789%
Common	3. Ramon Aboitiz Foundation, Inc.** 35 Lopez Jaena St., Cebu City 6000	Stockholder	Filipino	364,885,243 (Record)	7.1643%
Common	4. PCD Nominee Corp.	Stockholder	Non-Filipino	284,941,574 (Beneficial)	5.5947%

Aboitiz and Company, Inc. (ACO) is a corporation wholly owned by the Aboitiz family. No single stockholder, natural or juridical, owns five per centum (5%) or more of the shareholdings of ACO.

*Mr. Jon Ramon Aboitiz, ACO President and Chief Executive Officer, will vote the shares of ACO in AEV in accordance with the directive of the ACO Board of Directors.

**Mr. Roberto E. Aboitiz, President of the Ramon Aboitiz Foundation, Inc. (RAFI), will vote the shares of RAFI in AEV in accordance with the directive of the RAFI Board of Trustees.

(2) Security Ownership of Management as of 28 February 2006 (Record and Beneficial)

Name of Beneficial Owner and Position	Title of Class	No. of Shares and Nature of Ownership (Record or Beneficial)	Citizenship	Percentage of Ownership
Mr. Roberto E. Aboitiz Chairman, Board of Directors	Common	975,000 - Record 78,320,538 - Beneficial	Filipino	0.02% 1.54%
Mr. Jon R. Aboitiz President and Chief Executive Officer	Common	100 - Record 87,195,131 - Beneficial	Filipino	0.00% 1.71%
Mr. Enrique M. Aboitiz, Jr. Director	Common	141,000 - Record	Filipino	0.00%
Mr. Erramon I. Aboitiz Director, Executive Vice President & Chief Operating Officer	Common	1,000 - Record 51,779,483 - Beneficial	Filipino	0.00% 1.02%
Mr. Justo A. Ortiz Director	Common	1 - Record	Filipino	0.00%
Mr. Roberto R. Romulo Independent Director	Common	100 - Record	Filipino	0.00%
Mr. Jose C. Vitug Independent Director	Common	100 - Record 72,020 - Beneficial	Filipino	0.00% 1.71%
Mr. Stephen G. Paradies Senior Vice President/CFO/Corporate Information Officer	Common	21,458,908 - Beneficial	Filipino	0.42%
Mr. Juan Antonio E. Bernad Senior Vice President - Electricity Regulatory Affairs	Common	730,351 - Record	Filipino	0.01%
Mr. Xavier Jose Aboitiz	Common	2,698,236 - Record	Filipino	0.05%

Senior Vice President - Human Resources		2,347,240 - Beneficial		0.05%
Mr. Mikel A. Aboitiz Senior Vice President/Chief Information Officer	Common	975,000 - Record 79,945,815 - Beneficial	Filipino	0.02% 1.57%
Mr. Luis Miguel Aboitiz First Vice President	Common	19,382,133 - Record	Filipino	0.38%
Mr. Benjamin A. Cariaso, Jr. Vice President – Business Development	Common	176,026 - Record	Filipino	0.00%
Ms. Melinda R. Bathan Vice President - Controller	Common	12,829 - Record	Filipino	0.00%
Ms. Narcisa S. Lim Assistant Vice President - Human Resources	Common	2,520 - Record	Filipino	0.00%
Ms. Delia Y. Maderazo Assistant Vice President - iCSD	Common	22,600 - Record	Filipino	0.00%
Mr. Carlos Copernicus S. Payot Assistant Vice President - Accounting Services	Common	473 - Record	Filipino	0.00%
TOTAL		346,236,605		6.79%

(3) Voting Trust Holders of 5% or More of Common Equity

No person holds more than five per centum (5%) of AEV's common equity under a voting trust or similar agreement.

(4) Changes in Control

There are no arrangements that may result in a change in control of AEV during the period covered by this report.

Item 5. Directors and Executive Officers

(a.) (1) Directors for 2005-2006

Below is a list of AEV's directors for 2005-2006 with their corresponding positions and offices held for the past five years. The directors assumed their directorship during AEV's annual stockholders' meeting in 2005, for a term of one year.

ROBERTO E. ABOITIZ, Chairman of the Board

Mr. Roberto E. Aboitiz, 56 years old, Filipino, has been a Director of AEV since 1994. He is concurrently a Director and Senior Vice President of Aboitiz and Company, Inc.; Chairman and Chief Executive Officer of Aboitiz Construction Group, Inc., FBMA Marine, Inc. and Aboitiz Land, Inc.; Chairman of the Board of Directors of Cebu Industrial Park Developers, Inc. and Cebu Industrial Park Services, Inc.; Director of City Savings Bank, Cotabato Light and Power Company, Davao Light and Power Company, Inc., Tsuneishi Heavy Industries (Cebu), Inc., Tsunetetsu (Cebu), Inc., K&A Metal Industries, Inc. and Visayan Electric Company, Inc.

JON RAMON ABOITIZ, Director and President/Chief Executive Officer

Mr. Jon Ramon Aboitiz, 57 years old, Filipino, has served as Director and President/Chief Executive Officer of AEV since 1994. He is also Director and President/Chief Executive Officer of Aboitiz and Company, Inc.; Chairman and Chief Executive Officer of Davao Light and Power Company, Inc.; Chairman of the Board of Directors of Aboitiz Powersolutions, Inc., Visayan Electric Company, Inc., Aboitiz Transport System Corporation, Aboitiz Power Corporation, Pilimico Foods Corporation, Philippine Hydropower Corporation, Aboitiz Jebesen

Bulk Transport Corporation, Filscan Shipping, Inc., Jepsens Maritime, Inc., and General Charterer, Inc.; Vice Chairman of the Board of Directors of Union Bank of the Philippines; Director of San Fernando Electric Light and Power Company, Inc., Cotabato Light and Power Company, Cotabato Ice Plant, Inc.; Chairman of the Board of Trustees of Aboitiz Group Foundation, Inc. and Trustee of the Ramon Aboitiz Foundation, Inc.

ERRAMON I. ABOITIZ, Director and Executive Vice President/Chief Operating Officer

Mr. Erramon I. Aboitiz, 49 years old, Filipino, has been a Director and Executive Vice President/Chief Operating Officer of AEV since 1994. He is also a Director and Senior Vice President/Chief Financial Officer of Aboitiz and Company, Inc.; Chairman of the Board of Directors of City Savings Bank, Subic EnerZone Corporation, San Fernando Electric Light and Power Company, Luzon Hydro Corporation and Fil-Am Foods, Inc.; Chairman and Chief Executive Officer of Hedcor, Inc. (formerly, Benguet Hydropower Corporation); Director and President/Chief Executive Officer of Philippine Hydropower Corporation; Director and President of Aboitiz Power Corporation; Director and Executive Vice President of Davao Light and Power Company, Inc.; Director and Vice President of Pilmico Foods Corporation; Director of Aboitiz Land Inc., Union Bank of the Philippines, Visayan Electric Company, Inc., Southern Philippine Power Corp., Aboitiz Powersolutions, Inc., and Cotabato Light and Power Company; and President and Trustee of Aboitiz Group Foundation, Inc.

ENRIQUE M. ABOITIZ, JR., Director

Mr. Enrique M. Aboitiz, Jr., 52 years old, Filipino, has served as Director of AEV since 1994. He is also Director and Senior Vice President of Aboitiz and Company, Inc; Director and President/Chief Executive Officer of Aboitiz Transport System Corporation, Director and President of Aboitiz Jepsen Bulk Transport Corporation; Director of Aboitiz One, Inc.

JUSTO A. ORTIZ, Director

Mr. Justo A. Ortiz, 48 years old, Filipino, has served as Director of AEV since 1994. He is also Chairman and Chief Executive Officer of Union Bank of the Philippines. Prior to his stint in UBP, he was Managing Partner for Global Finance and Country Executive for Investment Banking at Citibank N.A.

ROBERTO R. ROMULO, Independent Director

Mr. Roberto R. Romulo, 67 years old, Filipino, has served as Independent Director of AEV since 2002. He is Chairman of Philam Insurance Co., Inc. and InterPharma Investments, Ltd. (Zuellig Pharma) Inc, CIBI Information, Inc., Equicom Systems Management, Inc.; He is the Presidential Senior Adviser on International Competitiveness and Executive Director of the International Board of Advisors of President Gloria Macapagal Arroyo; Director of A. Soriano Corporation, Philippine Long Distance Telephone Co., Singapore Land Limited, and MIH Holdings Limited and Chairman and CEO of Romulo and Navarro, Inc.

JOSE C. VITUG, Independent Director

Justice Jose C. Vitug (ret.), 71 years old, Filipino, has served as Independent Director of AEV since 2005. He is Senior Professor of the Philippine Judicial Academy, Supreme Court of the Philippines; Chairman of the Philippine Stock Exchange; General Counsel of Manila Electric Company; Consultant of Union Bank of the Philippines and the Committee on Revision of the Rules of Court and Committee on Legal Education and Bar Matters, Supreme Court of the Philippines. He is also Director of AUF Law Center, Securities Clearing Corporation of the Philippines and Philippine Dealing System Holdings Corporation.

Nominations for Independent Directors and Procedure for Nomination

The procedure for the nomination of independent directors is in AEV's "Guidelines for the Constitution of the Nomination Committee and the Nomination and Election of Independent Directors" (the "Guidelines"). These guidelines were approved by the AEV Board on February 10, 2003 and disclosed to all stockholders. Nominations for independent director were accepted starting January 1, 2006 as provided for in Section 2 of the Guidelines and the table for nominations was closed on February 15, 2006 as provided for in Section 3 of the Guidelines.

Other procedures, require that the Nomination Committee shall meet to pre-screen all nominees, and shall submit a Final List of Candidates to the Corporate Secretary no later than February 22 so that such list will be included in the Corporation's Preliminary and Definitive Statements. Only nominees whose names appear on the Final List shall be eligible for election as independent directors. No other nominations shall be entertained after the Final List of Candidates has been prepared. The name of the person or group of persons who recommend the nomination of an independent director shall be identified in such report including any relationship with the nominee. All these procedures were complied with.

In approving the nominations for Independent Directors, the Nominations Committee considered the guidelines on the nominations of Independent Directors prescribed in SEC Memorandum Circular No. 16, Series of 2002.

In consonance with SEC Memorandum Circular No. 16, Series of 2002, no nominations for independent director shall be accepted at the floor during the stockholders' meeting during which such nominee is to be elected. However, independent directors shall be elected in the stockholders' meeting during which other members of the Board are to be elected.

Mr. Roberto R. Romulo and Ret. Justice Jose C. Vitug are the nominees for Independent Directors of AEV. They are neither officers nor employees of the Company or any of its affiliates, and do not have any relationship with the Company which would interfere with the exercise of independent judgment in carrying out the responsibilities of a director.

AEV stockholders Ms. Maria G. Sandalo and Ms. Viva Cañares have recommended Mr. Roberto R. Romulo and Justice Jose C. Vitug, respectively, as the Company's independent directors.

Nominees for Election as Members of the Board of Directors

As conveyed to the Corporate Secretary, the following will also be nominated as members of the Board of Directors for the ensuing year (2006-2007):

Jon Ramon Aboitiz
Erramon I. Aboitiz
Roberto E. Aboitiz
Enrique M. Aboitiz, Jr.

Pursuant to Sec. 1 (par. 2), Art. II of the Amended By-Laws of AEV, nominations for members of the Board of Directors must be submitted in writing to the Board of Directors at least five (5) working days before the regular annual stockholders' meeting on 15 May 2006, or not later than 08 May 2006.

All other information regarding the positions and offices held by the abovementioned nominees are integrated in Item 5 (a)(1) hereof.

Officers for 2005-2006

Below is a list of AEV's officers for 2005-2006 with their corresponding positions and offices held for the past five years. The officers assumed their positions during AEV's annual organizational meeting in 2005, for a term of one year.

JUAN ANTONIO E. BERNAD, Senior Vice President-Electricity Regulatory Affairs

Mr. Juan Antonio E. Bernad, 49 years old, Filipino, has been Senior Vice President-Electricity Regulatory Affairs of AEV since 2004. From 1995 to 2004, he was Senior Vice President and Chief Financial Officer of AEV. He is also Director and Executive Vice President/Chief Financial Officer-Electricity Regulatory Affairs of Aboitiz Power Corporation; Director and Senior Vice President/Chief Financial Officer of Davao Light and Power Company, Inc. and Cotabato Light and Power Company; Director of Union Bank of the Philippines; Chief Financial Officer of Visayan Electric Company, Inc.; Chairman of the Board of Trustees of ACO Retirement Fund and Trustee of Aboitiz Group Foundation, Inc.

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

Mr. Stephen G. Paradies, 52 years old, Filipino, has been Senior Vice President/Chief Financial Officer/Corporate Information Officer of AEV since 2004. He was Compliance Officer of AEV until November 2005. From 2002 to 2004, he was Senior Vice President and Chief Audit Executive of AEV. He is also Senior Vice President for Finance of Aboitiz and Company, Inc.; Director of Union Bank of the Philippines, Union Properties, Inc., International Container Terminal Services, Inc., Pilmico Foods Corp., Fil-Am Foods Corporation, Aboitiz One, Inc. and Aboitiz Jebsen Far East, Inc.; Executive Vice President and Treasurer of Jebsens Maritime Inc.; Director and Vice President of AEV Aviation, Inc.; Director and Vice President and Treasurer of Aboitiz Jebsen Bulk Transport Corp. and Vice Chairman of the Board of Directors of FBMA Marine, Inc.

XAVIER J. ABOITIZ, Senior Vice President - Human Resources

Mr. Xavier J. Aboitiz, 46 years old, Filipino, has been Senior Vice President for Human Resources of AEV since 2004. He is also Senior Vice President for Human Resources of Aboitiz & Company, Inc.; Management Committee member of Aboitiz Transport Systems, Corporation; Director of CSB Land Inc., Fil-Am Foods, Inc. and Pilmico Foods Corporation, and Trustee of Aboitiz Group Foundation Inc. Mr. Aboitiz has worked in various capacities in different companies under the Aboitiz Group of companies since 1983.

MIKEL A. ABOITIZ, Senior Vice President/Chief Information Officer

Mr. Mikel A. Aboitiz, 51 years old, Filipino, has been Senior Vice President and Chief Information Officer of AEV since 2004. He is also Senior Vice President and Chief Information Officer of Aboitiz and Company, Inc.; Director and Senior Vice President/Treasurer of Aboitiz Construction Group, Inc.; Director and President/Chief Executive Officer of City Savings Bank;; Director and Treasurer of Cebu Industrial Park Developers, Inc., and Cebu Industrial Park Services, Inc. and Director of Aboitiz Power Corporation, Aboitizland, Inc., Cotabato Light and Power Company, Davao Light and Power Company, Inc., FBMA Marine, Inc., Pilmico Foods Corp., K & A Metal Industries, Inc. and Tsuneishi Heavy Industries (Cebu), Inc.

LUIS MIGUEL O. ABOITIZ, First Vice President

Mr. Luis Miguel O. Aboitiz, 41 years old, Filipino, has been Vice President of AEV since 1995 and promoted to First Vice President in 2004. He is also First Vice President of Aboitiz & Company, Inc.; Director and Vice President-Power Generation of Aboitiz Power Corporation; Director and Senior Vice President – Business Development of Hedcor, Inc. (formerly, Benguet Hydropower Corp.); Director and Vice President/Treasurer of Philippine Hydropower

Corporation; Director of Davao Light and Power Company, Inc., Fil-Am Foods Inc., and Pilmico Foods Corporation

GABRIEL T. MAÑALAC, First Vice President-Treasury Services/Treasurer

Mr. Gabriel T. Mañalac, 49 years old, Filipino, has been Vice President for Treasury Services/Treasurer of AEV since 1998 and was promoted to First Vice President for Treasury Services/Treasurer of AEV in 2004. He is also First Vice President for Treasury Services of Aboitiz and Company, Inc.; Vice President/Treasurer of Davao Light and Power Company, Inc. and Treasurer of Cotabato Light and Power Company

M. JASMINE S. OPORTO, Corporate Secretary/Compliance Officer

Ms. M. Jasmine S. Oporto, 46 years old, Filipino, has been Corporate Secretary of AEV since 2004 and Compliance Officer since November 2005. She is also General Counsel and First Vice President for Legal and Corporate Services of Aboitiz and Company, Inc.; Vice President for Legal Affairs of Davao Light and Power Company, Inc.; Corporate Secretary of Visayan Electric Company, Inc., and Luzon Hydro Corporation and Trustee of the ACO Retirement Fund. Prior to joining AEV, she worked in various capacities with the Hong Kong office of Kelly Drye & Warren, LLP, a New York-based law firm and the Singapore-based consulting firm Albi Consulting Pte. Ltd. She is a member of both the Philippine and New York bars.

BENJAMIN A. CARIASO, JR., Vice President-Project Development

Mr. Benjamin A. Cariaso, Jr., 50 years old, Filipino, has been Vice President-Business Development of AEV since 1998. He is also Executive Vice President & Chief Operating Officer of Aboitiz Powersolutions, Inc. and Director and Executive Vice President and Chief Operating Officer of Subic Enerzone Corporation.

FERDINAND ESCOBAL, Vice President-Corporate Communications

Mr. Ferdinand Escobal, 44 years old, Filipino, has been with AEV as Vice President for Corporate Communications since 1999. Before joining the Corporation, he was Adviser to the President of Bank Dharmala and Vice President/Adviser of Ongko Multicorpora, a Jakarta-based conglomerate.

ELSA R. DIVINAGRACIA, Assistant Corporate Secretary

Ms. Elsa R. Divinagracia, 45 years old, Filipino, has been the Assistant Corporate Secretary of AEV since 2001. She is also Senior Associate General Counsel and Corporate Secretary of Aboitiz and Company, Inc.; Corporate Secretary of Aboitiz Land, Inc., Cebu Industrial Park Developers, Inc., City Savings Bank, Aboitiz Group Foundation, Inc., FBMA Marine, Inc., K & A Metal Industries, Inc., Tsunetetsu (Cebu) Inc. and Tsuneishi Heavy Industries (Cebu), Inc. She is a graduate of the University of the Philippines and the University of Pennsylvania Law School. She is also a member of both the Philippine and New York bars.

MELINDA RIVERA-BATHAN, Vice President/Controller

Ms. Melinda R. Bathan, 46 years old, Filipino, has been Assistant Vice President and Controller of AEV since 1997 and was promoted to Vice President and Controller in 2004. She is also Vice President and Controller of Aboitiz and Company, Inc.; and Trustee of the ACO Retirement Fund.

CAROLINE BALLESTEROS, Assistant Vice President - Branding

Ms. Caroline Ballesteros, 43 years old, Filipino, has been Assistant Vice President for Brand Management since August of 2005. Before joining the Corporation, she was Corporate Communications Officer – VISMIN at Etelecare Global Solutions, TV Host and News Anchor of ABS-CBN, Cebu Regional Station.

STELLA OLIVE SUCALIT, Assistant Vice President - Corporate Finance

Ms. Stella Sucalit, 43 years old, Filipino, has been Assistant Vice President for Corporate Finance of AEV since 2004. She has also been Assistant Vice President for Corporate Finance of Aboitiz and Company, Inc. since 2002.

NANCY S. LIM, Assistant Vice President - Human Resources

Ms. Nancy S. Lim, 42 years old, Filipino, has been Assistant Vice President for Human Resources of AEV since 2004. She has also been Assistant Vice President for Human Resources of Aboitiz and Company, Inc. since 2000 and Trustee of the ACO Retirement Fund.

DELIA Y. MADERAZO, Assistant Vice President - iCSD

Ms. Delia Y. Maderazo, 48 years old, Filipino, has been Assistant Vice President for iCSD of AEV since 2004. She has also been Assistant Vice President for iCSD of Aboitiz and Company, Inc. since 2000.

CARLOS COPERNICUS S. PAYOT, Assistant Vice President - Accounting Services

Mr. Carlos Copernicus S. Payot, 41 years old, Filipino, has been Assistant Vice President for Accounting Services of AEV since 2004. He is also Assistant Vice President for Accounting Services of Aboitiz and Company, Inc. Mr. Payot was the Audit Manager of Aboitiz & Company, Inc. prior to his appointment as Accounting Manager in 1999.

Period in which the Directors and Executive Officers Should Serve

The directors and executive officers should serve for a period of one (1) year.

Terms of Office of a Director

Pursuant to the Company By-laws, the directors are elected at each annual stockholders' meeting by stockholders entitled to vote. Each director holds office until the next annual election and until his successor is duly elected unless he resigns, dies or removed prior to such election.

The seven (7) directors, who must be stockholders of AEV, are elected annually by the stockholders during the annual stockholders' meeting, where at least a majority of the outstanding capital stock should be present in person or by proxy. The Directors shall serve for a term of one (1) year and until the election and qualification of their successors.

Any vacancy in the Board of Directors other than by removal or expiration of term may be filled by a majority vote of the remaining members thereof at a meeting called for that purpose, if they still constitute a quorum. The director so chosen shall serve for the unexpired term of his predecessor in office.

(2) Significant Employees

AEV considers the contribution of every employee important to the fulfillment of its goals.

(3) Family Relationships

Messrs. Jon Ramon Aboitiz and Roberto E. Aboitiz are brothers and are thus related to each other within the fourth civil degree of consanguinity.

Messrs. Erramon I. Aboitiz, Enrique M. Aboitiz, Jr. and Xavier Jose Aboitiz are brothers and thus, are also related to each other within the fourth civil degree of consanguinity. They are

also related within the fourth civil degree of consanguinity to Mr. Stephen G. Paradies, who is their first cousin.

(4) Involvement in Certain Legal Proceedings

To the knowledge and/or information of AEV, none of its nominees for election as directors, its present members of the Board of Directors or its executive officers, is presently or during the last five (5) years, been involved in any legal proceeding in any court or government agency in the Philippines or elsewhere which would put to question their ability and integrity to serve AEV and its stockholders. To the knowledge and/or information of AEV, the above-said persons have not been convicted by final judgment of any offense punishable by the laws of the Republic of the Philippines or by the laws of any other nation or country.

(5) Certain Relationships and Related Transactions

Management and other service contracts of certain subsidiaries and associates with Aboitiz and Company, Inc. (ACO) at fees based on agreed rates. Management and other service fees paid by the Group to ACO amounted to ₱185,097 in 2005 and ₱87,806 in 2004.

Parent Company

No company or person exercises control over AEV as of 28 February 2006 based on the definition of control under Securities Regulation Code Rule 3 (E), Amended Implementing Rules and Regulation.

(b.) Resignation or Refusal to Stand for Re-election by Members of the Board of Directors

No director has resigned or declined to stand for re-election to the Board of Directors since the date of AEV's last annual meeting because of a disagreement with AEV on matters relating to its operations, policies and practices.

Item 6. Compensation of Directors and Executive Officers

Information as to the aggregate compensation paid or accrued to AEV's Chief Executive Officer and other highly compensated executive officers, as well as other directors and officers during the last two completed fiscal years and the ensuing fiscal year are as follows:

DIRECTORS & EXECUTIVE OFFICERS	PERIOD	SALARY	BONUS	OTHER COMPENSATION
TOP FIVE HIGHLY-COMPENSATED EXECUTIVES: JON RAMON A. ABOITIZ - Chief Executive Officer ERRAMON I. ABOITIZ - Chief Operating Officer ROBERTO E. ABOITIZ - Chairman of the Board STEPHEN G. PARADIES - Chief Financial Officer XAVIER JOSE ABOITIZ - Senior Vice President				
All above named officers as a group	Actual 2005	₱24,067,500.00	₱2,281,000.00	₱3,572,452.00
	Actual 2004	₱27,921,500.00	₱2,237,000.00	₱1,990,000.00
	Projected 2006	₱26,474,250.00	₱2,509,100.00	₱3,929,698.00
All other directors and officers as a group unnamed	Actual 2005	₱5,773,130.00	₱615,694.00	₱3,053,007.00
	Actual 2004	₱10,862,600.00	₱884,500.00	₱2,670,000.00
	Projected 2006	₱6,350,443.00	₱677,264.00	₱3,358,308.00

Except for the regular company retirement plan, which by its very nature will be received by the officers concerned only upon retirement from AEV, the above-mentioned officers do not receive any other compensation in the form of warrants, options, and/or profit-sharing.

There is no compensatory plan or arrangement between AEV and any executive in case of resignation or any other termination of employment or from a change in the management control of AEV.

Item 7. Independent Public Accountant

The accounting firm of Sycip, Gorres, Velayo & Company (SGV) has been AEV's Independent Public Accountant for the last eleven (11) years. The same accounting firm is being nominated for re-election at the scheduled annual meeting of stockholders. Representatives of SGV will be present during the annual meeting and will be given the opportunity to make a statement if they so desire. They are also expected to respond to appropriate questions if needed. SGV has accepted AEV's invitation to stand for re-election this year.

In accordance with SEC Memorandum Circular No. 8, Series of 2003 (Rotation of External Auditor), Mr. Jose Joel M. Sebastian was replaced as engagement partner starting fiscal year 2004 by Mr. Ladislao Z. Avila, Jr.

There was no event in the past eleven (11) years where AEV and SGV or the handling partner had any disagreement with regard to any matter relating to accounting principles or practices, financial statement disclosure or auditing scope or procedure.

Item 8. Compensation Plans

No action is to be taken during the stockholders' meeting with respect to any plan pursuant to which cash or non-cash compensation may be paid or distributed.

D. OTHER MATTERS

Item 15. Action with Respect to Reports

1. Approval of the Minutes of the 2005 Annual Meeting of Stockholders (with Minutes attached as Annex "A")
2. Approval of the Annual Report of Management for the year ending 31 December 2005

Item 16. Matters Not Required to be Submitted

There is no act of management and the Board of Directors in the preceding year that needs the approval of the stockholders.

Ratification of acts of management and of the Board of Directors referred to in the Notice of the Annual Meeting refers only to acts done in the ordinary course of business and operation of AEV, which have been duly disclosed to the SEC and the PSE in accordance with law. Ratification is being sought in the interest of transparency and as a matter of customary practice or procedure undertaken at every annual meeting of AEV stockholders.

A summary of the board resolutions approved during the period April 2005 to February 2006 is provided as follows:

Regular Board Meeting, May 16, 2005

1. Availment of credit facilities with Equitable PCIB in the principal amount of One Billion Five Hundred Ninety Million Pesos
2. Availment of credit facilities with Banco de Oro Universal Bank
3. Availment of credit facilities with Metropolitan Bank and Trust Company in the aggregate amount of Four Hundred Million Pesos and One Million U.S. Dollars
4. Authority to acquire membership in Manila Golf and Country Club, Inc.
5. Authority to open a dollar account with ABN Amro
6. Approval of the acquisition by Aboitiz Transport System (ATSC) Corporation shares in AEV
7. Authority to act as surety for the loan availments of Davao Light & Power Co., Cotabato Light and Power Company, Hydro Electric Development Corporation, Northern Mini Hydro Corporation, Pilmico Foods Corporation and Aboitiz Power Corporation
8. Authority to fund on a short-term or temporary basis the urgent additional working capital requirement of Subic Enerzone Corporation amounting to Twenty Six Million Pesos

Regular Board Meeting, August 10, 2005

1. Ratification of the management contract with Pilmico Foods Corporation
2. Authority to open an account with Merrill Lynch
3. Execution of Agreement with Merrill Lynch
4. Opening of Account with UBS AG
5. Authority to transact with ATR Kim Eng Capital Partners
6. Authority to represent the Corporation in HLURB case entitled Fe Esperanza Rodriguez vs. Megaworld Corp. et. al. in REM Case No. 041504-12659

Regular Board Meeting, November 17, 2005

1. Authority to avail of loan with BPI Capital as arranger/underwriter/facility agent in the principal aggregate amount not to exceed Two Billion Pesos
2. Authority to avail of loan with the Bank of the Philippine Islands as arranger/underwriter/facility agent in the principal aggregate amount not to exceed Two Billion Pesos
3. Authority to avail of loan with Banco de Oro Private Bank as arranger/underwriter/facility agent in the principal aggregate amount not to exceed Two Billion Pesos
4. Authority to avail of loan with Banco de Oro as arranger/underwriter/facility agent in the principal aggregate amount not to exceed Two Billion Pesos
5. Authority to avail of loan with First Metro Investment as arranger/underwriter/facility agent in the principal aggregate amount not to exceed Two Billion Pesos
6. Authority to avail of loan with Metro Bank as arranger/underwriter/facility agent in the principal aggregate amount not to exceed Two Billion Pesos
7. Authority to avail of loan with Philamlife and General Assurance Company in the principal amount not to exceed One Billion Pesos
8. Authority to avail of loan with International Finance Corporation in the principal amount not to exceed Two Billion Pesos
9. Authority to avail of loan with Equitable PCIBank as arranger/underwriter/facility agent in the principal aggregate amount not to exceed Two Billion Pesos
10. Authority to avail of credit accommodation/facilities from Metrobank Head Office up to the aggregate amount of Five Hundred Million Pesos and One Million U.S. Dollars
11. Granting of interest-bearing temporary advances to Subic Enerzone Corporation in the amount of Thirty Million Pesos
12. Granting of interest-bearing temporary advances to Subic Enerzone Corporation in the amount of Twenty Six Million Pesos
13. Granting of interest-bearing temporary advances to Subic Enerzone Corporation in the amount of Twenty Three Million Pesos
14. Authority to guarantee the credit facilities of Aboitiz Power Corporation, Cotabato Light & Power Co., Davao Light & Power Co., and Hedcor, Inc.
15. Authority to avail of credit facilities from Union Bank of the Philippines in the principal aggregate amount of One Billion Five Hundred Million Pesos

16. Authority to put up the Corporation's dollar placement as collateral for its Bills Purchase Facility with Union Bank of the Philippines
17. Authority to act as surety for the credit accommodations granted by Bank of the Philippine Islands to Hedcor, Inc.
18. Authority to act as surety for the credit accommodations granted by Union Bank of the Philippines to Aboitiz Power Corporation, Philippine Hydropower Corporation, Aboitiz Powersolutions, Inc. and Subic Enerzone Corp.
19. Authority to issue standby letter of credit by the Standard Chartered Bank to cover 50% of the bid and performance bond requirements of SN Aboitiz Inc. (SNAP) for the bidding of hydroelectric power plant assets by Power Sector Assets and Liabilities Management, Inc. (PSALM)
20. Authority to issue standby letter of credit by the ING Bank to cover 50% of the bid and performance bond requirements of SN Aboitiz Inc. (SNAP) for the bidding of hydroelectric power plant assets by Power Sector Assets and Liabilities Management, Inc. (PSALM)
21. Authority to issue standby letter of credit by the Australia and New Zealand (ANZ) Bank to cover 50% of the bid and performance bond requirements of SN Aboitiz Inc. (SNAP) for the bidding of hydroelectric power plant assets by Power Sector Assets and Liabilities Management, Inc. (PSALM)
22. Authority to issue standby letter of credit by the Hongkong and Shanghai Banking Corporation Limited to cover 50% of the bid and performance bond requirements of SN Aboitiz Inc. (SNAP) for the bidding of hydroelectric power plant assets by Power Sector Assets and Liabilities Management, Inc. (PSALM)
23. Authority to issue standby letter of credit by the Bank of the Philippine Islands to cover 50% of the bid and performance bond requirements of SN Aboitiz Inc. (SNAP) for the bidding of hydroelectric power plant assets by Power Sector Assets and Liabilities Management, Inc. (PSALM)
24. Authority to issue standby letter of credit by the Metropolitan Bank and Trust Company to cover 50% of the bid and performance bond requirements of SN Aboitiz Inc. (SNAP) for the bidding of hydroelectric power plant assets by Power Sector Assets and Liabilities Management, Inc. (PSALM)
25. Authority to issue standby letter of credit by the Banco de Oro to cover 50% of the bid and performance bond requirements of SN Aboitiz Inc. (SNAP) for the bidding of hydroelectric power plant assets by Power Sector Assets and Liabilities Management, Inc. (PSALM)
26. Authority to issue standby letter of credit by the Deutsche Bank to cover 50% of the bid and performance bond requirements of SN Aboitiz Inc. (SNAP) for the bidding of hydroelectric power plant assets by Power Sector Assets and Liabilities Management, Inc. (PSALM)
27. Authority to issue standby letter of credit by the Security Bank Corporation to cover 50% of the bid and performance bond requirements of SN Aboitiz Inc. (SNAP) for the bidding of hydroelectric power plant assets by Power Sector Assets and Liabilities Management, Inc. (PSALM)
28. Authority to issue standby letter of credit by the Rizal Commercial Banking Corporation to cover 50% of the bid and performance bond requirements of SN Aboitiz Inc. (SNAP) for the bidding of hydroelectric power plant assets by Power Sector Assets and Liabilities Management, Inc. (PSALM)
29. Authority to act as surety up to 80% of the outstanding obligation of Subic Enerzone Corporation's term loan from the Development Bank of the Philippines
30. Opening of account with Union Bank of the Philippines, Greenbelt Branch
31. Sale of motor vehicle – Toyota Corona
32. Sale of motor vehicle – Mercedes Benz MB100
33. Authority of the Corporation to obtain additional operating capital requirement from its stockholders (Stockholders' Advances)

Regular Board Meeting, February 9, 2006

1. Declaration of Cash Dividend of P0.15 per share
2. Authority to apply for, negotiate and/or obtain loans from China Banking Corporation in amounts and such terms and conditions as may be mutually agreed upon

3. Authority to act as surety for the obligations incurred or which may be incurred by Aboitiz Power Corporation, Cotabato Light & Power Co., Philippine Hydropower Corporation from China Banking Corporation
4. Authority to avail of loan with BPI Capital as arranger/underwriter/facility agent in the principal amount not exceeding Three Billion Pesos
5. Authority to avail of loan with Bank of the Philippine Islands as arranger / underwriter / facility agent in the principal amount not exceeding Three Billion Pesos
6. Authority to cause the issuance of a standby letter of credit by ABN Amro Bank, Inc. up to the amount of Nine Million U.S. Dollars to cover the Debt Service Requirement Account (DSRA) and other obligations of Hedcor, Inc. under the Omnibus Loan Agreement of the Bakun 70MW hydroelectric project
7. Authority to act as surety for the credit accommodations granted by Equitable PCIBank to Hedcor, Inc. in the aggregate amount of One Billion Three Hundred Forty Pesos
8. Authority to guarantee the loan line/availments with the Bank of the Philippine Islands in favor of Hedcor, Inc. in the amount of One Hundred Million Pesos
9. Authority to guarantee the loan line/availments with Security Bank & Trust Corporation in favor of Hedcor, Inc. in the amount of Two Hundred Fifty Million Pesos
10. Authority to guarantee the loan line/availments with the Banco de Oro in favor of Hedcor, Inc. in the amount of One Hundred Fifty Million Pesos
11. Authority to open and maintain Deposit Accounts and/or Trust Accounts with International Exchange Bank
12. Authority of the Corporation to obtain interest-free additional operating capital requirement from Aboitiz Power Corporation in the amount of Twenty Nine Million Six Hundred Thousand Pesos
13. Updating of authorized signatories of account with ATR Kim-Eng Securities, Inc.
14. Authority of Mr. Luis Miguel Aboitiz to file a Petition for Review with the Court of Appeals in the case entitled "Allan Mane and Elizabeth Siquian vs. Megaworld Properties, Union properties and Aboitiz Equity ventures, Inc."
15. Sale of Honda Motorcycle
16. Record Date for Stockholders Entitled to Vote in May 15, 2006 Annual Stockholders' Meeting

Special Board Meeting, April 5, 2005

1. Approval of the 2004 Audited Financial Statements Report
2. Purchase of 8,823 Aboitiz One shares from Accuria, Inc.
3. Authority to open investment account with UBS Securities Asia Limited

Special Board Meeting, January 20, 2006

Authority of Mr. Benjamin A. Cariaso to file for Petition for Certiorari with the Court of Appeals in the following cases: Ming Hsun Hsieh vs. Megaworld Properties and Holdings, Inc. et. al., Allan Mane Realty Corp. vs. Megaworld Properties and Holdings, Inc. et.al., Elizabeth del Rosario Siquian vs. Union Bank of the Philippines et. al., and Carlos Tiu vs. union Properties, Inc. et. al.

Item 19. Voting Procedures

(a) Vote Required for Election

Article 1 Section 4 of the AEV By-Laws states that a quorum for any meeting of stockholders shall consist of the majority of the outstanding capital stock of AEV, and that a majority of such quorum shall decide any question in the meeting except those matters in which the Corporation Code requires a greater proportion of affirmative votes.

Regarding the election of members to the Board of Directors, nominees who receive the highest number of votes shall be declared elected pursuant to Section 24 of the Corporation Code of the Philippines. Likewise, the nominee for AEV's external auditor who receives the highest number of votes shall be declared elected.

(b) The Method by which the Votes will be Counted

In the election of directors, the top seven (7) nominees with the most number of votes shall be declared elected. If the number of nominees does not exceed the number of directors to be elected, all the shares present or represented at the meeting will be cast in favor of the nominees. If the number of nominees exceeds the number of directors to be elected, voting will be done by ballots.

In the election of directors, the stockholder may choose to do any of the following:

- (a) Vote such number of shares for as many person(s) as there are directors to be elected;
- (b) Cumulate such shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his shares;
- (c) Distribute his shares on the same principle as option (b) among as many candidates as he shall see fit, provided, that the total number of votes cast by him shall not exceed the number of shares owned by him multiplied by the whole number of directors to be elected.

The method of counting the votes of shareholders shall be in accordance with the general provisions of the Corporation Code of the Philippines. The counting of votes shall be done by representatives from Sycip, Gorres, Velayo and Associates as External Auditors and the Office of the Corporate Secretary, all of whom shall serve as members of the Election Committee.

Other than the nominees' election as directors, no director, executive officer, nominee or associate of the nominees has any substantial interest, direct or indirect by security holdings or otherwise, in any way of the matters to be taken upon during the meeting. AEV has not received any information that an officer, director or stockholder intends to oppose any action to be taken at the Annual Stockholders' Meeting.

AEV's Annual Report in SEC Form 17-A will be given free of charge to AEV stockholders upon written request. Please write to:

**Investor Relations Office
Aboitiz Equity Ventures, Inc.
Aboitiz Corporate Center
Gov. Manuel A. Cuenco Avenue,
Kasambagan Cebu City**

Attention: Ms. Ma. Theresa Sederiosa

This Information Statement and the Annual Report in SEC Form 17-A will also be posted at AEV's website: www.aboitiz.com.

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Cebu on April 21, 2006.

ABOITIZ EQUITY VENTURES, INC.

By:

(original signed)

M. JASMINE S. OPORTO

Corporate Secretary/Compliance Officer

PART I – BUSINESS AND GENERAL INFORMATION

Item 1. Business

(1) Business Development

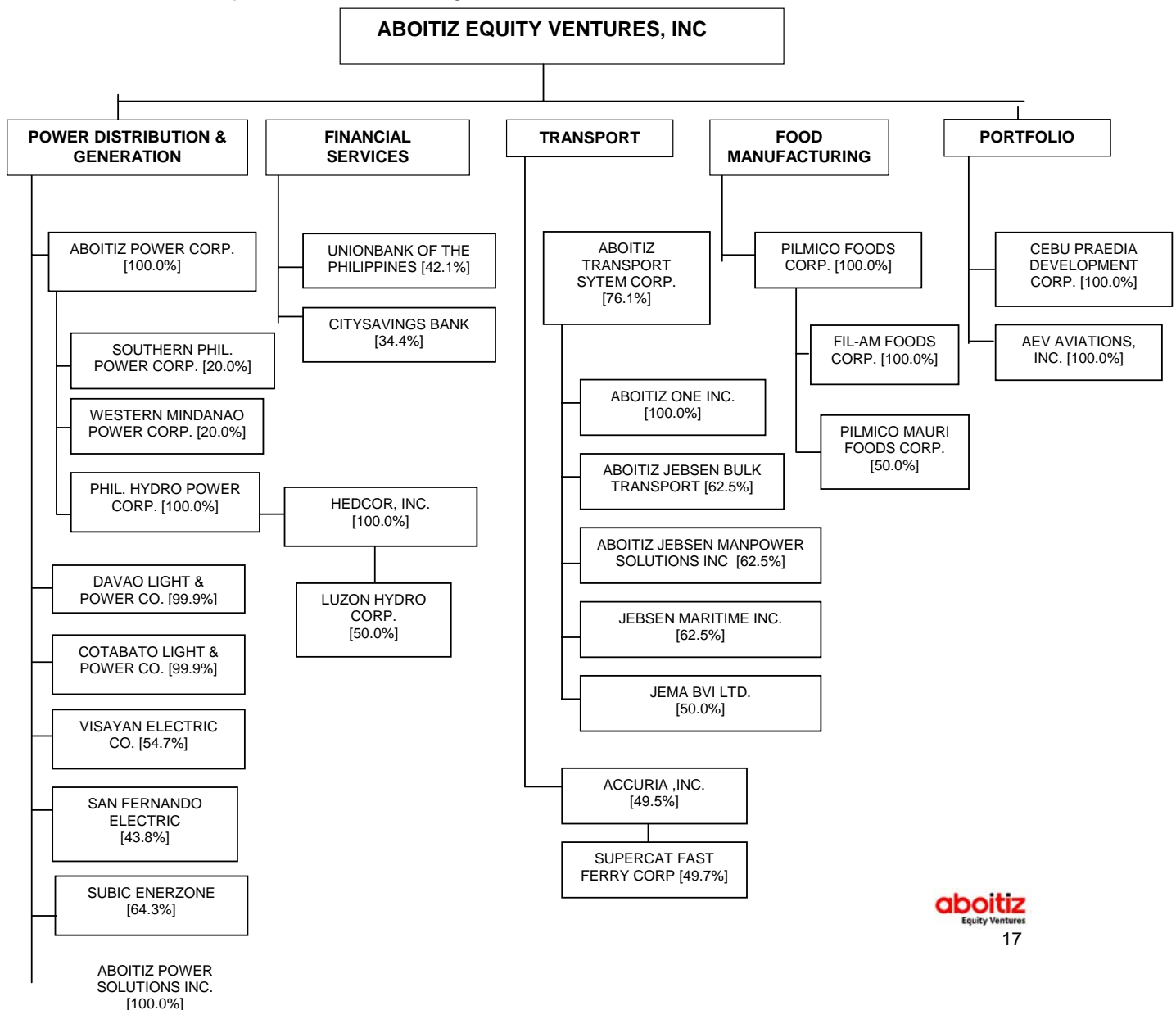
The registrant, Aboitiz Equity Ventures, Inc. (AEV), is the public holding and management company of the Aboitiz Group, one of the largest conglomerates in the Philippines. Incorporated on September 11, 1989, the company was originally known as Cebu Pan Asian Holdings, Inc. Its name was changed to Aboitiz Equity Ventures, Inc. on December 29, 1993, and its ownership was opened to the general public through an Initial Public Offering (IPO) of its stocks in 1994.

(2) Business of Issuer

(i) Products

AEV's core businesses, conducted through its various subsidiaries and affiliates, can be grouped into five main categories as follows: (a) power distribution and generation, (b) financial services, (c) food manufacturing, (d) transport, and (e) portfolio investments (parent company/others).

The companies under these categories are as follows:



Based on SEC's parameters of what constitutes a significant subsidiary under Item XX of Annex "B" (SRC Rule 12), the following are AEV's significant subsidiaries: Aboitiz Power Corporation, Davao Light and Power Company, Inc., Aboitiz Transport System Corporation (formerly: William Gothong & Aboitiz), and Pilmico Foods Corporation.

(ii) Sales

Comparative amounts of revenue, profitability and identifiable assets are as follows:

	2004	2005
Gross Income	21,065	27,198
Operating Income	1,599	3,159
Total Assets	34,797	39,505

Note: Values in the above table are in Million Pesos.

The operations of AEV and its subsidiaries are based solely in the Philippines. As such, AEV and its subsidiaries do not generate sales and/or revenues from outside of the country.

Comparative amounts of revenue contribution by business grouping are as follows:

	2004		2005	
Power Distribution & Generation	6,583	29.3%	8,106	30%
Food Manufacturing	6,169	27.4%	7,037	26%
Transport	9,681	43.0%	11,657	43%
Portfolio	68	0.3%	397	1%
Net Revenue	22,501		27,197	

Note: Values for the above table are in Million Pesos. Percentages refer to the business group's share in net revenue for a given year. The financial services group is not included in the table since UBP and CSB are not consolidated companies, and therefore, their revenues do not form part of "Net Revenues" reflected in the consolidated income statement. Instead, the financial services sector's contribution to registrant's net income is reported under the account "Share in Net Earnings of Associates". For additional details on the income contribution of all business segments/groups to AEV, please refer to Business Segment Information of the Notes to the Consolidated Financial Statement.

(iii) Distribution Methods of the Products or Services

POWER GENERATION AND DISTRIBUTION

This business is divided into two groups, namely:

- Power Generation, which is composed of various companies under Aboitiz Power Corporation (APC), AEV's wholly owned holding company for power generation investments. These include Philippine Hydropower Corporation, HEDCOR Inc., Southern Philippines Power Corporation (SPPC) and Western Mindanao Power Corporation (WMPC), among others.
- Power Distribution, which is composed of five electricity distribution companies namely: Davao Light and Power Company, Inc. (DLPC), Cotabato Light and Power Company (CLPC), Visayan Electric Company, Inc. (VECO), San Fernando Electric Light and Power Company (SFELAPCO) and Subic Enerzone Corporation (SEZC).

The operations and businesses of these companies are briefly described below:

Aboitiz Power Corporation (APC)

APC was incorporated on February 13, 1998 as a holding company for AEV's power investments. However, in order to prepare for future growth in the power generation industry, APC was repositioned at the start of the third quarter of 2003 as a holding company owning purely power generation assets. The divestment by APC of its power distribution assets was

achieved through a property dividend declaration in the form of APC's stockholdings in the different power distribution companies, which has an aggregate carrying value of ₱ 3.18 billion. The property dividend declaration effectively transferred direct control over the power distribution companies to AEV.

Under the current structure, APC's holdings include the companies of the hydropower generation group, and AEV's investment in the Alson Group's two diesel-fired power plants in Mindanao, Southern Philippines Power Corp. (SPPC) and Western Mindanao Power Corp. (WMPC).

Philippine Hydropower Corporation (PhilHydro)

PhilHydro, a wholly owned subsidiary of APC, is the holding company for all investments in hydro power generation. Prior to 2005, its subsidiaries were Hydro Electric Development Corp. (HEDCOR), Northern Mini Hydro Corp. (NMHC), and Benguet Hydropower Corporation (BHC), which has a 50% stake in Luzon Hydro Corp. (LHC).

In June of 2005 the hydro group's operating companies Hydro Electric Development Corp. and Northern Mini Hydro Corp., were merged into Benguet Hydro Corp., which was then renamed HEDCOR Inc.

HEDCOR, Inc.

HEDCOR Inc. owns, operates and/or manages 15 mini-hydro plants of the run-of-river type with a combined capacity of 39.5 MW. It also holds a 50% stake in the 70 MW Bakun AC plant of LHC. In turn HEDCOR Inc., is 100% owned and controlled by Philhydro.

Under a long-term contract with the National Power Corp. (NPC) for its mini-hydro plants, HEDCOR, Inc. books 88% of the effective grid charged by NPC to end-users for generated energy of not more than 130 GWH in a year. For power generated in excess of 130 GWH but not to exceed 150 GWH, it books 66% of the effective grid rate. HEDCOR, Inc. also charges a wheeling fee to NPC for the use of its transmission lines. Given the "must-run-when-available" feature of the contract, NPC is committed to purchase all the power generated by HEDCOR.

Through its 50% in LHC, HEDCOR, Inc. operates and manages the 70-MW Bakun AC hydro project located in Bakun, Benguet. The project is a run-of-river power plant, which taps the flow of the neighboring Bakun river to provide the plant with its generating power. The US\$150 million-project is under the government's build-operate-transfer scheme. The Bakun AC plant went onstream in October 2000 and is rated to generate 217 gigawatt-hours of power annually. Energy produced by the plant is delivered and taken up by NPC and dispersed to its Luzon Power Grid for distribution to customers throughout Luzon.

Southern Philippines Power Corporation (SPPC)

SPPC is a joint venture between the Aboitiz Group, Alsons Group, and SingPower. Aboitiz has a 20% stake in the company, which owns and operates a 50-MW capacity bunker fuel power generating plant near General Santos City in Mindanao. Its capacity and generation are contracted entirely to NPC.

Western Mindanao Power Corporation (WMPC)

WMPC, like SPPC, is a joint venture between the Aboitiz Group, Alson Group, and SingPower. Just the same, Aboitiz has a 20% stake in the company, which owns and operates a 100-MW capacity bunker fuel power generating plant in Zamboanga del Sur in Mindanao. Its capacity and generation are also entirely contracted to NPC.

Davao Light and Power Company, Inc. (DLPC)

DLPC is the third largest privately owned electric utility in the country and is one of the major contributors to AEV's earnings. Incorporated on October 29, 1929, DLPC was first granted a 50-year distribution franchise in the same year by the precursor of the National Electrification Administration (NEA). The Aboitiz Group acquired the company in 1947. DLPC's franchise was extended for an additional 25 years in 1980 by the National Electrification Commission and again extended by Congress for another 25 years in 2000 through Republic Act No. 8960. Its franchise area, which has a population of about 1.2 million people, covers Davao City, and Davao del Norte's Panabo City, and the municipalities of Carmen, Dujali, and Sto. Tomas.

As of 2005, DLPC's manpower complement is 364, serving 231,279 residential, commercial, industrial, and flat rate customers at a peak load of 230 MW. It has one of the lowest systems losses in the industry at 8.45%, lower than the government mandated cap of 9.50% set for private electric utilities.

The company has a 150 MVA substation drawing power at 138 KV. In 1998, it entered into a 10-year power purchase agreement with the NPC which allowed it to bypass NPC's sub-transmission system and cut costs by using its own facilities. It maintains a stand-by 42 MW diesel plant capable of supplying 24% of its requirements.

The company operates for the whole franchise a fully functional automated mapping and facilities management (AM/FM) system, the first to be used in the Philippines and developed in-house by its computer programmers. The system allows DLPC to track down field assets and at the same time, determine a customer's electricity utilization and detects malfunctions or abnormal usage such as illegal tapping. Its elite engineers also make use of the Supervisory Control and Data Acquisition (SCADA) system, a facility that allows the monitoring of DLPC's electric distribution assets via remote control.

Cotabato Light and Power Company (CLPC)

CLPC was incorporated on April 23, 1938. Originally granted a 50-year distribution franchise by the precursor of the National Electrification Administration (NEA) during the same year, its franchise was extended by the Energy Regulatory Board in 1990 for another 25 years from June 17, 1989, or until 2014. Like DLPC, it charges end-users the cost of distributing generated power from the NPC.

CLPC's franchise area covers the city of Cotabato, and a part of the municipalities of Datu Odin Sinsuat (formerly Dinaig) and Sultan Kudarat, both in Maguindanao. As of 2005, it has a manpower complement of 70 full-time and a number of contractual employees serving a customer base of 26,379 residential, commercial, industrial, and flat rate customers. Systems loss for the period was at 8.84% and peak load at 21MW.

Although a relatively small utility, CLPC's linkage with sister-company DLPC allows it to immediately benefit from the latter's system developments. Like DLPC, CLPC has a working AM/FM system and SCADA system in place. CLPC likewise shares the economies of bulk materials purchasing with DLPC and enjoys many other technological advantages of DLPC's engineering team without duplication of overhead. Another benefit CLPC's customers enjoy is the existence of a standby power plant capable of supplying 9.9 MW of electricity in cases of supply problems with NPC and for the stability of voltage whenever necessary.

Visayan Electric Company, Inc. (VECO)

VECO is the second largest electric distribution utility in the country and is a major contributor to AEV's earnings. It holds the franchise for Metro Cebu, which includes Cebu City and the neighboring municipalities of Consolacion and Lilo-an to the north, and Talisay City, Minglanilla, Naga, and San Fernando to the south. VECO was granted its distribution

franchise in 1928 for a period of 50 years, and this was extended for a period of 25 years in 1978. The franchise was conditionally renewed in December 2003, subject to the reaching of a compromise agreement in the intra-corporate dispute involving the major stockholders of VECO – AEV and the Garcia Group. On March 16, 2003, AEV and Vivant, the holding company of the Garcia Group, entered into a Memorandum of Agreement (MOA) to amicably settle all existing litigation among the parties and to cooperate in respect of the management and preservation of VECO's assets, franchise and business for the benefit of all stakeholders. On April 2, 2004, AEV and Vivant signed the closing documents to the MOA, including a Shareholders Cooperation Agreement. The intra-corporate dispute between AEV and the Garcia Group, and the resolution of the said dispute are described under "Material Pending Legal Proceedings".

Like DLPC and CLPC, VECO does not produce electricity but charges end-users the cost of distributing generated power, which is sourced from both the NPC and existing IPPs such as East Asia Power.

VECO currently has a manpower complement of 449 full-time and contractual employees serving a base of 276,497 residential, commercial, industrial, and flat rate customers. Its systems loss as of 2005 stood at 9.72%, while load demand for the same period peaked at 291 MW.

San Fernando Electric Light and Power Company (SFELAPCO)

SFELAPCO is AEV's power distribution utility in Central Luzon. Its franchise area covers San Fernando City and the municipalities of Bacolor and Mexico in Pampanga province. Its current franchise, which was granted under Republic Act No. 3207, is set for renewal in 2013.

At present, the company serves 50,436 residential, commercial and industrial customers with a workforce of 96 full-time and contractual employees. Its systems loss as of 2005 stood at 5.32%, while load demand for the same period peaked at over 68 MW.

Subic Enerzone Corporation (SEZC)

SEZC is a consortium of DLPC, AEV and Mirant Philippines, SFELAPCO and PASUDECO that manages the power distribution system within the Subic Bay Freeport Zone. In May 2003, it won the competitive bid to provide power distribution services to the Freeport Zone for a period of 25 years. It was formally awarded the contract to manage the power distribution system by the Subic Bay Metropolitan Authority (SBMA) on October 25, 2003, the same day that SEZC officially took over the operations of the power distribution system.

As of 2005, the company serves 2,376 residential, commercial and industrial customers with a workforce of 40 full-time and contractual employees. Its systems loss stood at 6.20%, while load demand for the same period peaked at over 30 MW.

FINANCIAL SERVICES

This group is composed of two companies: Union Bank of the Philippines (UBP), a leading universal bank in the country, and City Savings Bank (CSB), a thrift bank based in Cebu City.

Union Bank of the Philippines (UBP)

UBP was founded in August 1968 as a savings bank, and was granted its commercial banking license by the Central Bank of the Philippines in 1982. In July 1992, UBP received its license to operate as a universal bank. In 1994, it successfully acquired and merged with the International Corporate Bank, thus further widening its business scope and presence in the Philippines. That same year, UBP embarked on a comprehensive corporate restructuring program through investments in technology, creation of new products and the development of on-line banking capabilities, all of which have become UBP's competitive strengths. At present, AEV, directly and indirectly, holds approximately 42.01% of the bank. Other major

shareholders of UBP are Insular Life Assurance Company, Ltd. and the Social Security System.

At yearend 2005, UBP had a manpower complement of over 1,671 employees, with 111 branches nationwide.

Among the country's universal banks, it is currently ranked 4th in net income, 9th in resources, 11th in deposits and 11th in loans.

As a universal bank, UBP provides a broad range of services to corporate and individual clients such as depository, loan facilities, international banking, cash management, money market, trust, treasury services and online banking products. It introduced online banking services in late 1999, the first domestic bank to introduce such services. This signified the bank's efforts to migrate existing transactions and relationships from the traditional location-based channels to the Internet, in preparation for the growth of e-commerce in the Philippines.

UBP caters primarily to the middle market. Recognizing that larger domestic banks and foreign banks in the Philippines would compete aggressively for the direct lending business of top corporate clients, UBP focuses on transactional products that do not require significant commitment of funding. However, to augment its relatively small branch network, the bank has employed a nationwide direct sales force responsible for referring customers to business managers of the branches. This innovative strategy has been successful in significantly expanding UBP's retail customer base, composed mainly of the A, B and upper C income classes.

UBP has also focused on cash management services and solutions for corporate clients. With its extensive technical capabilities, it has found a niche for providing a whole range of receivables and payables management products and services for both local and multinational corporate clients. In addition to catering to the top 500 corporations in the country, UBP has begun to tap into the market of small and medium-sized companies by offering to them corporate solutions previously available only to large corporations.

City Savings Bank (CSB)

CSB is a thrift and savings bank incorporated on December 9, 1965 with Head Offices located in Cebu City. For over 36 years, CSB has been serving its community by making salary loans, home mortgage loans, home improvement loans as well as small business loans. In addition, it offers very competitive rates for savings products with minimum deposits as low as 100 pesos. The entire bank's operations are highly automated allowing it to better meet its customers needs with faster service and new products.

To date, CSB has four branches in Cebu province, and one each in Ormoc City Leyte, Calbayog Samar, and Tagbilaran City Bohol, serving about 49,413 depositors. CSB's affiliate, CSB Finance has 7 branches in various locations in the Visayas serving over 9,090 borrowers.

FOOD MANUFACTURING

AEV's food manufacturing group is composed of Pilmico Foods Corporation (Pilmico) and its subsidiary Fil-Am Foods, Inc. and associate Pilmico-Mauri Foods Corporation.

Pilmico Foods Corporation (Pilmico)

Pilmico is one of the country's largest manufacturers of flour and is ranked among the top three domestic flour producers in terms of sales.

Incorporated on August 8, 1958, Pilmico started out as a joint venture among the Aboitiz Group, the Lu Do Group, the Soriano Group and the Pillsbury Group of the United States. The Lu Do, Soriano and Pillsbury Groups eventually sold off their individual holdings to AEV, which now wholly owns the company.

Pilmico is primarily engaged in the manufacture of wheat flour and wheat by-products. As a flour miller, the company brings into the market a variety of brands such as “Sun Moon Star”, “Sunshine”, “Glowing Sun”, “Kutitap”, “Gold Star” and “Megastar”. Aside from these basic all-purpose baking flour brands, Pilmico also offers a high-end cake flour under the “Wooden Spoon” brand. It imports both soft and hard wheat, the main raw materials for its products, from the United States and Canada.

Pilmico products are distributed nationwide through external distributors and dealers located in major cities such as Manila, Davao, Iloilo, Bacolod, Iligan and Cebu. These distributors handle sales to bakeries, restaurant chains, hotels, and other large end-users.

Pilmico-Mauri Foods Corporation (PMFC)

PMFC is a result of the 1995 spin-off of Pilmico’s yeast and specialty products division into a joint venture with Mauri Fermentation Philippines Pty Limited, a wholly owned subsidiary of Australia’s Burns Philp Company. In 2004 Burns Philp sold its yeast division, including its stake in PMFC, to the United Kingdom-based multinational company, Associated British Foods.

Pilmico–Mauri products include baking powder, bread improvers, and active dry and instant yeast, under the “Diamond” and “Baked Right” brands.

Fil-Am Foods, Inc. (Fil-Am)

To diversify from the cyclical nature of its existing products, Pilmico also entered the swine production and animal feeds business in 1997 by forming Fil-Am Foods, Inc. (Fil-Am), a joint venture with Tyson International Holding Company, a subsidiary of Tyson Foods, Inc., and PM Nutrition Company, Inc., an affiliate of Purina Mills, Inc. In January 1999, Fil-Am began commercial operations of its feed milling plant and in the second half of that year started its swine operations.

In October 2002, Fil-Am became a wholly owned subsidiary of Pilmico following Pilmico's acquisition of its partners' equity. The acquisition strengthened and further diversified Pilmico's focus and core competence in the feed milling industry. Fil-Am's products are sold under the “Farmer’s Edge” brand.

TRANSPORT

AEV’s transport business is made up of two groups: (a) Aboitiz Transport System Corporation (formerly William, Gothong and Aboitiz, Inc.) and its subsidiaries; and (b) Accuria, Inc. (formerly Aboitiz Transport System, Inc.), which includes all transport-related business of AEV outside of ATSC (e.g., Supercat Fast Ferry Corporation).

Aboitiz Transport System Corporation (formerly William, Gothong and Aboitiz, Inc.)

AEV’s transport and logistics business is consolidated under Aboitiz Transport Systems Corp. (ATSC). This includes holdings in companies engaged in domestic air freight forwarding and cargo handling services, ship technical management, manpower recruitment and training for domestic and international markets. However, ATSC’s primary business remains the operation of the country’s largest passenger and cargo shipping transport.

ATSC, is the result of the 1995 merger of the three biggest shipping companies in the Philippines at that time: William Lines owned by the Chiongbian family, Carlos A. Gothong Lines of the Gothong family, and Aboitiz Shipping Corporation.

In September 2002, the three major owners of ATSC, then known as WG&A, Inc., finalized an agreement for the Aboitiz Group to buy out the Chiongbian and Gothong (C&G) groups. For a total cash value of about ₱5.40 billion, the C&G groups sold off their holdings in ATSC to AEV.

During the first half of 2005, ATSC increased – through a shares swap – its holdings in the following companies: Aboitiz One Inc. (100%), Aboitiz Jebsen Bulk Transport Corp. (62.5%), Aboitiz Jebsen Manpower Solutions (62.5%), Jebsen Maritime Inc. (62.5%), and Jebsen Management Ltd (50.0%). This was done to bring about the Group's plan of enhancing operational and funding efficiencies in its various transport related businesses by consolidating these under ATSC.

With the consolidation, ATSC's business as of year-end 2005 can be grouped into the following areas:

1. Airfreight forwarding and courier delivery services (Aboitiz One);
2. Manpower recruitment and training, ship management, ship crewing (Aboitiz Jebsen); and
3. Inter-island passenger transport and cargo liner services.

For its main passenger and cargo shipping operations ATSC has a route network of 23 ports of call in the Philippines. Furthermore it has a fleet of 18 operating vessels consists of ten (10) SuperFerries, one (1) ATSC Ferry, two (2) SuperFreighters, five (5) Cebu Ferries and two (2) chartered vessels. ATSC links the major ports and principal cities of the Philippines.

Full branch operations are maintained in Manila, Cebu, Iloilo, Cagayan de Oro, Davao, General Santos, Bacolod, Zamboanga, Dumaguete, Puerto Princesa, Tacloban, Iligan, Tagbilaran, Nasipit and Surigao. These branches are strategically supported by an extensive agency network covering Ormoc, Dumaguait, Coron, Roxas, Cotabato, Dipolog, Ozamis and Jagna.

Accuria, Inc. (Formerly: Aboitiz Transport System, Inc.)

Aboitiz Transport System Inc., the group's holding company for its transport businesses, changed its name to Accuria, Inc. (ACI), on February 12, 2004. It has also sold off its 28.5% holdings in Aboitiz Transport System Corp. (formerly, WG&A), the country's largest inter-island passenger and ferry operator, to AEV in November, 2002.

Currently, ACI's business involves primarily the operations of Supercat Fast Ferry Corporation (SFFC), one of the country's pioneering inter-island fastcraft (catamaran) ferry services operator.

PORTFOLIO INVESTMENTS (PARENT COMPANY/OTHERS)

The businesses under this group are AEV investments whose earnings contributions to AEV are marginal.

These investments include holdings in real estate through Cebu Praedia Development Corporation and aviation through AEV Aviation, Inc.

AEV Aviation Inc. (AAI)

AEV Aviation, Inc. (AAI) holds AEV's aviation assets, including the corporate aircraft and accompanying support facilities such as the hangar. Incorporated on October 9, 1990, it was originally known as Spin Realty Corp. It was reorganized in late 1998 when the newly acquired AEV corporate aircraft was placed under its holdings.

To date, AAI has a workforce of four (4) composed of one (1) pilot-in-command, two (2) co-pilots, and one (1) flight engineer. Their task is to provide air transport for AEV's corporate officers within the Philippine archipelago.

Cebu Praedia Development Corporation

Cebu Praedia Development Corporation is the holding company for AEV's real estate business. It was incorporated on October 17, 1997, but began operations only in December 1999. To date, its major property holdings include the commercial building block located at 110 Legazpi Street, Makati City, that serves as the office of AEV and its subsidiaries and associates in Metro Manila, and the commercial lot and building located in Gov. Manuel Cuenco Avenue in Cebu City, that serves as AEV's corporate headquarters.

(iv) New Product/Services

AEV and its subsidiaries do not have any publicly announced new product or service to date.

Participation in Bankruptcy, Receivership or Similar Proceedings

Neither AEV nor any of its subsidiaries has ever been the subject of any bankruptcy, receivership or similar proceedings.

Note: Further description of the development of AEV's business and its significant subsidiaries in the past three years can be found in Item 8 (f), Management's Discussion and Analysis of this information statement.

(v) Competition

On the parent company level, AEV has no direct competitor. However, for reference purposes, other holding and management companies listed in the Philippine Stock Exchange can be used for comparison.

On the subsidiary/investee company level, competition may be described as follows:

POWER DISTRIBUTION AND GENERATION

AEV's power distribution companies (DLPC, CLPC, VECO, SFELAPCO, SEZC) have operating franchises from the government, as mentioned earlier. These franchises give the distribution companies exclusive right to distribute electricity in the areas covered by such franchises. As such, the companies do not have any competitors within their franchise areas.

On the other hand, all power output of AEV's power generation companies are covered by long-term bilateral power purchase contracts with NPC. As such, the companies are not subject to direct competition. The contracts for WMPC and SPPC are the result of winning competitive bids to supply power to NPC.

FINANCIAL SERVICES

As one of the Philippines' top universal banks, Union Bank of the Philippines (UBP) competes with other major domestic and foreign banks operating in the country. These competitors include, among others, the Metropolitan Bank and Trust Company, Bank of the Philippine Islands, Equitable PCI Bank, Allied Banking Corporation, Security Bank Corporation, and Citibank, N.A.

City Savings Bank (CSB) competes with other similar thrift banks operating in Cebu and the neighboring islands of Bohol and Leyte, such as the Bank of Cebu and the First Consolidated Bank of Bohol.

TRANSPORT

ATSC competes primarily with four other major inter-island shipping companies, namely: Sulpicio Lines Inc., Negros Navigations, Lorenzo Shipping Corporation, and Solid Lines Corp. It has maintained its leadership in the shipping industry despite heavy competition.

FOOD MANUFACTURING

There is a relatively high degree of competition in the domestic flour milling industry. However, because of freight and distribution costs within the Philippine archipelago, flour companies have a competitive advantage in the areas proximate to their milling plants. Pilmico's flourmill is located in Iligan City in Northern Mindanao. The only other flour miller operating in Mindanao is Universal Robina, which has a plant in Davao.

(vi) Purchase of Raw Materials and Supplies

As a holding company, AEV's primary business is not dependent on the availability of certain raw materials or supplies. Acquisition and/or purchases of raw material requirements are done at the subsidiary level.

At the subsidiary level, AEV's power distribution companies source their electricity from both the NPC and IPPs. The electricity is received at high voltage and then distributed through the companies' transformers and power lines at suitable voltage for use by its customers. AEV's food subsidiaries import wheat, soybean meal, and other grains mostly from various suppliers in the United States and Canada. Transport subsidiaries obtain materials, parts and supplies from local suppliers at competitive rates. Fuel and lubricants are purchased from a major fuel provider.

(vii) Customers

As a holding company providing management services, AEV's principal customers are its subsidiaries and associates.

Except for its power generation companies, AEV's subsidiaries have a wide and diverse customer base. As such, the loss of any one customer would have no material adverse impact on its subsidiaries.

For the power generation companies, although dependent on one customer (NPC), its bilateral contracts with NPC are supported by NPC's credit, which in turn is backed by the Philippine government.

(viii) Transactions With and/or Dependence on Related Parties

As a holding company, AEV derives its income mainly from its investments in its various subsidiaries and associates. In the ordinary course of business, AEV enters into loan agreements and guarantees or makes advances to fund the capital requirements of its various subsidiaries and associates.

AEV has not undertaken any transaction in which any director or executive officer is involved or has direct or indirect material interest.

(ix) Patents, Copyrights, Franchises

As a holding company, AEV does not own or possess patents, copyrights, franchises or other similar rights. However, the businesses of AEV's utility subsidiaries – power and transport – are dependent on their continued possession of government franchises. AEV's power distribution subsidiaries either have congressional franchises or certificate/s of public convenience issued by the Energy Regulatory Commission or its predecessor. For its part, ATSC is accredited by the Maritime Industry Authority (MARINA) as a domestic shipping enterprise/entity. The MARINA accreditation is a prerequisite for the granting of franchises for individual vessels' operations. ATSC vessels have been issued Certificates of Public Convenience/Provisional Authorities to operate in specified routes.

AEV's food subsidiary Pilmico owns the trademarks for its various flour products such as "Wooden Spoon", "Sun Moon Star", "Sunshine", "Glowing Sun", "Kutitap", and "Megastar".

PMFC owns the trademarks "Diamond" and "Baked Right" while Fil-Am owns "Farmer's Edge".

These subsidiaries always strive to maintain a track record of quality services and comply with government regulations to justify and ensure renewal of such franchises or accreditations.

(x) Government Approval

- a. HEDCOR and NMHC are registered as mini hydro electric power developers with the Department of Energy under Republic Act (RA) 7156, entitled "Mini Hydro Electric Power Incentive Act". By virtue of such registration, these companies were entitled to certain incentives, among which are the special privilege tax at the rate of 2% on power sales, tax and duty free importation of machinery, equipment and materials; tax credit on domestic capital equipment, and income tax holiday. Such incentives expired in 2000, except for the four (4) power plants located in Davao City, acquired from the Power Sector Assets and Liabilities Management Corporation and which started commercial operation on January 19, 2005. Income tax holiday of the four plants started on September 28, 2005.

With the effectivity of RA 9136 known as "Electric Power Industry Reform Act of 2001", sales of generated power by generation companies became value added tax zero-rated. HEDCOR and NMHC has updated their registration with the BIR from VAT Exempt to VAT Zero Rated effective April 10, 2003.

- b. ATSC is registered with the BOI under the Omnibus Investment Code of 1987 as a new operator of inter-island shipping through its SuperFerry 15, 16, 17 and 18 vessels on a pioneer status starting February 13, 2003 and SuperFerry 19 starting December 29, 2004, and Superferry 12 starting May 4, 2005. Such registration entitles ATSC to income holiday for a period of three to six years from the date of registration. Income tax holiday incentive availed amounted to ₱55,789 and ₱40,640 in 2005 and 2004, respectively.
- c. Fil-Am is registered with the BOI for its feedmill expansion under the Omnibus Investments Code of 1987. On May 21, 2004, the BOI granted a three year income tax holiday for the expansion of Fil-Am's registered capacity.

(xi) Effect of Existing or Probable Governmental Regulations

RA No. 9136 was signed into law on June 8, 2001 and took effect on June 26, 2001. RA No. 9136 provides for the privatization of NPC and the restructuring of the electric power industry. The IRR were approved by the Joint Congressional Power Commission on February 27, 2002.

RA No. 9136 and the IRR impact the industry as a whole and the Company in particular. Other provisions of RA No. 9136 and the IRR are: (a) distribution utilities, such as the Company, will provide open and nondiscriminatory access to its distribution systems within three years from the effectivity of the Act, subject to certain conditions precedent; (b) distributors shall be allowed to recover stranded contract costs, subject to review and verification by the ERC for fairness and reasonableness; (c) NPC and distributors shall have filed their proposed unbundled charges within six months from the Act's effectivity; (d) distributors shall file a Business Separation Unbundling Plan (BSUP) with the ERC by December 26, 2002; (e) residential users shall get a ₱0.30 per kwh reduction in power rates to be provided by NPC and passed on by distributors starting August 2001; (f) the power to grant electric distribution franchises shall be vested solely in Congress, thereby repealing or amending Section 43 of Presidential Decree 269 (The National Electrification Decree); (g) NPC shall segregate its subtransmission assets for disposal to qualified distributors within two years from the effectivity of the Act; (h) NPC shall file with the ERC within six months from the effectivity of the Act the TSCs negotiated with distributors; and (i) distribution companies

may engage in related business, provided up to 50% of the income from the related business shall be used to lower wheeling charges. The law also empowers the ERC to enforce rules to encourage competition and penalize anti-competitive behavior.

Following the enactment of EPIRA in June 2001, the implementation of its various provisions continued in 2005.

Distribution Wheeling Rate Guidelines

In accordance with the authority given to the ERC by Sec. 43 of EPIRA to “adopt alternative forms of internationally-accepted rate-setting methodology”, the ERC approved the Distribution Wheeling Rate Guidelines (DWRG) last December 20, 2004. The DWRG took effect on January 29, 2005.

DWRG embodies a new rate-fixing scheme more commonly known as performance-based ratemaking (PBR). Under the current RORB methodology, utility tariffs are based on historical costs plus a reasonable rate of return. On the other hand, the PBR scheme sets tariffs according to forecasts of performance and capital and operating expenditures. The DWRG also employs a penalty/reward mechanism depending on a utility's actual performance.

The DWRG stipulates that the ERC must publish a Regulatory Reset Issues Paper for the regulatory reset process, which the ERC released for public comments last September 30, 2005. Also, participating utilities shall submit to the ERC information on historical network and customer service performance by March 31, 2006 and file a rate application by August 31, 2006. After hearings and regulatory evaluation, the new PBR-based tariffs should be implemented by July 2007.

Wholesale Electricity Spot Market

The year 2005 also saw the Philippine Electricity Market Corporation, or PEMCO, finalizing its preparations for the commercial operations of the wholesale electricity spot market, or WESM, as envisioned by Sec. 30 of EPIRA.

To test the WESM's hardware and software systems, the PEMCO began a Trial Operations Program last April 2005, in which the Company participated. The WESM system was also certified by PA Consulting as being “substantially compliant” with the WESM rules and the associated market manuals and system operations procedures. For its governance structure, the PEMCO Board is selecting members to the committees that will assist it in overseeing the operation of the WESM. These committees include the Market Surveillance Committee, Dispute Resolution Administrator, Rules Change Committee, Technical Committee, and the PEM Auditor.

Presently, the PEMCO and the DOE is seeking regulatory approval of key market rules, particularly, the market's price determination methodology (PDM), the setting of market fees, and the administered price.

Preparations for retail competition

The ERC has been laying down the framework for the eventual introduction of retail competition and open access, in accordance with Sec. 31 of EPIRA. The framework, known as the “seven pillars”, is a set of regulations that are intended to encourage and govern competition in the retail supply market.

Of the seven, three have been promulgated, the Business Separation Guidelines (September 2003), the Retail Electricity Supplier Licensing Guidelines (July 2005), and the Distribution Service and Open Access Rules (February 2006). Currently, the ERC is soliciting comments on a draft Code of Conduct for Retail Market Participants and the proposed Supplier of Last Resort, or SoLR, Guidelines, the draft Manual of Uniform Business Practices, and a revised Competition Rules and Complaints Procedures.

The ERC has yet to release a draft of its Manual of Uniform Business Practices.

The ERC also announced that it would be conducting public consultations on a possible revision of its timeline for implementing retail competition. In an earlier Resolution (dated September 2004), the ERC set the commencement of retail competition in Luzon Grid for July 1, 2006.

Removal of cross-subsidies

The companies reflected in the bills of end-users the final step in TransCo's intra-grid subsidy removal process. Meanwhile, the ERC revised the inter-class subsidy removal schedule of companies, extending the process by another year. Under the revised schedule, the inter-class subsidy component of the companies' unbundled tariffs will be completely phased out in 2006. The gradual removal of cross-subsidies is mandated by Sec. 74 of EPIRA.

(xii) Research and Developmental Activities

AEV and its subsidiaries do not allocate specific amounts or fixed percentages for research and development. All research and developmental activities are done by its subsidiaries and affiliates on a per project basis. The allocation for such activities may vary depending on the nature of the project.

(xiii) Compliance with Environmental Laws

As a holding company engaged in management services, AEV does not engage in significant activities that require compliance with environmental laws. However, its transport subsidiary ATSC follows the regulations embodied in the 1973 International Convention for the Prevention of Pollution from Ships as modified by the protocol of 1978 (MARPOL 73/78). The said convention has various technical measures intended to control oil spillage and other forms of marine pollution.

Moreover, producing clean and renewable energy is a cornerstone of AEV's power generation business. Its power generation subsidiaries operate run-of-river hydroelectric power plants that produce minimal, if any, ecological disturbance.

Its other subsidiaries always procure Environmental Compliance Certificates and comply with environmental regulations, especially for its plants and factories.

In the normal course of business, AEV's subsidiaries incur costs and expenses relating to compliance with the government's stringent environmental laws. However, these costs and expenses cannot be segregated or itemized as these are embedded in, and are part and parcel of the companies' overall system to be compliant with both industry standards and the government's regulatory requirements.

(xiv) Employees

On the parent company level, AEV has a total of 36 employees as of the end of fiscal year 2005, composed of executive, administrative, and clerical staff. There is no existing collective bargaining agreement covering AEV employees.

(xv) Major Risk/s Involved in the Business of AEV and its Significant Subsidiaries

Through prudent management and investment decisions, AEV always strives to minimize the risks it might encounter in the businesses in which it is involved. However, there are certain risks inherent to specific industries that are not within the direct control of AEV or its investee companies. Of note are the following:

Exchange Rate Fluctuations / Volatility in Price of Fuel. Certain of the Company's investee companies, specifically PILMICO and ATSC, are engaged in businesses whose raw material requirements and purchases are paid for in U.S. dollars, or directly influenced by the movement in exchange rates. An untoward depreciation of the Philippine peso vis-à-vis the

U.S. dollar could have an adverse effect on these investee companies' operating costs. Conversely, an appreciation of the local currency against the dollar would potentially be beneficial to these investee companies and subsequently to AEV." Furthermore a significant proportion of ATSC's total cost is made up of its fuel needs. An increase in the price of imported bunker or diesel fuel will directly translate into an increase in the operating cost of its vessels.

Power Industry Regulations. In the power sector, specifically for local transmission/distribution utilities, the price of distributing electricity is not determined by the market but rather dictated and/or regulated by the government. Returns of these utilities are capped - i.e. a fixed rate of return is set by the government's regulatory agency (ERC), based on the utility's invested capital. However, between July 2005 and July 2008, the regulator will be phasing in a performance based regulatory framework that caps prices rather than earnings, that also allows for changes due to inflation, additional investments and other parameters to be evaluated periodically. This should allow more efficient utilities higher earnings relative to less efficient industry participants. As such, future operating results of DLPC, CLPC, VECO, SFELAPCO and SEZC, the Company's electricity distribution subsidiaries, might be affected. Given the significant revenue flows these subsidiaries contribute to AEV, any adverse conditions affecting them, will likewise have a negative impact on the Company. On the other hand, the shift to a performance-based framework is expected to improve the earnings of these efficiently-run subsidiaries.

Consolidation in the Local Banking Industry. Unless it can adequately increase/raise its resource base and capitalization to compete with the newly merged industry players, or otherwise pursue a selective growth strategy, banks such as AEV's investee, UBP, might be marginalized out of the banking sector.

Political and Economic Factors. AEV is a holding company that, through its investee companies, is engaged in power generation and distribution, banking and financial services, transportation, and food production, among other business activities. The results of operations of the investee companies historically have been influenced to a certain extent by the political situation in the Philippines and by the general state of the Philippine economy. In the past, the Philippines experienced periods of slow or negative economic growth. Any future political or economic instability in the country may have an adverse effect on the business and results of operations of the Company or its investee companies.

Environmental Compliance. The Company is required to comply with environmental regulations governing operation of the project, including the transportation, storage and disposal of fuel as well as air, water and noise emissions. The adoption of new laws or regulations, or changes in the interpretation or application of existing laws or regulations, could require the Company to make additional material expenditures on environmental compliance, and the Company's ability to operate the projects in a cost-effective manner could be materially adversely affected.

The Company has taken necessary steps to ensure full compliance with all existing DENR standards with regard to emissions and waste disposal. AEV has commissioned a third-party environmental audit of the projects to evaluate compliance with DENR standards. In the event of any increased costs due to the adoption of new laws or regulations, or changes in the interpretation or application of existing laws or regulations, the Company's projects are afforded varying rights under the power purchase agreements to negotiate for adjustments in the tariff for the projects. With respect to those projects that sell power based on NPC's grid rate, changes in environmental law will also impact NPC's cost of production. These costs production should ultimately be reflected through an adjustment in NPC's tariff.

Except for the items discussed above, there were no trends, events or uncertainties as of December 31, 2005 that could pose as significant risks to its various businesses and/or are expected to adversely impact on the operating performance of its investee companies.

Working Capital. For 2005, AEV derived its working capital mainly from the steady cash flow generated and contributed by its subsidiaries and associates.

Item 2. Properties

The office space occupied by AEV belongs to a wholly-owned subsidiary. As a holding company, AEV does not utilize significant amounts of office space.

On a consolidated basis, the 2005 total property, plant and equipment of AEV was valued at P12.850 billion compared to P11.903 billion pesos for 2004. Breakdown is as follows:

	2004	2005
Power, Plant & Equipment	1,907,439	1,907,439
Transmission & Distribution Equipment	1,723,792	1,723,792
Machinery & Equipment	1,355,610	1,355,610
Distribution Transformer & Substation Equipment	943,533	943,533
Buildings & Improvements	1,435,418	1,435,418
Office Furniture, Fixtures & Equipment	603,682	603,682
Transportation Equipment	502,945	502,945
Land	157,783	157,783
Miscellaneous Equipment	287,659	287,659
Ships in Operation	9,470,559	10,228,203
Containers	1,991,901	2,151,253
Handling Equipment	1,086,471	1,173,389
Less: Accumulated Depreciation	9,642,582	9,537,171
Construction in Progress and Ships under Refurbishment	79,156	85,488
TOTAL	11,903,366	12,850,052

Note: Values for the above table are in Thousand pesos.

Locations of principal properties and equipment of AEV's subsidiaries is as follows:

SUBSIDIARY	DESCRIPTION	LOCATION/ADDRESS	CONDITION
Cotabato Light and Power Co.	Industrial land, buildings/plants eqpt. & machineries	Sinsuat Avenue, Cotabato City	In use for operations
Davao Light and Power Co., Inc.	Industrial land, buildings/plants eqpt. & machineries	P. Reyes Street, Davao City; Bajada, Davao City	In use for operations
Pilmico Foods Corp.	Industrial land, buildings/plants eqpt. & machineries	Kiwalan Cove, Iligan City	In use for operations
Hydro Electric Development Corp.	Hydropower plants	Kivas, Banengneng, Benguet; Beckel, La Trinidad, Benguet; Bineng, La Trinidad, Benguet; Sal-angan, Ampucao, Itogon, Benguet	In use for operations
Aboitiz Transport System Corp.	Passenger & Cargo Ships in Operation, (Cargo) Containers	In Transit	In use for operations
	Cargo Handling Equipment	Eva Macapagal Super Terminal, Manila South Harbor; Cebu International Port	In use for operations
Northern Mini Hydro Corp.	Hydro Power plants	Bakun, Benguet	In use for operations
Fil-Am Foods Corp.	Industrial land, building/plant equipment & machineries	Barangay Sto. Domingo II, Capas, Tarlac	In use for operations

Item 3. Legal Proceedings

Material Pending Legal Proceedings

Davao Light and Power Company, Inc. (DLPC)'s case

On December 7, 1990, certain customers of DLPC, a subsidiary, filed a letter-petition for recovery before the Energy Regulatory Board (ERB), claiming that with the Supreme Court's decision reducing the sound appraisal value of DLPC's properties, DLPC exceeded the 12% return on rate base. ERB's order dated June 4, 1998, limited the computation coverage of the refund from January 19, 1984 to December 14, 1984. No amount was indicated in the ERB order as this has yet to be recomputed.

The Court of Appeals (CA), in Case Number CAGR-SP 50771, promulgated a decision dated February 23, 2001 that reversed the order of the ERB, expanding the computation coverage period from January 19, 1984 to September 18, 1989.

DLPC filed a Motion for Reconsideration of the CA decision but CA denied such motion. DLPC next filed a Petition for Review on Certiorari of the February 23, 2001 Decision and February 27, 2001 Resolution with the Supreme Court. The Petition is still pending before the Supreme Court. The Petition has been allegedly decided by the Supreme Court but no notice has been received by the lawyers and by DLPC.

However, whatever is the outcome of the final decision, management is confident that there are no excess profits for the period 1984-1989 and therefore, there will be no refund.

Luzon Hydro Corporation (LHC) Arbitration

LHC is a party to a dispute with a contractor regarding the delay in the completion of LHC's Power Station. Under the Turnkey Contract between LHC and the contractor, the contractor shall pay liquidated damages for each day of delay on the following day without the need of demand from LHC. LHC may, without prejudice to any other method of recovery, deduct the amount of such damages from any monies due or to become due to the contractor and/or by drawing on the irrevocable and confirmed standby letters of credit amounting to US\$18 million (the Security).

Due to the contractor's delay, LHC had drawn from the Security, liquidated damages for delay equivalent to US\$18 million in 2000 and 2001. However, such drawdown was not recognized by AEV as part of its share in equity in net earnings of LHC in 2000 and 2001.

In November 2000, the contractor elevated the dispute to an Arbitration Court operating under the Rules of the International Chamber of Commerce sitting in Australia. The court addressed certain broad issues including the design and construction of headrace tunnel, extension of time, liquidated damages, and misleading and deceptive conduct.

The arbitral tribunal in ICC International Court of Arbitration Case No. 11264/TE/MW issued a final award in the amount of US\$11.8 Million to Aboitiz Equity Ventures (AEV)'s 50% owned subsidiary, Luzon Hydro Corporation (LHC).

LHC was in turn ordered to pay its final contractual installment payment of US\$5.9 Million to TPI, to return the security on the Bakun Project in the amount of US\$17.9 Million and to reimburse TPI for part of the arbitration and legal costs it incurred in the amount of US\$12.5 Million.

While LHC is still consulting its external auditors and while there are pending legal proceedings before the Philippine courts between LHC and TPI related to the same or similar matters as in the arbitration proceedings, AEV believes the resulting award will not have a material adverse effect on AEV's financial statements since AEV made a provision of P433

Million in its books in the years 2000 and 2001 for any costs or amounts which could arise in connection with the arbitration proceedings.

Use of Tax Credit Certificates (TCC)

Pilmico, Pilmico-Mauri and VECO were assessed by the Bureau of Internal Revenue in the total amount of ₱57.618 million, including fines and penalties covering value-added taxes for the first quarter of 2003 and April 2003. The assessments stemmed from the use of alleged invalid TCC purchased by the companies and subsequently applied to taxes due.

These protested assessments are now in the Court of Tax Appeals for resolution. Considering the mandatory participation by the Bureau of Internal Revenue insofar as the standard verification procedures are concerned in the purchase of TCC, Management and its legal counsel stand by their position that the companies had acquired and applied the TCC in good faith and therefore, that assessments have no legal basis.

Aside from the abovementioned cases, the subsidiaries have been exposed to certain legal cases, as part of the inherent risks in the normal course of business. Nonetheless, based on their overall assessment, Management and its legal counsel are of the opinion that losses arising from these cases, if any, will not have a material adverse impact on the 2005 consolidated financial statements.

Item 4. Submission of Matters to a Vote of Security Holders

There were no matters submitted to a vote of security holders during the fourth quarter of the fiscal year covered by this report.

PART II - OPERATIONAL AND FINANCIAL INFORMATION

Item 5. Market for Issuer’s Common Equity and Related Stockholder Matters

(1) AEV's common shares are traded on the Philippine Stock Exchange.

The high and low stock prices of AEV’s common shares for each quarter within the past two years and the first quarter of 2005 were as follows:

	2005		2004		2003	
	High	Low	High	Low	High	Low
First Quarter	5.40	3.20	3.80	2.80	2.44	2.26
Second Quarter	5.30	4.30	3.50	2.70	2.44	2.20
Third Quarter	5.20	4.40	3.55	3.00	3.00	2.34
Fourth Quarter	5.20	4.70	3.60	3.15	3.50	2.90

AEV has 13,082 shareholders as of 28 February 2006. Common shares outstanding as of same date were 5,093,068,683 shares.

(2) The top twenty stockholders of AEV as of 28 February 2006 are as follows:

	STOCKHOLDERS	NATIONALITY	COMMON SHARES	PREFERRED SHARES	TOTAL SHARES	PERCENTAGE
1	Aboitiz & Company, Inc.	Filipino	2,476,022,415	0	2,476,022,415	48.62%
2	PCD Nominee Corporation	Filipino	890,210,828	0	890,210,828	17.48%
3	Ramon Aboitiz Foundation, Inc.	Filipino	364,885,243	0	364,885,243	7.16%
4	PCD Nominee Corporation	Other Alien	284,941,574	0	284,941,574	5.59%
5	Sanfil Management Corporation	Filipino	116,790,211	0	116,790,211	2.29%
6	Lekeitio & Company, Inc.	Filipino	87,195,131	0	87,195,131	1.71%
7	Tricanaya Development Corporation	Filipino	78,320,538	0	78,320,538	1.54%
8	INXS Holdings Corporation	Filipino	75,234,352	0	75,234,352	1.48%
9	Midcita Management & Dev. Corp.	Filipino	62,176,225	0	62,176,225	1.22%
10	Chanton Management & Dev. Corp.	Filipino	62,118,484	0	62,118,484	1.22%
11	Teresita or John Carcovich	Filipino	57,764,020	0	57,764,020	1.13%
12	Dolores S. Aboitiz Foundation, Inc.	Filipino	53,010,620	0	53,010,620	1.04%
13	Bauhinia Management, Inc.	Filipino	51,779,484	0	51,779,484	1.02%
14	First Metro Investment Corporation	Filipino	0	50,000,000	50,000,000	0.98%
15	Windemere Management & Dev. Corp.	Filipino	47,666,352	0	47,666,352	0.94%
16	Donya-1 Management Corp.	Filipino	43,136,359	0	43,136,359	0.85%
17	Morefund Management & Dev. Corp.	Filipino	40,000,000	0	40,000,000	0.79%
18	Anso Management Corporation	Filipino	34,369,707	0	34,369,707	0.67%
19	BPI AMTG As Trustee for Various Trust Accounts	Filipino	0	33,500,000	33,500,000	0.66%
20	Triabo Development Corporation	Filipino	31,932,639	0	31,932,639	0.63%
	SUBTOTAL		4,857,554,182	83,500,000	4,941,054,182	97.02%
	Other Stockholders		837,045,439	103,200,000	940,245,439	2.98%
	TOTAL SHARES		5,694,599,621	186,700,000	5,881,299,621	
	LESS: TREASURY SHARES		788,230,938		788,230,938	
	NET ISSUED AND OUTSTANDING SHARES		4,906,368,683	186,700,000	5,093,068,683	100.00%

3) The cash dividends declared by AEV to common stockholders from fiscal year 2003 to the first quarter of 2005 are shown in the table below:

	2006	2005	2004
Amount of Dividend Per Share	P0.15	P0.12	P0.10
Total Amount of Cash Dividend Declared	P735,955,302.45	P596,601,895.08	P497,279,949.90

The payment of dividends in the future will depend upon the earnings, cash flow and financial condition of AEV and other factors.

On December 1, 2004, AEV issued 150,000,000 non-voting, non-participating, non-convertible, cumulative, reissuable and redeemable preferred shares with a par value of P1.00 per share at the offer price of P10.00 per share to qualified buyers pursuant to Sec. 10.1 (l) of the Securities Regulation Code. The shares were issued in two series: Series "A", which has a floating dividend rate, and Series "B" which has a fixed dividend rate. First Metro Investment Corporation (FMIC) was issue manager, while BPI Capital Corporation (BPI Capital), PCI Capital Corporation (PCI Capital), Union Bank of the Philippines (UBP), United Coconut Planters Bank (UBP), Multinational Investment Bancorporation (MIB) and RCBC

Capital Corporation (RCBC Capital) were the underwriters for the abovesaid issuance. Below is a list of subscribers to the said issuance.

Subscriber's Name	Purchaser Qualification	Shares Purchased	% to Total Preferred Shares Issued
Union Bank of the Philippines	Qualified Buyer	10,000,000	7%
BPI AMTG as Trustee for Ayala Plans, Inc.- Educational Plan	Qualified Buyer	2,100,000	1%
BPI AMTG as Trustee for Ayala Plans, Inc.- Pension Plan	Qualified Buyer	3,900,000	3%
BPI AMTG as Fund Manager for Ayala Life Fixed Income	Qualified Buyer	23,500,000	16%
BPI AMTG as Trustee for Various Trust Accounts	Qualified Buyer	20,500,000	14%
First Metro Investment Corporation	Qualified Buyer	50,000,000	33%
PCI Capital Corporation	Qualified Buyer	10,000,000	7%
Equitable PCI Bank Trust	Qualified Buyer	15,000,000	10%
Knights of Columbus Fraternal Association of the Philippines	Qualified Buyer	1,000,000	1%
RCBC Trust & Investment Division FAO TA #75-333-5	Qualified Buyer	100,000	0%
Perla Compania De Seguros, Inc.	Qualified Buyer	100,000	0%
Insular Life Savings & Trust Company Department as Trustee for TA# 5C-003	Qualified Buyer	1,000,000	1%
Prudential Bank as Trustee of Prudential-life Plans, Inc. Trust Funds	Qualified Buyer	1,300,000	1%
Mapfre Asian Insurance Corporation	Qualified Buyer	500,000	0%
UCPB Trust Banking Division FAO Various Trust Accounts	Qualified Buyer	5,900,000	4%
UCPB Trust Banking Division FAO TA#91-2669	Qualified Buyer	100,000	0%
Multinational Investment Bancorporation	Qualified Buyer	5,000,000	3%
	TOTALS	150,000,000	100%

An additional issuance of 36,700,000 non-voting, non-participating, non-convertible, cumulative, reissuable and redeemable preferred shares at the offer price of ₱10.00 under the same terms and conditions was made on December 13, 2004. The second series of shares are denominated as Series "C", which has a fixed dividend rate, and Series "D", which has a floating dividend rate, to be determined quarterly. First Metro Investment Corporation (FMIC) again acted as issue manager for the second tranche, while BPI Capital, PCI Capital, BDO Capital, Multinational Investment Bancorporation and RCBC Capital acted as underwriters. Below is a list of the subscribers to the second tranche.

Subscriber's Name	Purchaser Qualification	Shares Purchased	% to Total Preferred Shares Issued
BPI AMTG as Fund Manager for Ayala Life Fixed Income Fund	Qualified Buyer	10,000,000	27%
San Miguel Corp. Ret. Plan-FIP (SMCRP-FIP)	Qualified Buyer	2,500,000	7%
BDO Capital & Investment Corporation	Qualified Buyer	10,000,000	27%

PCI Capital Corporation	Qualified Buyer	10,000,000	27%
San Miguel Corp. Ret. Plan-FIP (SMCRP-FIP)	Qualified Buyer	2,500,000	7%
UCPB Trust Banking FAO Various Trust Accounts	Qualified Buyer	700,000	2%
HSBC TA00188	Qualified Buyer	1,000,000	3%
	TOTALS	36,700,000	100%

Both issuances have been fully taken by qualified buyers.

The proceeds of the preferred shares issuance will be used to refinance the outstanding preferred shares of AEV and to finance its various power projects as well as that of its subsidiaries and affiliates.

Item 6. Management's Discussion and Analysis or Plan of Action

Year ended December 31, 2005

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

- 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
- 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.
- 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.
- 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.
- 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.

All key performance indicators were well within expected levels for the year-end December 31, 2005. The increase in equity earnings was anticipated due to the projected improvement

in earnings of the major associates and the discontinuance of goodwill amortization starting 2005 in compliance with the new accounting standard, PFRS 3 (Business Combination).

With higher margins targeted by operating subsidiaries, EBITDA was expected to increase in 2005 compared that of the previous year.

Registrant and its subsidiaries have always strived to effectively manage their cash flows and operations. Thus financial ratios were anticipated to remain robust in 2005.

The table below shows the comparative figures of the top five key performance indicators for the full year of 2005 and 2004 (amounts in thousands except for the financial ratios):

	DEC 31/2005	DEC 31/2004
EQUITY IN NET EARNINGS OF INVESTEEES	2,155,342	1,532,131
EBITDA	6,361,947	5,859,589
CASH FLOW GENERATED:		
Net cash provided by operating activities	3,286,280	1,593,038
Net cash used in investing activities	(826,670)	(1,477,101)
Net cash used in financing activities	(2,129,398)	965,933
Net Increase (Decrease) in Cash & Cash Equivalents	232,301	1,094,102
Cash & Cash Equivalent, Beginning	4,384,459	3,286,213
Cash & Cash Equivalent, End	4,616,760	4,380,315
CURRENT RATIO	1.28	1.29
DEBT-TO-EQUITY RATIO	0.90	1.06

Financial Results of Operations

AEV posted a 29% increase in its net income to common stockholders as of December 31, 2005 to P3.159 billion from P 2.452 billion for the same period last year.

The power group again provided the bulk of income contribution with P2.123 billion or 61% of the total, followed by the banking group which contributed P930 million or 27%, food manufacturing with P382 million or 11% and the transport group with P33 million. AEV's portfolio investments provided the remaining P12 million of income contribution.

Earnings before Interest, Taxes, Depreciation and Amortization or EBITDA for the whole year of 2005 went up by 9% to P6.362 billion compared to P5.860 billion in 2004.

Material Changes in Line Items of Registrant's Income Statement

The 29% increase in AEV's net income to common stockholders for the whole year of 2005 was the result of the following:

- Operating Income increased by 12% to P2.021 billion from P1.810 billion, which was mainly due to the 21% increase in consolidated operating revenues. Except for Aboitiz Transport System Corp. (ATSC), all of AEV's subsidiaries were able to generate higher sales attributable to increases in gigawatt hour sales for the distribution and generation companies of the power group, and a rise in volume sales in the food group's flour, feeds and swine businesses. This increase in revenues was partially offset by a decrease in ATSC's sales brought about lower passenger and cargo volumes during the period. Also, consolidated cost and expenses during the period increased, mainly as a result of the higher cost of power purchases of the distribution subsidiaries and to the increase in fuel, drydocking amortization and depreciation costs and other operating expenses of the transport group.

- Shares in Net Earnings of Associates representing the income contribution of minority owned power and the financial services group, increased by 41% to P2.155 billion, substantially boosting AEV's net income. All of AEV's associates performed well and turned over higher profits in 2005. This year's adoption of a new accounting standard PFRS 3 (Business Combination), which prohibits the amortization of goodwill, also contributed to this increase. While equity earnings in 2004 included charges for amortized goodwill, 2005's share in net earnings no longer carried the same cost.
- Interest Income increased by 13% (from P217 million to P245 million) due to higher fund holdings that earned interest income at parent company level.
- Interest Expense went up by 2% (from P1,235 million to P1,257 million) due to the lower debt level in 2005 compared to 2004.
- Other Income decreased by 48% (from P821 million to P423 million) mainly due to the lower gain transport subsidiary ATSC received from the sale of its tied up vessels in 2005 compared to 2004.
- Provision for Income Tax decreased by 32% (from P39.1 million to P36.6 million) because of transport subsidiary ATSC reporting lower taxable income for 2005 compared to 2004.

Changes in Registrant's Resources, Liabilities and Shareholders Equity

Compared to year-end 2004 levels, consolidated assets increased by 6% (from P6.591 billion to P39.064 billion). This increase was mainly due to following:

- Investments and Advances grew by 10% (from P11.265 billion to P12.974 billion) primarily because of the increase in the carrying value of equitized investments. This was the result of: a.) the recording of P1.832 billion share in net earnings of associates during the same period, net of the P458 million cash dividends received from some of these associates; and b.) the P65 million write-off of negative goodwill of its investments in Luzon Hydro Corp. (LHC) and Pilmico-Mauri Foods Corp. in January 2005 in compliance with the new accounting standard PFRS 3 (Business Combination).
- Available for Sales Investments increased by 50% (from P100 million to P150 million) due to the improvement in the market prices of the publicly traded shares which are recorded at the lower acquisition cost or market price.
- Trade and Other Receivables went down by 7% (from P3.368 billion to P3.609 billion) mainly due to intensified collection efforts by the power subsidiaries which resulted to a decrease in their trade receivables.
- Other Current Assets increased by 36% (from P554 million to P755 million) as additional prepaid costs were incurred during the current period.

Total consolidated liabilities increased by 10% from P16.346 billion in 2004 to P17.938 billion. However, to comply with the new accounting standard which classifies preferred shares as part of long-term debt instead of equity, the 2005 figure includes P1.867 billion of AEV preferred shares.

For proper comparison, the 2004 liabilities would also need to add the preferred shares to align this with 2005 treatment of the item. Thus, 2004 liabilities (i.e. including preferred shares) would amount to P18.213 billion, reflecting a 2% decrease in total debt for 2005. The decrease was mainly due to the partial prepayment by the parent company of its long-term debt, and settlement by the subsidiaries of their scheduled long-term loan amortizations.

Stockholders' Equity increased by close to 5% in 2005 to P19.948 billion from its 2004 level of P19.086 billion. However, to reflect the new accounting standard which recognizes preferred shares as a liability instead of equity, the 2005 figure does not include P1.867 billion of AEV's preferred shares. Thus to properly compare 2005 with the previous year, the 2004 amount will have to be adjust downward by P1.867 billion.

With the adjustment, stockholders' equity would show an increase of 16%. This increase was primarily due to the Group being able to sustain its positive operating performance,

contributing to Retained Earnings another P3.159 billion in net income after preferred dividends payment during the current period.

To comply with the requirements of the newly adopted accounting standard PFRS 3 (Business Combination), AEV credited to Retained Earnings the amount of P158 million representing unamortized negative goodwill on its power and food investments.

Certain subsidiaries sold their AEV shares during the current period and the net sales proceeds were credited to Treasury Stock and Additional Paid-in Capital (APIC) upon consolidation, resulting to a decrease in Treasury Stock and an increase in APIC.

The increase in Retained Earnings was offset by the P644 million charge to recognize the retroactive effect of implementing 2005 accounting standards to be adopted as of January 2005.

Material Changes in Liquidity and Cash Reserves of Registrant

Compared to the same period in 2004, cash provided by operating activities increased by 106% from P1.593 billion in 2004 to P2.407 billion in 2005, mainly due to the remarkable improvement in cash generated from operations which was offset by higher interest and taxes paid during the current period.

Cash used in investing activities decreased by 44% from P1.477 billion in 2004 to P827 million in 2005. The lower fund usage level was a result of the decrease in capital expenditures during the current period. Also in 2005 aev received higher dividends from its subsidiaries.

Cash used in financing activities increased by 320% to P2.129 billion in 2005. During the current period, more funds were used to prepay debt, settle maturing obligations and fund higher common cash dividend distribution.

For 2005, net cash inflows were lower than outflows, resulting to a 79% decrease in cash and cash equivalents, from P1.094 billion in December 2004 to P232 million as of end 2005.

The decrease in cash and cash equivalents resulted to the decline in the current-ratio from 1.29:1.00 as of year-end 2004 to 1.28:1.00 as of December 2005.

Due to the debt repayment during the period, both net-debt-to-equity ratio and debt-to-equity improved from 0.55:1.00 as of December 31, 2004 to 0.43:1.00 as of December 31, 2005 and from 1.06:1.00 to 0.90:1.00 respectively.

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 2005 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 hydro generation group will gain additional operating efficiencies. This coupled with its planned expansion in Mindanao, will translate into additional income for the group for 2006.

Power Industry (Distribution Sector)

All of the distribution utilities are expected to carry on their solid performance from 2005. Specifically 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 (i.e. from Manson Corp. covering the area of Floridablanca in Pampanga).

Financial Services

UBP and CSB are expected to sustain their robust performance of the preceding year into 2006. UBP foresees that growth in liquidity (through increase customer volume from cash management and deposit products) 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 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 is well positioned in term 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. And 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 we have started to see our insurance premiums come down significantly, because of the risk management initiatives the company has taken.

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 front line services and back room 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 disclosed in some other portion of this report, there are, as of December 31, 2005, 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 III – CORPORATE GOVERNANCE

a. Evaluation System

AEV is committed to the high standards of corporate governance as set by the Code of Corporate Governance issued by the Securities and Exchange Commission (SEC). This commitment is also embodied in AEV's Manual of Corporate Governance (the "Manual") and its Code of Ethics and Business Conduct ("Code of Conduct").

AEV measures compliance with its Manual against the leading practices and principles on good corporate governance as reflected in the Corporate Governance Self-Rating Form (CG-SRF) of the SEC.

The Compliance Officer of AEV coordinates with the board and management committees in monitoring compliance with the Manual. He/she determines violations and recommends penalties for such violations, and identifies, monitors and controls compliance risks.

The different board and management committees also perform oversight functions related to compliance with the Manual and other corporate policies of AEV.

The Board of Directors conducts a quarterly review of the Manual to assess its relevance to AEV's needs and to evaluate it against the leading practices and principles on good corporate governance. At its regular meetings in 2005 on May 16 and November 17, the Board reviewed the Manual and decided to continue achieving the goals for which the Manual was designed.

The Company has an established standard performance evaluation form for Corporate Governance. Copies of its Evaluation Table for Compliance with the Manual of Corporate Governance and its Corporate Governance Self-Rating Form are attached to the annual report.

b. Measures Undertaken to Comply with the Adopted Leading Practices on Good Corporate Governance

Aside from rating itself against the Corporate Governance Self-Rating Form issued by the SEC, AEV also submits governance reports required by SEC and the Philippine Stock Exchange (PSE) to determine compliance with the Code of Corporate Governance, its own Manual and the existing rules and regulations enforced by SEC and PSE. On its own, AEV also studies and drafts specific guidelines to further implement the principles enshrined in its Manual. It also sends its officers to corporate governance seminars.

Even before the concept of corporate governance was formally introduced in the Philippines, AEV has been continuously assessing and implementing good corporate governance in its operations through its Corporate Audit Team, which conducts independent internal audit of its organizational and procedural controls. AEV also emphasizes transparency, as shown by its insistence on the disclosure of any material information that may affect its various stakeholders.

AEV conducts orientations on its Manual and Code of Ethics and Business Conduct for all its employees, especially on the topics of conflict of interest, the misuse of inside and proprietary information, and stockholders' rights.

b. Deviation from the Manual of Corporate Governance

AEV and its directors, officers and employees have complied with its Manual of Corporate Governance. No incident has been discovered or reported regarding any violation of the Manual.

c. Plan to Improve Corporate Governance

AEV hopes to benchmark against the practices of other companies when this information becomes available. It shall encourage its Compliance Officer or his representatives to attend trainings on how to adequately measure compliance with good corporate governance practices.

NOTICE AND AGENDA OF THE MEETING

ABOITIZ EQUITY VENTURES, INC.
Aboitiz Corporate Center,
Gov. Manuel A. Cuenco Avenue
Kasambagan, Cebu City 6000, Philippines

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

NOTICE is hereby given that the Annual Meeting of Stockholders of **ABOITIZ EQUITY VENTURES, INC.**, will be held on 15 May 2006 at 4:00 p.m. at the Grand Ballroom of Cebu City Marriott Hotel, Cebu Business Park, Cebu City.

The Agenda of the meeting is as follows:

1. Call to Order
2. Proof of Notice of Meeting
3. Determination of Quorum
4. Reading and Approval of the Minutes of the Previous Stockholders' Meeting of 16 May 2005
5. Presentation of the President's Report
6. Approval of Annual Report and Financial Statements
7. Ratification of the Acts, Resolutions and Proceedings of the Board of Directors, Corporate Officers and Management up to 15 May 2006
8. Election of External Auditors
9. Election of Board of Directors
10. Other Business
11. Adjournment

Only stockholders of record at the close of business on 31 March 2006 are entitled to notice and to vote at this meeting. Registration will start at 2:00 p.m. and will end at 4:00 p.m. Kindly present any proof of identification, such as driver's license, passport, company I.D. or SSS/GSIS I.D. Aside from personal identification, representatives of corporate stockholders and other entities should also present a duly sworn secretary's certificate or a similar document showing his or her authority to represent the corporation or entity.

Should you be unable to attend the meeting, you may want to execute a proxy in favor of a representative. In accordance with the amended By-Laws of the Corporation, proxies must be presented to the Secretary for inspection, validation and record at least seven (7) days prior to the opening of the stockholders' meeting. We enclose a proxy form for your convenience.

For those unable to attend the Stockholders' Meeting in Cebu, a Stockholders' Briefing will be conducted in Manila on 17 May 2006 at 3:00 p.m. at Rizal Ballroom A, Makati Shangri-la Hotel, Makati City.

For the Board of Directors.

M. JASMINE S. OPORTO
Corporate Secretary

ANNEX “A”

SUMMARY OF THE MINUTES OF THE 2005 AEV STOCKHOLDERS’ MEETING

The meeting was called to order on May 16, 2005 at 4:00 p.m. by the President/Chief Executive Officer and Chairman of the meeting, Jon R. Aboitiz.

The Corporate Secretary certified that Notices for the meeting were duly sent out to all stockholders of record as of March 31, 2005, and that such Notice was also published in several national and Cebu newspapers of general circulation. The Secretary also certified that a quorum was present as of 3:50 p.m., representing 86.95% of the total shares outstanding and entitled to vote, or more than 2/3 of such total shares.

The reading of the minutes of the previous stockholders’ meeting was dispensed with but such minutes were duly approved.

The body passed the following resolutions:

1. Approval of the Corporation’s Annual Report and Audited Financial Statements as of December 31, 2004;
2. Ratification of all acts, resolutions, agreements, contracts and investments of the Board of Directors, management and corporate officers for the year 2004, as well as all other acts up to May 16, 2005;
3. Appointment of Sycip, Gorres, Velayo & Co. as External Auditor of the Corporation for the year 2005-2006;
4. Election of Roberto Aboitiz, Jon Aboitiz, Erramon Aboitiz, Enrique Aboitiz Jr., Justo Ortiz, Roberto R. Romulo and Jose C. Vitug as directors of the Corporation. Mr. Romulo and Justice Vitug (ret.) are the Corporation’s independent directors.

After the approval of such Resolutions, the meeting was duly adjourned.