

July 31, 2014

**SECURITIES AND EXCHANGE COMMISSION**

SEC Building, EDSA Greenhills,  
Mandaluyong City, Metro Manila

ATTENTION : **DIR. VICENTE GRACIANO P. FELIZMENIO JR.,**  
Director, Markets and Securities Regulation Department

**PHILIPPINE STOCK EXCHANGE, INC.**

3<sup>rd</sup> Floor, Philippine Stock Exchange Plaza  
Ayala Triangle, Ayala Avenue  
Makati City

ATTENTION : **MS. JANET ENCARNACION**  
Head, Disclosure Department

**PHILIPPINE DEALING & EXCHANGE CORP.**

Market Regulatory Services Group  
37/F, Tower 1, The Enterprise Center  
6766 Ayala Avenue corner Paseo de Roxas  
Makati City

ATTENTION : **MS. VINA VANESSA S. SALONGA**  
Head – Issuer Compliance and Disclosures Department

Gentlemen:

We file herewith the SEC Form 17-C (Current Report) of Aboitiz Equity Ventures, Inc. in compliance with the Commission's directive.

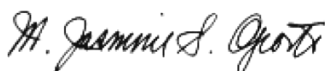
Kindly acknowledge receipt hereof.

Thank you.

Very truly yours,

**ABOITIZ EQUITY VENTURES, INC.**

By



**M. JASMINE S. OPORTO**  
Corporate Secretary

**COVER SHEET**

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S.E.C. Registration Number

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

( Company's Full Name )

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C	I	T	Y	,	T	A	G	U	I	G	C	I	T	Y	,	M	E	T	R	O	M	A	N	I	L	A	,	
P	H	I	L	I	P	P	I	N	E	S																		

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

<b>M. JASMINE S. OPORTO</b>									
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Contact Person

<b>(02) 793-2729</b>				
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Company Telephone Number

**Current Report**

1	2		3	1
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Month Day

Fiscal Year

1	7	-	C
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FORM TYPE

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Month Day

Annual Meeting

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Secondary License Type, if Applicable

S	E	C
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Dept. Requiring this Doc

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Amended Articles Number/Section

<b>9,587</b>
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Total No. of Stockholders

X
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Domestic

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Foreign

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To be accomplished by SEC Personnel concerned

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File Number

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Document I.D.

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Cashier


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SECURITIES & EXCHANGE COMMISSION

SEC FORM 17-C

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

1. July 31, 2014  
Date of Report (Date of earliest event reported)
2. SEC Identification Number CEO2536 3. BIR TIN 003-828-269-V
4. ABOITIZ EQUITY VENTURES, INC.  
Exact name of registrant as specified in its charter
5. Philippines 6.   
Province, country or other jurisdiction of incorporation Industry Classification Code
7. 32<sup>nd</sup> Street, Bonifacio Global City, Taguig City, Metro Manila, Philippines 1634  
Address of principal office Postal Code
8. (02) 793-2800  
Registrant's telephone number, including area code
9. N.A.  
Former name or former address, if changed since last report
10. Securities registered pursuant to Sections 4 and 8 of the RSA
- | Title of Each Class               | Number of Shares of Common Stock<br>Outstanding and Amount of Debt Outstanding<br>(as of June 30, 2014) |
|-----------------------------------|---|
| <u>Common Stock P1 Par Value</u>  | <u>5,521,871,821</u>  |
| <u>Amount of Debt Outstanding</u> | <u>P102,118,460,000.00</u>  |
11. Indicate the item numbers reported herein: 9

**Item 9 : Other Events**

Aboitiz Equity Ventures, Inc. (AEV or the "Company") ended the second quarter of 2014 with a consolidated net income of P4.6 billion (bn), recording a decrease of 9% year-on-year (YoY). Out of the total earnings contributions from the Company's strategic business units (SBU), Power accounted for 76% while the income contribution of the Banking, Food and Real Estate SBUs were at 16%, 7%, and 1% respectively.

For the three-month period in review, the Company recorded a one-off gain of P314 million (mn), vis-à-vis last year's non-recurring loss of P1.1 bn. This was mainly driven by foreign exchange gains resulting from the revaluation of consolidated dollar-denominated loans and placements of the Power SBU. In addition, the Power SBU booked a non-recurring cost of P89 mn to account for its acquisition of Lima Utilities Corporation (LUC). Adjusting for these, AEV closed the quarter with a core net income of P4.3 bn, down 30% YoY.

On a year-to-date (YTD) basis, AEV's consolidated net income declined by 20% YoY to ₱9.5 bn from ₱11.9 bn. This translates to ₱1.72 in earnings per share. Power accounted for 74%, followed by the Banking, Food and Real Estate SBUs with income contributions of 17%, 7%, and 2%, respectively.

For the period ending June 30, 2014, the Company incurred a non-recurring gain of ₱785 mn (versus last year's ₱217 mn), which resulted from the revaluation of the Power SBU's consolidated dollar-denominated liabilities and placements and a one-off gain of ₱634 mn from the sale of a couple of the Group's investments. In addition, the Power SBU booked a non-recurring cost for the acquisition of LUC. Adjusting for these one-offs, AEV's core net income amounted to ₱8.7 bn, which is 26% lower than last year.

## **Strategic Business Units**

### **Power**

Aboitiz Power Corporation (AboitizPower) ended the semester with an income contribution of ₱6.8 bn vis-à-vis last year's ₱7.3 bn, 7% lower YoY. The decline was mainly due to the implementation of the Geothermal Resources Sales Contract (GRSC) for the Tiwi-Makban plants and weaker ancillary performance of Magat plant. When adjusted for non-recurring items, the Power SBU recorded a 21% YoY decrease in its earnings share, from ₱8.4 bn to ₱6.6bn.

As of semester end, AboitizPower's attributable net generation rose by 4% YoY, from 5,360 GWh to 5,556 GWh, as electricity sold through bilateral contracts expanded by 7% to 4,692 GWh. The improvement was mainly due to the higher contracted levels of the large hydros and Therma Mobile, Inc. On the other hand, spot market sales decreased by 13% from 996 GWh to 863 GWh as low water levels constrained the operations of the Magat, Ambuklao and Binga plants. In terms of capacity, higher sales through bilateral contracts and ancillary services resulted to a 21% YoY increase in AboitizPower's attributable sales from 1,465 MW to 1,766 MW. It must be noted though that ancillary sales have been weaker quarter on quarter as a result of the low water levels which begun in the second half of March.

In addition to ongoing works for the 14 MW Sabangan run-of-river hydro plant and 300 MW Davao coal plant, AboitizPower also expects to begin construction of its 400 MW Pagbilao expansion, 300 MW Cebu Coal, and 68 MW Manolo Fortich projects within the next few months.

Meanwhile, the power distribution group's income contribution for the first half of 2014 decreased by 11% from ₱1.3 bn to ₱1.1 bn. Spearheaded by a growth in industrial sales, total attributable electricity sales increased by 6% YoY, from 1,997 GWh to 2,122 GWh. However, during the same period, the group's gross margin declined by 8% YoY to 1.58 kWh. The unfavorable variance was brought about by the higher direct costs registered due to the lag in recovery of Visayan Electric Company, Inc.'s cost of purchased power and the additional costs incurred by Davao Light & Power Company, Inc. and Cotabato Light & Power Company due to the running of their embedded plants to cover for the energy shortfall in the Mindanao grid.

During the period, AboitizPower acquired LUC, the electricity distribution utility of LiMA Technology Center located in Batangas, from Lima Land, Inc. (LLI), a wholly owned subsidiary of our affiliate Aboitiz Land, Inc. The move is in line with the Group's strategy of expanding its EnerZone brand.

## **Banking**

Union Bank of the Philippines' (UnionBank) income contribution for the semester recorded a 46% decline YoY, from almost ₱2.8 bn to ₱1.5 bn.

Net interest income grew by 29% to ₱5.2 bn, underpinned by the robust growth in earning assets coupled with the continuous reduction in average costs of interest bearing liabilities. Total other income, meanwhile, dropped by 57% to ₱3.7 bn in view of the exceptionally higher trading gains posted in the same period of the previous year. Service charges, fees and commissions jumped by 61% to ₱1.6 bn, predominantly due to the sustained expansion in consumer loans, led by salary loans. Total operating expenses decreased by 16% to ₱4.8 bn, attributed to compensation-related items, and lower trust fund contribution based on the reduced level of pre-need sales.

As of end-June 2014, UnionBank's resources posted a slight drop of 6% to settle at ₱373.2 bn from ₱396.1 bn as of end-December 2013. This was mainly accounted by a ₱20.0 bn or 14% decline in net loans and other receivables to ₱122.2 bn, resulting from a reduction in securities purchased under reverse repurchase agreements that was partly offset by an increase in salary loans. Total deposits was flat at ₱297.9 bn. Capital ratios (solo basis) remained above the minimum regulatory requirements, with Common Equity Tier 1 and total capital adequacy ratio at 12.5% and 13.0%, respectively.

## **Food**

Meanwhile, AEV's non-listed food subsidiary, Pilmico Foods Corporation (Pilmico), recorded a 3% YoY increase in its first semester income contribution in 2014, from ₱630.7 mn to ₱647.8 mn. The Feeds segment saw its income contribution sink to ₱166.4 mn in the first half from ₱285.9 mn in the same period last year due to higher input cost and the expiration of the Income Tax Holiday of the Iligan Feedmill. The Flour segment, meanwhile, posted a YoY growth of 34% buoyed by the higher income contribution from By-Products and lower financing costs. On the other hand, the Farms segment continued to perform well, registering a 50% surge YoY. The robust performance was driven by the improvement in average selling price and volume.

Last May 29, 2014, Pilmico also acquired a majority stake in a Vietnamese feeds company, Vin Hoan 1 Feed JSC (VHF). VHF is one of the largest aqua feed producers in Vietnam. The acquisition is in line with AEV's strategy of expanding its core feeds business and expanding into the Vietnamese market.

## **Real Estate**

AEV's Real Estate SBU, Aboitiz Land, Inc. (AboitizLand), registered YoY growth of 63% in its net income contribution for the semester from ₱111.1 mn to ₱181.3 mn. AboitizLand exhibited extraordinary growth for the first half of the year. Revenues more than doubled to ₱1.3 bn due to the consolidation of LLI, which the Real Estate SBU fully acquired last February.

Main operations continue to perform. Sales are up by 26%, coming from across the different products: condo, lots and house packages. The residential segment posted a solid growth in revenues of 28%. Net income grew by 68% from the same period last year.

## **New Business Developments**

Last June 2014, AEV's newly-formed subsidiary, Aseagas Corporation (Aseagas) signed a Notes Facility and Security Agreement in the amount of up to P2 bn with Development Bank of the Philippines to finance the construction of Aseagas' first biomass renewable energy plant to be located in Lian, Batangas. Construction of the facility is expected to begin within the next few months and is expected to be completed in two years.

In the same month, AEV was also informed by its partner, J. V. Angeles Construction Corporation (JVACC), that it received, on behalf of the Jose V. Angeles Construction Consortium, the Notice of Award (NoA) from the Davao City Water District (DCWD) for the financing, design, construction and operation of the Tamugan Surface Water Development Project. The project aims to provide 300 million liters per day of treated bulk water to DCWD once completed.

Additionally, AEV was informed by AboitizLand that the Team Orion (Orion) consortium of AboitizLand and AC Infrastructure Holdings Corporation, a wholly-owned subsidiary of Ayala Corporation, submitted the highest bid of P11.659 bn for the Cavite-Laguna Expressway Project. However, San Miguel Corporation's unit Optimal Infrastructure Development, Inc. (Optimal), is appealing the decision with the Office of the President. The members of Orion have together filed a comment to Optimal's appeal, seeking that the same be dismissed.

## ***Financial Condition***

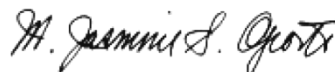
As of June 30, 2014, the Company's consolidated assets amounted to P253.5 bn, 3% higher than the year-end 2013 level. Cash and cash equivalents was at P31.0 bn, 14% lower than the year-end 2013 level of P36.1 bn. Consolidated liabilities amounted to P132.1 bn while Equity Attributable to Equity Holders of the Parent increased by 0.4% to around P97.3 bn. Current ratio as of June 30, 2014 was at 2.2x (versus year-end 2013's 2.6x), while net debt-to-equity ratio was at 0.6x (versus year-end 2013's 0.5x).

## SIGNATURE (S)

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

**ABOITIZ EQUITY VENTURES, INC.**

By



**M. JASMINE S. OPORTO**  
Corporate Secretary

Date: July 31, 2014