

COVER SHEET

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S.E.C. Registration Number

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(Company's Full Name)

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

LEAH I. GERALDEZ

Contact Person

(032) 411-1800

Company Telephone Number

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Month Day

Fiscal Year

2nd Quarterly Report

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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

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Total No. of Stockholders

X

Domestic

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Foreign



To be accomplished by SEC Personnel concerned

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File Number

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended June 30, 2008
2. Commission identification number CE02536 3. BIR Tax Identification No. 003-828-269-V
4. Exact name of issuer as specified in its charter ABOITIZ EQUITY VENTURES, INC.
5. Province, country or other jurisdiction of incorporation or organization Cebu City, Philippines
6. Industry Classification Code: (SEC Use Only)
7. Address of issuer's principal office Postal Code
Gov. Manuel A. Cuenco Avenue, Kasambagan, Cebu City, Philippines 6000
8. Issuer's telephone number, including area code
(032) 2312580
9. Former name, former address and former fiscal year, if changed since last report
N.A.

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

Title of each Class	Number of shares of common stock outstanding and amount of debt outstanding
<u>Common stock, P1.00 par value</u>	<u>5,628,569,121</u>
<u>Total debt</u>	<u>P18,536,909,386.00</u>

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

Yes [x] No []

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

Philippine Stock Exchange Common

12. Indicate by check mark whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26

and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports)

Yes [] No []

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

Yes [] No []

PART I--FINANCIAL INFORMATION

Item 1. Financial Statements.

Please refer to the financial statements and schedules attached herewith

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

Top Five Key Performance Indicators

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

1. EQUITY IN NET EARNINGS OF INVESTEES

Equity in net earnings (losses) of investees represents the group's share in the undistributed earnings or losses of its investees for each reporting period subsequent to acquisition of said investment, net of goodwill impairment cost, if any. Goodwill is the difference between the purchase price of an investment and the investor's share in the value of the net identifiable assets of investee at the date of acquisition. Equity in net earnings (losses) of investees indicates profitability of the investments and investees' contribution to the group's consolidated net income.

Manner of Computation: Investee's Net Income (Loss) x Investor's % ownership - Goodwill Impairment Cost

2. EARNINGS BEFORE INTEREST, TAXES, DEPRECIATION & AMORTIZATION (EBITDA)

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

3. CASH FLOW GENERATED

Using the Statement of Cash Flows, management determines the sources and usage of funds for the period and analyzes how the group manages its profit and uses its internal and external sources of capital. This aids management in identifying the impact on cash flow when the group's activities are in a state of growth or decline, and in evaluating management's efforts to control the impact.

4. CURRENT RATIO

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

5. DEBT-TO-EQUITY RATIO

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

All the key performance indicators were within management's expectations during the period under review.

Despite the anticipated decline in earnings of the banking associates, equity in net earnings of investees registered a 19% year-on-year growth. This increase was attributed to the fresh income contributions from newly-acquired power companies which more than made up for the decrease in earnings of the banks.

The slight decrease in EBITDA was attributable to the decrease in operating margins which was partially offset by the increase in equity in net earnings of associates. The fresh and full- semester contributions of the newly-acquired companies (i.e., SN Aboitiz – Magat Inc. (SNAP-Magat), Cebu Private Power Corporation (CPPC), East Asia Utilities Corp. (EAUC), STEAG State Power, Inc. (STEAG), Mactan Enerzone Corporation (MEZ) and Balamban Enerzone Corporation (BEZ)) boosted this growth in equity earnings.

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

	JUNE 30/2008	JUNE 30/2007	DEC 31/2007
EQUITY IN NET EARNINGS OF INVESTEES	1,735,405	1,459,274	
EBITDA	4,015,564	4,030,687	
CASH FLOW GENERATED:			
Net cash provided by (used in) operating activities	825,561	(5,848,104)	
Net cash used in investing activities	(1,982,758)	(5,438,087)	
Net cash provided by (used in) financing activities	(5,328,206)	8,894,113	
Net Increase (Decrease) in Cash & Cash Equivalents	(6,485,403)	(2,392,078)	
Cash & Cash Equivalent, Beginning	18,568,226	8,009,957	
Cash & Cash Equivalent, End	12,035,465	5,490,677	
CURRENT RATIO	1.94		2.48
DEBT-TO-EQUITY RATIO	0.43		0.39

Financial Results of Operations

For the first semester of 2008, AEV and subsidiaries posted a consolidated recurring net income of P2.26 billion, a year-on-year increase of 4% over last year's P2.17 billion. The group recorded a non-recurring net loss of P42 million, which included (1) a foreign exchange net loss of P200 million at parent and subsidiary levels, (2) a P48 million share in gains on asset sale and insurance claims made by its subsidiary, Aboitiz Transport System Corporation (ATS) and (3) a P110 million share in the reversal of provisions made by an associate company due to an arbitration settlement. This brought AEV's consolidated net income to P2.21 billion, a 9% year-on-year drop from previous year, and correspondingly resulted in a 9% decrease in earnings per share, from P0.43 to P0.39.

Aboitiz Power Corporation (AP) continued to account for the bulk of AEV's income at 69%. This was followed by the banking group with its income share amounting to 20% of total. The food group maintained its performance and continued to be a stable source of earnings with a 10% income share, with the balance turned in by the transport group.

Despite AEV's ownership dilution in AP, the power group continued to be AEV's main earnings contributor for the period with its income contribution growing by 39% year-on-year, from P1.12 billion to P1.56 billion. This was on the back of a consolidated total revenue growth of 16% year-on-year. The power generation business shored in bulk of AP's income contribution to AEV. The business ended the semester with net earnings contribution of P999 million, up 114% year-on-year. This strong showing can be attributed to the incremental earnings contributions from 2007 acquisitions, with major contributions coming from the 232MW STEAG coal power plant and the 360MW Magat hydro power plant, and the improved performance of AP's other generation assets. Total power sold for the period recorded a 207% year-on-year expansion, from 262 GwH to 806 GwH. On the other hand, the power distribution business contributed net earnings of P580 million to AEV, recording a 13% decline mainly due to AEV's ownership dilution in AP. AP's distribution utilities continued to record healthy electricity sales growth rates with the first semester posting a 17% year-on-year improvement, from 1,311 GWh to 1,532 GWh. Excluding the sales contribution of the distribution utilities acquired last year, the group recorded an organic growth of 6% year-on-year.

The financial services group contributed net earnings of P459 million for the first semester, 43% lower than previous year's P802 million. Union Bank of the Philippines (UBP) ended the period with an earnings contribution of P439 million, 43% lower than the previous year's P772 million, while City Savings Bank (CSB), contributed earnings of P20 million down 33% from the same period last year.

The transport group ended the semester with a net income contribution of P19 million, a 94% year-on-year decline from last year's P284 million. The group generated negative operating margins during the current period as a result of the 15% increase in total costs and expenses which more than offset the 9% increase in consolidated revenues.

Income contribution from AEV's non-listed food subsidiary, Pilmico Foods Corporation (Pilmico), amounted to P231 million, slightly higher than last year's P230 million. Revenues of its flour business grew by 21% year-on-year, mainly due to higher selling prices. Earnings from its wholly-owned subsidiary, Fil-Am Foods Inc. grew by 175% with strong volume sales for its swine business and favorable prices for both swine and feeds.

Material Changes in Line Items of Registrant's Income Statement

Consolidated net income attributable to equity holders decreased by 9% due to the following:

Gross profit for the 1st semester 2008 amounted to P1.07 billion, a 30% decline from the P1.53 billion posted during the same period last year. The 20% or P2.72 billion hike in costs and expenses more than offset the 15% or P2.26 billion growth in consolidated revenues

Power distribution and generation subsidiaries reported a combined 15% or P122 million increase in operating margins, mainly as a result of the fresh revenue contributions of newly-acquired companies, MEZ and BEZ and increase in sales by CPPC and Hedcor, Inc. (Hedcor). Growth in sales was due to higher dispatch by CPPC and higher amount of rainfall for Hedcor during the current period compared to those of last year. However, this increase was more than offset by AP parent company's P160 million decrease in margins resulting from an increase in operating expenses. As a result, the power group reported a 4% year-on-year decline in margins, from P870 million in 2007 to P832 million in 2008.

Food group reported a 20% drop in margins (1H08 - P393 million; 1H07 - P493M million) as revenues increased only by P929 million while costs and expenses rose by P1.03 billion. The 23% boost in sales was attributed to better selling prices in its flour business, strong volume sales for its swine business and favorable prices for both swine and feeds businesses. Higher costs of raw materials and freight resulted in a 29% increase in operating costs.

Despite operating at reduced capacity due to vessel sales and repair, Aboitiz Transport System Corporation's (ATS) total consolidated revenues grew by 9% year-on-year, from P5.5 billion to P6.0 billion. Robust freight revenues coupled with increased service fees generated from its supply chain management services led to the topline growth. Said increase was offset by the 5% reduction in passage revenues. The decline was largely a result of the overall reduction in passenger ferry capacity brought about by vessel sales and the conversion of excess passage capacity of some vessels to freight. Two vessels also underwent repair during the second quarter of the current year. Moreover, the industry continued to face fierce competition from the airlines. The continued rise in fuel prices and higher charter-related expenses led to a 15% increase in the company's total costs and expenses and eroded ATS's margins. As a result, the transport group reported negative operating margins during the period under review, a 155% decrease from previous period's P187M positive margins.

Share in net earnings of associates registered a 19% increase (P1.74 billion vs P1.46 billion) primarily due to the fresh and full-semester income contributions of newly-acquired power generation associates (i.e., SNAP-Magat, EAUC, and STEAG). EAUC, SNAP-Magat and STEAG started contributing to AEV consolidated income only in April, May, and November, 2007, respectively. For the semester under review, the group's share in income of these associates amounted to P858 million, making up 49% of total equity earnings.

The over-all increase in share in net equity earnings was partially reduced by the decrease in the income contributions of banking associates, UBP and CSB. Their combined earnings contribution declined by 43% to P459 million during the first half of 2008. UBP posted a net income of P1.13 billion, a 38% decrease from the similar period last year, mainly due to the exceptional gains from trading and sale of assets recorded during the 1st semester of 2007. The decline in these gains during the current period more than offset the 13% growth in net interest income. The improvement in net interest income was due to the robust expansion in its corporate, commercial and consumer finance business and higher yield on its trading and investment securities. Likewise, AEV's non-listed thrift bank, CSB, ended the semester with a P58 million net income, down 33% from 1H2007's P87 million, mainly due to lower net interest margins and increased manpower costs.

Other Income increased to P401 million, 28% higher than the P313 million recorded in 1H2007. This was substantially due to the lower net foreign exchange losses recorded during the current period as a result of the depreciation of the peso.

The overall decline in consolidated operating income was further offset by the 109% decrease in net finance expense, from P69 million net finance expense in 2007 to P6 million net interest income in 2008. Higher average cash balances maintained at AP parent company level and decrease in average debt accounted for this improvement. Provision for income tax decreased by 29% as a result of the lower taxable income reported by the group.

The P394 million increase in net income attributable to minority interests was mainly due to AEV's ownership dilution in AP, from 100% during the 1st semester of 2007 to 75.59%, as a result of the AP initial public offering in July 2007.

Changes in Registrant's Resources, Liabilities and Shareholders Equity

Compared to year-end 2007 levels, consolidated assets decreased by 6%, from P65.50 billion in Dec. 2007 to P61.30 billion in Jun. 2008, due to the ff.:

- a. Cash & Cash Equivalents stood at P12.04 billion, 35% lower than the P18.57 billion reported as at year-end 2007. This decrease was mainly due to AEV parent's payment of P3.47 billion in cash dividends to common shareholders and purchase of P1.19 billion worth of AP and AEV shares. AP parent also reported a lower cash balance due to its payment of P1.32 billion in cash dividends, P1.54 billion capital infusion into new associates and acquisitions of remaining shares in Subic Enerzone Corporation (SEZ) and BEZ.
- b. Other Noncurrent Assets decreased by 12% to P509 million, substantially due to reclassification of project costs to Property, Plant & Equipment account.

The above decreases were partially offset by the following increases:

- a. Inventories increased by 62% (P2.49 billion vs P1.54 billion) due to higher wheat inventory carried by Pilimico as of semester ended June 2008.
- b. Other Current Assets increased by 11% from P1.62 billion to P1.80 billion, mainly due to higher unapplied VAT input taxes and accumulation of unutilized prepaid taxes by AEV and ATS parent companies. These prepaid taxes represent creditable taxes withheld by customers and creditable senior citizen discounts which can be used as payment of future income taxes by these companies.
- c. Property, plant & equipment (PPE) and Investment properties registered a combined increase of 10% from P10.8 billion to P11.83 billion, substantially due to the acquisition of power utility equipment and a piece of land, and additional costs incurred for the on-going construction of the Sibulan hydro plant.

Consolidated short-term bank loans increased by P416 million due to the additional loan availment by the transport group to finance its working capital requirements and the upward restatement of AP parent's dollar-denominated debt as a result of the weakening of the peso. On the other hand, long-term liabilities decreased by 6% or P450 million compared to 2007 year-end level, mainly due to prepayment of debt at the AEV parent level and loan amortization payments by transport and food groups.

Trade and other payables were lower by P64 million mainly due to the settlement of accounts by the transport and power groups.

Customers' deposits posted an increase of 6% or P81 million from last year mainly due to new connections in the Cotabato Light and Power Company (CLPC), Davao Light and Power Company, Inc. (DLPC), and SEZ franchise areas.

Income tax payable increased by 22% due to additional regular income tax provisions recorded by subsidiaries during the current period.

Equity attributable to equity holders of the parent decreased by 10% from year-end 2007 level of P38.13 billion to P34.35 billion, due to the following:

- a. Retained earnings declined by P1.48 billion as at June 30, 2008, mainly due to the payment of P3.47 billion in cash dividends by AEV parent to its common shareholders. The decrease was also attributed to AEV's recognition of its P218 million share in retained earnings adjustment of Luzon Hydro Corporation (LHC) as a result of LHC's first-time adoption of IFRIC 12. This adjustment substantially involved derecognition of certain costs previously capitalized as part of Power, Plant and Equipment which was fully charged against Retained Earnings. Said decrease was partially offset by the P2.21 billion in consolidated net income posted during the semester.
- b. Share in cumulative translation adjustments of associates decreased by 25% due to the depreciation of the Philippine Peso in June 2008, from P41.28 as of December 31, 2007 to P44.90. The power generating associates, which adopt the US\$ functional currency financial reporting, recorded considerable foreign exchange adjustments in generating their 1st semester 2008 financial statements under the peso presentation currency. These foreign exchange adjustments are booked under Cumulative Translation Adjustments account.
- c. Share in unrealized gains on AFS investments and underwriting accounts decreased by P1.67 billion due the decline in the market prices of these financial instruments as of the end of the current period.
- d. Acquisition of minority interest decreased by P272 million, representing the premium paid by the group in acquiring the additional 40% interest in BEZ.
- e. Treasury shares increased by P460 million as AEV parent started buying back its own shares during the 1st half of 2008.

The P449 million decrease in minority interests was mainly due to AEV's increase of ownership in AP, from 73.44% as of year-end 2007 to 75.59% as of 1st semester-end 2008, as a result of the AEV's acquisition of more AP shares during the period under review.

Material Changes in Liquidity and Cash Reserves of Registrant

For the first semester ended 2008, the group continues to support its liquidity mainly from cash generated from operations and dividends received from associates. External borrowings are also a source of liquidity. When opportunity arises, it raises capital or disposes of certain assets to strengthen its cash position and be financially prepared to partake in major investment projects.

Consolidated cash generated from operating activities increased by 114%, from P5.85 billion net cash used during the 1st semester of 2007 to P825 million net cash generated during the current period. This increase was largely a result of lower amounts of interest-bearing advances released to related parties compared to that of the previous period.

The current period ended up with a ₱1.98 billion net cash used in investing activities, compared to the ₱5.44 billion used during the previous comparable period. The decrease was mainly due to higher cash dividends received from associates and interest income received and lower amounts of capital infusions and advances to associates.

Net cash used in financing activities was ₱5.33 billion, compared to the ₱8.89 billion net cash provided during 1st semester of 2007. The treasury share sale made by the AEV parent in January, 2007 added ₱5.94 billion to cash during the 1st quarter of 2007. Net long-term loans proceeds in 2007 was also higher compared to those of the current period. On the other hand, bigger cash dividends paid by AEV parent (₱3.47 billion vs ₱1.14 billion in 2007) resulted in a net-cash-used position during the period in review.

For the first semester 2008, net cash outflows were higher than cash inflows, resulting to a 35% decrease in cash and cash equivalents, from ₱18.57 billion in December 2007 to ₱12.04 billion in June, 2008.

Financial Ratios

Lower cash balances accounted for the decrease in current ratio, from 2.48:1 as of December 2007 to 1.94:1 as of June 2008, and the increase in debt-to-equity ratio from 0.39:1 as of December 2007 to 0.43:1 as of June 2008. Net debt-to-equity ratio stood at -0.03:1, from -0.15:1 as of December 2007.

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

Notwithstanding external and uncontrollable economic and business factors that affect its businesses, AEV believes that it is in a good position to benefit from the foreseen opportunities that will arise in the current year. Its sound financial condition, coupled with a number of industry and company specific developments, should bode well for AEV and its investee companies. These developments are as follows:

Power Sector (Generation)

AP, AEV's holding company in power, increased its beneficial generation capacity by 200% in 2007 through the acquisition of ownership stakes in three generating utilities (i.e. 60% in the 70MW oil fired plant of CPPC, 50% in the 50MW oil fired plant of EAUC, and 34% in the 232MW coal fired plant of STEAG), and the start of operations of its 360MW Magat hydroelectric plant in Isabela.

The significant earnings contributions in 2007 of these plants are expected to further improve in 2008, with their first full year of operations.

SNAP-Magat, the operator and owner of the 360MW Magat hydroelectric facility, was able to refinance its US\$380 million loan in October 2007 significantly lowering its interest cost. It is estimated that cost savings of US\$10 million per annum will be achieved.

On November 28, 2007, SN Aboitiz Power – Benguet, Inc. (SNAP-Benguet), formerly SNAP Hydro, Inc., a consortium between AP and SN Power AS of Norway, submitted the highest bid for the Ambuklao-Binga Hydroelectric Power Complex (Ambuklao-Binga HEPPC) consisting of the 75MW Ambuklao Hydroelectric Power Plant located at Bokod, Benguet and the 100MW Binga Hydroelectric Power Plant located at Itogon, Benguet. The price offered amounted to US\$325 million. The Power Sector Assets and Liabilities Management Corporation (PSALM) issued the Notice of Award to SNAP-Benguet on December 19, 2007.

On July 10, 2008, SNAP-Benguet officially took over the ownership and operations of the Ambuklao-Binga HEPPC after turnover by PSALM. This marks the second and third hydroelectric plant investments by SN Aboitiz Power in the country, which brings its total capacity to 535MW (including the 360MW Magat hydropower plant). To date, SN Aboitiz Power is the largest traditional hydro operator in the country.

On July 30, 2008, AP Renewables, Inc. (APRI), a wholly-owned subsidiary of AP, submitted the highest bid to PSALM for the 289MW Tiwi geothermal facility in Albay and the 458MW Makiling-Banahaw geothermal facility in Laguna (Tiwi-Makban). The price offered amounted to approximately US\$447 million.

Furthermore, AP, on its own and/or with strategic partners, plans to participate in the upcoming bids for the privatization of the government's power assets. The National Power Corporation (NPC), through PSALM, intends to reach its privatization level to at least 70% of the total capacity of generating assets of NPC in Luzon and Visayas by end-2008.

AP is also keen on participating in PSALM's public auction for the Independent Power Producers (IPP) Administrator contracts, which involves the transfer of the management and control of total energy output of power plants under contract with NPC to the IPP administrators. The auction will be done in batches, with the first tentatively set in August 2008.

AP is also involved in Greenfield projects – the coal-fired power plant in Subic, the Sibulan and Tamugan hydropower plants in Davao and the Toledo coal fired plant in Cebu.

On February 17, 2007, AP entered into a Memorandum of Agreement with Taiwan Cogeneration International Corporation, a Taipei-based generation company, to collaborate in the building and operation of a 300MW coal-fired power plant in the Subic Bay Freeport Zone. On May 30, 2007, Redondo Peninsula Energy (RP Energy) was incorporated as the 50:50 joint venture company for this project. Groundbreaking is expected to take place by the third quarter of 2008. The project is estimated to cost approximately \$500 million.

Construction work on the 42.5MW run-of-river hydropower plant in Barangay Sibulan, Sta. Cruz, Davao del Sur by AP's 100%-owned subsidiary, Hedcor Sibulan is still on-going. The project entails the construction of two cascading hydropower generating facilities tapping the Sibulan and Baroring Rivers. These facilities can generate an estimated 212 million kilowatt-hours of clean and emissions-free energy annually. The generation from these plants will supply DLPC starting August 2009.

Another wholly owned subsidiary, Hedcor Tamugan, is also currently in the detailed design stage for three run-of-river hydropower plants with combined capacity of 34.5MW. Construction is expected to commence in August 2008 and completion by August 2010. The three plants, which will be located in Davao, will supply power to DLPC.

In August 2007, AP, together with Vivant Energy Corporation of the Garcia Group, signed a Memorandum of Agreement with Metrobank Group's Global Business Power Corporation for the construction and operation of a 246MW coal-fired power plant in Toledo City, Cebu. Completion of the project is expected by first quarter of 2010. AP will have an effective participation of 26% in the project.

Power Sector (Distribution)

AP's distribution utilities are expected to turn in strong results in 2008. Topline growth will mainly come from higher volume sales, specially, with full-year contributions from its acquired distribution utilities in 2007. These are:

- 100% of MEZ;
- 100% of BEZ; and
- an additional 36% of SEZ.

Efficiency improvements in operations will continue and should result to healthy margins being maintained.

CLPC has formed a team to study, facilitate and implement the company's shift to the PBR scheme. CLPC entered its regulatory reset period on October 31, 2007 and will end in March 31, 2009. This process involves the issuance by the company of its position paper, asset revaluation, development of the financial model, review of operating expenses and capital expenditures, among others. The 4-year regulatory period is expected to commence on April 1, 2009.

Visayan Electric Co., Inc. (VECO) and DLPC will enter their respective reset period by end 2008, and are expected to enter the 4-year regulatory period in July 2010.

Financial Services

With the full integration of iBank in 2007, UBP expects additional operational cost savings from the merger this year.

UBP will also focus on the expansion of its existing loan portfolio focusing on the corporate and consumer sectors.

UBP aims to remain at the forefront of technology-based banking in the Philippines. It believes that use of technology and its operational structure will enable it to further capture and secure a loyal customer base as well as achieve high levels of efficiency and productivity. As part of its future growth strategy, UBP will continue to tap into the market of small and medium-sized companies by offering corporate solutions (e.g. cash management, receivables and payables management products and services) previously available only to large local and multinational corporate clients.

UBP will likewise rationalize, redeploy and expand its branch network in strategic areas throughout the country. It aims to expand its branch network with the opening of 29 new branches in key strategic areas in the next 18 months.

CSB will continue to strengthen its market position in its present niche by improving its products and services further. Improvements in its systems to enhance operating efficiency will continue to ensure customer satisfaction

Other government employees, aside from public school teachers, will be tapped. CSB plans to expand its branch network by putting up new branches and extension offices in areas outside of its present coverage. CSB plans to open its first branch in Luzon in 2008 (Region IV).

Food Manufacturing

To strengthen its geographic market position (i.e. by providing additional capacity closer to its major customer base), Pilmico is constructing new grains silos, which will add 27,000 metric tons of

new storage capacity at its Iligan plant. This will give Pilmico the largest storage capacity attached to the plant of any flourmill in the Philippines.

It is likewise building a new feedmill plant in Iligan with a production capacity of 108,000 metric tons per year. This is expected to redound to cost enhancements as savings are incurred in the following: (1) freight costs as the new capacity will be closer to its customers in the Visayas-Mindanao region; and (2) input costs due to proximity to sources of raw materials, particularly corn in the Northern Mindanao region.

Both the grains silo and feedmill are expected to be operational by September 2008.

For its swine business, Fil-Am has two ongoing swine population projects. One is the grower-finisher farm expansion in its Aranguren, Tarlac farm and the other is the nucleus farm construction in Sto Rosario, Tarlac. The grower-finisher farm will increase farm capacity by 4,800 heads. The nucleus breeder farm will increase sow level by 1,525 heads, thus improving piglet production by over 35,000 heads. The grower-finisher and nucleus farms will start commercial operations by 2009 and 2010, respectively.

Transport

The Transport Group will continue its program of asset rationalization, cost containment and enhancing its assets' earning capacity, in order to meet the competitive challenges of its industry.

ATS sold three vessels in 2007 to pay off debt, and converted unused passenger capacity to freight. MCC Transport Philippines Inc., its joint venture with Maersk Group, has expanded its containerized shipping vessel capacity by 50% to 900 TEUs.

ATS expects the result of these efforts to positively impact the group by this year, as it continues its efforts to become the leading total logistics and supply chain solutions provider in the country.

Except for the developments disclosed in some other portion of this report and the audited financial statements, there are, as of December 31, 2007 no known trends, events or uncertainties that have had or are reasonably expected to have a material impact on net sales, revenues, income from continuing operations or on relationship between costs and revenues. There were also no events that would trigger substantial or contingent financial obligations or cause any default or acceleration of an existing obligation.

PART II--OTHER INFORMATION

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

SIGNATURES

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

Issuer Aboitiz Equity Ventures, Inc.

Principal Accounting Officer Melinda R. Bathan 

Signature and Title. Vice President – Controller

Date AUG 14 2008

Corporate Secretary M. Jasmine S. Oporto 

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

Date AUG 14 2008

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
AT JUNE 30, 2008 AND DECEMBER 31, 2007
(Amounts in Thousands)

	UNAUDITED JUN 2008	AUDITED DEC 2007
ASSETS		
Current Assets		
Cash and cash equivalents	12,035,465	18,568,226
Trade and other receivables - net	4,234,745	4,252,945
Inventories - net	2,490,887	1,537,984
Other current assets	1,799,021	1,617,952
Total Current Assets	20,560,118	25,977,107
Noncurrent Assets		
Property, plant, and equipment - net	11,558,586	10,574,780
Investment Property	273,538	231,016
Investments and advances	26,243,223	25,961,311
Available-for-sale (AFS) investments	95,052	102,368
Goodwill	1,566,775	1,571,516
Pension Asset	81,136	80,088
Deferred income tax assets	413,084	427,589
Other noncurrent assets - net	508,974	578,586
Total Noncurrent Assets	40,740,368	39,527,254
TOTAL ASSETS	61,300,486	65,504,361
LIABILITIES AND EQUITY		
Current Liabilities		
Bank loans	4,060,296	3,643,760
Trade and other payables	6,184,642	6,248,541
Dividends payable	11,391	11,520
Income tax payable	189,755	154,907
Current portion of long-term debt	91,196	312,190
Current portion of obligations under finance lease	57,794	90,732
Current portion of payable to preferred shareholder of a subsidiary	7,506	7,506
Total Current Liabilities	10,602,580	10,469,156
Noncurrent Liabilities		
Long-term debt - net of current portion	4,065,000	4,262,778
Redeemable preferred shares	2,141,687	2,141,687
Obligations under finance lease - net of current portion	95,476	72,096
Customers' deposits	1,463,520	1,382,405
Payable to preferred shareholder of a subsidiary	76,443	97,225
Pension liability	62,466	51,564
Deferred income tax liability	29,737	39,353
Total Noncurrent Liabilities	7,934,329	8,047,108
Total Liabilities	18,536,909	18,516,264
Equity Attributable to Equity Holders of the Parent		
Capital stock	5,694,600	5,694,600
Additional paid-in capital	5,791,324	5,791,324
Net unrealized gains on AFS investments	10,873	16,248
Cumulative translation adjustments	(7,855)	(7,855)
Share in cumulative translation adjustments of associates	(346,495)	(462,175)
Share in net unrealized gains (losses) on AFS investments and underwriting accounts of associates	(1,545,190)	129,796
Gain on Dilution	5,023,252	5,023,252
Acquisition of Minority Interest	(356,762)	(84,544)
Retained earnings	20,548,438	22,026,840
Treasury stock at cost	(460,374)	-
	34,351,811	38,127,486
Minority Interests	8,411,766	8,860,611
Total Equity	42,763,577	46,988,097
TOTAL LIABILITIES AND EQUITY	61,300,486	65,504,361

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES
CONSOLIDATED INCOME STATEMENTS
FOR THE PERIODS ENDED JUNE 30, 2008 AND 2007
(Amounts in Thousands)
(UNAUDITED)

	JAN-JUN/08	JAN-JUN/07	APR-JUN/08	APR-JUN/07
REVENUES	17,233,797	14,971,094	8,816,907	8,324,099
COSTS AND EXPENSES	16,160,801	13,438,710	8,313,490	7,318,901
GROSS PROFIT	1,072,996	1,532,384	503,417	1,005,198
OTHER INCOME (CHARGES)				
Share in net earnings of associates	1,735,405	1,459,274	837,706	678,238
Interest income	346,650	382,630	139,828	258,314
Interest expense	(259,846)	(370,205)	(120,527)	(212,403)
Dividends on redeemable preferred	(80,962)	(81,949)	(40,990)	(40,605)
Other income	401,188	312,690	207,096	260,157
	2,142,435	1,702,440	1,023,113	943,701
INCOME BEFORE INCOME TAX	3,215,431	3,234,824	1,526,530	1,948,899
PROVISION FOR INCOME TAX	448,861	631,137	199,197	415,218
NET INCOME	2,766,570	2,603,687	1,327,333	1,533,681
ATTRIBUTABLE TO:				
EQUITY HOLDERS OF THE PARENT	2,213,567	2,444,961	1,037,363	1,368,453
MINORITY INTERESTS	553,003	158,726	289,970	165,228
	2,766,570	2,603,687	1,327,333	1,533,681
Earnings Per Common Share **				
Basic, for income for the period attributable to ordinary holders of the parent	0.392	0.429	0.185	0.240
Diluted, for income for the period attributable to ordinary holders of the parent	0.392	0.429	0.185	0.240

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

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE PERIODS ENDED JUNE 30, 2008 AND DECEMBER 31, 2007

Attributable to equity holders of the parent

	Capital Stock Common	Preferred	Additional Paid-in Capital	Net Unrealized Gains (Losses) on Noncurrent Marketable Equity Securities and AFS Investments	Cumulative Translation Adjustments	Share in Cumulative Translation Adjustments of Associates	Share in Net Unrealized Gains (Losses) on AFS Investments & Underwriting Accounts of an Associate	Gain on Dilution	Acquisition of Minority Interest	Retained Earnings	Treasury Stock	Minority Interests	Total
Balances at December 31, 2007	5,694,600	-	5,791,324	16,248	(7,855)	(462,176)	129,796	5,023,252	(84,543)	22,026,840	-	8,860,611	46,988,097
Effects of adoption of IFRIC 12										(218,263)			(218,263)
Purchase of treasury shares											(460,374)		(460,374)
Net income for the period										2,213,567		553,003	2,766,570
Acquisition of minority interest									(272,218)			5,409	(266,809)
Cash dividends										(3,473,706)			(3,473,706)
Movement of unrealized valuation gains on AFS investments				(5,375)								(1,622)	(6,997)
Share in movement of unrealized valuation gains on AFS investments of associates							(1,674,986)						(1,674,986)
Movement of cumulative translation adjustments												12,534	12,534
Share in movement of cumulative translation adjustment of associates						115,681						38,504	154,185
Changes in minority interest												(1,056,674)	(1,056,674)
Balances at June 30, 2008	5,694,600	-	5,791,324	10,873	(7,855)	(346,495)	(1,545,190)	5,023,252	(356,762)	20,548,438	(460,374)	8,411,766	42,763,577

Attributable to equity holders of the parent

	Capital Stock Common	Preferred	Additional Paid-in Capital	Net Unrealized Gains (Losses) on Noncurrent Marketable Equity Securities and AFS Investments	Cumulative Translation Adjustments	Share in Cumulative Translation Adjustments of Associates	Share in Net Unrealized Gains (Losses) on AFS Investments & Underwriting Accounts of an Associate	Gain on Dilution	Acquisition of Minority Interest	Retained Earnings	Treasury Stock	Minority Interests	Total
Balances at December 31, 2006	5,694,600	-	1,341,245	16,058	(4,189)	107,427	39,519	-	-	17,368,629	(1,485,025)	1,204,972	24,283,237
Sale of treasury shares			4,450,079								1,485,025		5,935,104
Net income for the period										5,797,132		1,024,490	6,821,622
Gain on Dilution								5,023,252					5,023,252
Acquisition of minority interest									(84,543)			(30,281)	(114,824)
Cash dividends										(1,138,921)			(1,138,921)
Movement of unrealized valuation gains on AFS investments				190								(1,602)	(1,412)
Share in movement of unrealized valuation gains on AFS investments of associates							90,277						90,277
Movement of cumulative translation adjustments					(3,666)							(1,080)	(4,746)
Share in movement of cumulative translation adjustment of associates						(569,603)						(167,171)	(736,774)
Changes in minority interest												6,831,282	6,831,282
Balances at December 31, 2007	5,694,600	-	5,791,324	16,248	(7,855)	(462,176)	129,796	5,023,252	(84,543)	22,026,840	-	8,860,611	46,988,097

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

Attributable to equity holders of the parent

	Capital Stock Common	Preferred	Additional Paid-in Capital	Net Unrealized Gains (Losses) on Noncurrent Marketable Equity Securities and AFS Investments	Cumulative Translation Adjustments	Share in Cumulative Translation Adjustments of Associates	Share in Net Unrealized Gains (Losses) on AFS Investments & Underwriting Accounts of an Associate	Gain on Dilution	Retained Earnings	Treasury Stock	Minority Interests	Total
Balances at December 31, 2006	5,694,600	-	1,341,245	16,058	(4,189)	107,427	39,519		17,368,629	(1,485,025)	1,204,972	24,283,236
Sale of treasury shares			4,450,079							1,485,025		5,935,104
Net income for the period									2,444,961		158,726	2,603,687
Gain on Dilution								681,567				681,567
Cash dividends									(1,138,920)			(1,138,920)
Movement of unrealized valuation gains of AFS investments				3,837								3,837
Share in movement of unrealized valuation gains on AFS investments of associates							(180,861)					(180,861)
Movement of cumulative translation adjustments											501,999	501,999
Share in movement of cumulative translation adjustment of associates						(108,220)						(108,220)
Balances at June 30, 2007	5,694,600	-	5,791,324	19,895	(4,189)	(793)	(141,342)	681,567	18,674,670	-	1,865,698	32,581,429

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE PERIODS ENDED JUNE 30, 2008 AND 2007
(Amounts in Thousands)
(UNAUDITED)

	JAN-JUN/08	JAN-JUN/07	APR-JUN/08	APR-JUN/07
CASH FLOWS FROM OPERATING ACTIVITIES:				
Income before income tax	3,215,431	3,234,824	1,526,530	1,948,899
Adjustments for:				
Share in net earnings of associates	(1,735,405)	(1,459,273)	(837,706)	(678,237)
Depreciation and amortization	838,700	909,012	428,757	480,421
Interest income	(346,650)	(382,630)	(139,828)	(258,314)
Interest expense	340,808	452,154	161,517	253,008
Dividend income	(11,223)	(706)	(9,964)	-
Provision for decline in value of assets	-	134	-	69
Provision for retirement benefits	2,028	2,574	184	1,286
Unrealized foreign exchange loss	47,358	118,141	63,658	96,111
Loss (Gain) on sale of available for sale investments	123	(1,123)	123	(1,077)
Gain on sale of property, plant & equipment	(40,585)	(364,298)	(19,438)	(363,959)
Operating income before working capital changes	2,310,585	2,508,809	1,173,833	1,478,207
Changes in:				
Decrease (increase) in operating current assets	(1,080,547)	(9,105,134)	3,276	(9,361,014)
Increase in operating current liabilities	35,980	991,412	549,665	856,432
Cash provided by (used in) operations	1,266,018	(5,604,913)	1,726,774	(7,026,375)
Income and final taxes paid	(440,456)	(243,192)	(375,600)	(124,144)
Net cash provided by (used in) operating activities	825,562	(5,848,105)	1,351,174	(7,150,519)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Dividends received	1,679,603	519,435	1,425,270	415,253
Interest received	311,425	263,845	137,856	165,234
Increase in investments and advances	(1,592,420)	(3,517,453)	(1,574,449)	(3,518,042)
Collection of advances to associates	(431,996)	(2,807,000)	(711,760)	(2,807,001)
Disposals (acquisitions) of property, plant and equipment - net	(1,824,442)	(342,894)	(992,665)	160,128
Disposals (acquisitions) of available for sale investments	1,818	(4,476)	475	(5,835)
Decrease in acquisition of minority interest	(134,518)	-	(569)	-
Decrease (increase) in other assets	7,773	450,457	(22,658)	450,211
Net cash used in investing activities	(1,982,757)	(5,438,086)	(1,738,500)	(5,140,052)
CASH FLOWS FROM FINANCING ACTIVITIES:				
Proceeds from loans payable	416,536	6,752,152	225,048	7,273,905
Proceeds from (payments of) long-term debt	(428,330)	(2,726,963)	949,447	(2,224,526)
Proceeds from (payments of) payable to preferred shareholders of a subsidiary	(20,782)	-	5,891	-
Interest paid	(359,701)	(429,259)	(168,769)	(194,147)
Cash dividends paid	(3,473,706)	(1,138,920)		
Increase (decrease) in minority interest	(1,001,848)	501,999	(115,980)	500,065
Re-issuance (Acquisition) of treasury shares	(460,375)	5,935,104	(423,346)	-
Net cash provided by (used in) financing activities	(5,328,206)	8,894,113	472,291	5,355,297
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(6,485,401)	(2,392,078)	84,965	(6,935,273)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH & CASH EQUIVALENTS	(47,358)	(127,201)	(63,658)	(101,863)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	18,568,226	8,009,956	12,014,158	12,527,813
CASH AND SHORT-TERM INVESTMENTS AT END OF PERIOD	12,035,467	5,490,677	12,035,465	5,490,677

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES
FINANCIAL STATEMENT SCHEDULES AND DISCLOSURES
AT JUNE 30, 2008 AND DECEMBER 31, 2007
(peso amounts in thousands)

A. INVESTMENTS AND ADVANCES

	% OWNERSHIP 2008	JUN 2008	DEC 2007
Investments in shares of stock			
At equity			
Acquisition cost:			
Union Bank of the Philippines	36.34%	4,210,174	4,184,474
Accuria, Inc.	49.54%	719,739	719,739
Western Mindanao Power Corporation	20.00%	263,665	263,665
Cebu International Container Terminal, Inc.	20.00%	240,125	240,125
Hijos de Escaño, Inc.	46.66%	857,237	857,197
San Fernando Electric Light & Power Co., Inc.	20.29%	180,864	180,864
Pampanga Energy Ventures, Inc.	42.84%	209,465	209,465
Southern Philippines Power Corporation	20.00%	152,587	152,587
Visayan Electric Co., Inc.	55.09%	654,828	652,843
Manila Oslo Renewable Enterprise, Inc.	83.33%	4,558,371	3,822,043
East Asia Utilities Corporation	50.00%	1,009,143	1,009,143
STEAG State Power Inc.	34.00%	4,400,611	4,384,045
Redondo Peninsula Energy Corporation	50.00%	5,000	-
Cebu Energy Development Corp.	44.00%	807,199	-
City Savings Bank	34.42%	79,001	78,998
South Western Cement Corporation	20.00%	28,995	28,995
Luzon Hydro Corporation	50.00%	1,048,251	1,048,251
Cordillera Hydro Corporation	35.00%	88	88
Aboitiz Projects TS Corp.	50.00%	1,888	1,888
MCC Phils.	33.00%	16,500	16,500
WG&A Jebsen Ship Management, Inc.	40.00%	-	400
Hapag-Lloyd Philippines, Inc.	15.00%	1,800	1,800
JAIB, Inc.	49.00%	1,884	1,885
Balance at end of period		19,447,414	17,854,995
Accumulated equity in net earnings:			
Balance, beginning of year		8,044,060	5,050,712
Share in net earnings for the year		1,735,405	3,976,017
Share in associates' prior period's adjustments charged to Retained Earnings (PAS implementation)		(288,730)	-
Accumulated equity of associates qualified as consolidated subsidiaries			(14,420)
Cash dividends received		(1,668,380)	(968,249)
Balance, end of period		7,822,356	8,044,060
Gain on dilution		661,212	661,211
Share in net unrealized gains (losses) on available-for-sale securities & underwriting accounts of an associate		(1,545,190)	129,795
Share in associates' cumulative translation adjustments		(475,161)	(629,346)
		25,910,631	26,060,715
Allowance for decline in value		(28,995)	(28,995)
Investments, at equity		25,881,636	26,031,720
Advances to investees		361,587	(70,409)
		26,243,223	25,961,311

B. ACCOUNTS PAYABLE & ACCRUED EXPENSES

Trade	3,123,406
DOSRI	-
Others	3,061,236
TOTAL	6,184,642

C. SHORT-TERM LOANS

	Effective Interest Rate	JUN 2008	DEC 2007
Financial institutions - unsecured	5.46% - 8.10%	4,060,296	3,643,760

D. LONG-TERM LOANS

	Effective Interest Rate	JUN 2008	DEC 2007
Company:			
Financial institutions - unsecured peso denominated loans	various	2,350,000	2,700,000
Non-financial institutions	11.00% - 12.00%	18,000	19,500
		2,368,000	2,719,500
Subsidiaries:			
ATSC and subsidiaries			
Financial institutions - secured:			
Peso loans due until 2008	various	51,282	46,154
Australian (AU) dollar loan due until 2008	LIBOR + 1.75%	3,465	8,929
		54,747	55,083
HEDCOR			
Financial institution - secured	2.25% over the applicable three-month Treasury Securities rate	647,000	648,000
PILMICO			
Financial institutions - secured	various	651,667	683,333
SEZC			
Financial institution - secured	10.02%	210,000	182,847
FILAM			
Financial institution - secured	7.22% - 10.04%	258,333	279,167
CLP			
Financial institution - secured	8.78%	2,346	7,038
		1,824,093	1,855,468
Total		4,192,093	4,574,968
Less: Current portion		91,196	312,190
		4,100,897	4,262,778

E. DEBT SECURITIES

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

F. EARNINGS PER SHARE

Earnings per common share amounts were computed as follows:

	JUN 2008	JUN 2007
a. Net income to common stockholders	2,213,566	2,444,961
b. Average number of outstanding shares	5,643,652,746	5,694,599,621
c. Earnings per share (a/b)	0.392	0.429

G. BUSINESS SEGMENT INFORMATION

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

	Power		Food Manufacturing		Transport Services		Parent Company and Others		Eliminations		Consolidated	
	Jan-Jun 2008	Jan-Jun 2007	Jan-Jun 2008	Jan-Jun 2007	Jan-Jun 2008	Jan-Jun 2007	Jan-Jun 2008	Jan-Jun 2007	Jan-Jun 2008	Jan-Jun 2007	Jan-Jun 2008	Jan-Jun 2007
REVENUES	6,096,968	5,258,751	5,003,156	4,074,393	6,026,235	5,541,355	177,609	241,638	(70,171)	(145,042)	17,233,797	14,971,095
RESULT												
Segment results	815,964	859,426	337,622	359,992	(104,726)	212,571	20,175	98,345	3,961	2,050	1,072,996	1,532,384
Unallocated corporate income (expenses)	166,933	(54,367)	36,185	16,834	153,054	370,472	48,976	(18,199)	(3,961)	(2,050)	401,188	312,690
INCOME FROM OPERATIONS											1,474,184	1,845,074
Interest Expense	(137,364)	(51,478)	(17,506)	(23,268)	(34,474)	(77,787)	(151,464)	(299,621)	-	-	(340,808)	(452,154)
Interest Income	267,375	20,478	3,041	2,239	15,680	12,678	60,554	347,235	-	-	346,650	382,630
Share in net earnings of associates	1,309,926	676,332	-	-	(12,055)	5,003	2,246,142	2,421,702	(1,808,607)	(1,643,764)	1,735,405	1,459,274
Provision for Income tax	(326,621)	(254,211)	(128,614)	(126,002)	13,158	(153,651)	(6,784)	(97,273)	-	-	(448,861)	(631,137)
NET INCOME											2,766,570	2,603,687
OTHER INFORMATION	Jun 2008	Dec 2007	Jun 2008	Dec 2007	Jun 2008	Dec 2007	Jun 2008	Dec 2007	Jun 2008	Dec 2007	Jun 2008	Dec 2007
Segment assets	13,835,647	15,671,784	3,257,011	2,173,838	3,587,200	3,721,540	797,810	4,610,079	(917,550)	(200,134)	20,560,118	25,977,107
Investments and advances	16,828,959	14,888,057	-	-	12,246	24,701	37,128,051	37,691,957	(27,726,033)	(26,643,403)	26,243,223	25,961,311
Unallocated corporate assets	6,128,405	5,603,119	1,958,870	1,641,252	4,950,980	4,892,765	898,442	868,360	560,447	560,447	14,497,145	13,565,943
Consolidated total assets											61,300,486	65,504,361
Segment liabilities	8,517,276	8,354,342	2,852,508	1,583,413	3,959,260	4,112,866	3,849,663	4,430,639	(923,755)	(210,819)	18,254,951	18,270,440
Unallocated corporate liabilities	173,909	166,083	47,197	46,229	42,744	22,500	18,108	11,012	-	-	281,958	245,824
Consolidated total liabilities											18,536,909	18,516,264
Depreciation	233,807	246,635	57,567	55,343	515,736	583,014	31,590	24,020	-	-	838,700	909,012

H. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash and cash equivalents, AFS investments, bank loans, long-term debt, obligations under finance lease and non-convertible, cumulative, redeemable preferred shares. The main purpose of these financial instruments is to raise finances for the Group's operations and its investments in existing subsidiaries and associates and in new projects. The Group has other financial assets and liabilities such as trade and other receivables and trade and other payables and customer deposits which arise directly from operations.

The main risks arising from the Group's financial instruments are interest rate risk resulting from movements in interest rates that may have an impact on outstanding long-term debt; credit risk involving possible exposure to counter-party default on its cash and cash equivalents, AFS investments and trade and other receivables; liquidity risk in terms of the proper matching of the type of financing required for specific investments; and foreign exchange risk in terms of foreign exchange fluctuations that may significantly affect its foreign currency denominated placements and borrowings. The Board of Directors reviews and agrees policies for managing each of these risks and they are summarized below.

Interest rate risk. The Group's exposure to market risk for changes in interest rates relates primarily to its long-term debt obligations. To manage this risk, the Group determines the mix of its debt portfolio as a function of the level of current interest rates, the required tenor of the loan, and the general use of the proceeds of its various fund raising activities. As of June 30, 2008, 59.9% of the Group's long-term debt had floating interest rates ranging from 6.29% to 9.19%, and 40.13% are with fixed rates ranging from 6.75% to 12.00%. As of December 31, 2007, 44.47% of the Group's long-term debt had floating interest rates ranging from 5.10% to 12.55%, and 55.53% are with fixed rates ranging from 6.75% to 12.00%.

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

As of June 30, 2008

	< 1 year	1 - 5 years	> 5 years	Total
Floating rate - long-term debt	12,465	3,024,000	-	3,036,465
Fixed rate - long-term debt	79,139	889,126	152,045	1,120,310
Payable to preferred shareholders of a subsidiary - floating	7,506	76,443	-	83,949
Redeemable preferred shares - floating	-	641,687	-	641,687
Redeemable preferred shares - fixed	-	1,500,000	-	1,500,000
Obligations under finance lease - floating	57,386	95,305	-	152,691
	156,496	6,226,561	152,045	6,535,102

As of December 31, 2007

	< 1 year	1 - 5 years	> 5 years	Total
Floating rate - long-term debt	159,165	2,037,764	-	2,196,929
Fixed rate - long-term debt	153,025	2,115,333	109,682	2,378,040
Payable to preferred shareholders of a subsidiary - floating	7,506	97,225	-	104,731
Redeemable preferred shares - floating	-	641,687	-	641,687
Redeemable preferred shares - fixed	-	1,500,000	-	1,500,000
Obligations under finance lease - floating	90,732	72,095	-	162,827
	410,428	6,464,104	109,682	6,984,214

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

Interest expenses recognized during the comparative periods are as follows:

	JUNE 2008	JUNE 2007
Bank loans and long term debt	234,919	345,719
Customers' deposits	2,729	1,561
Obligations under finance lease	9,440	9,278
Advances from related parties	12,758	13,647
	259,846	370,205

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings) as of June 30, 2008 and 2007:

	Increase/decrease in basis points	Effect on income before tax
Jun 2008	100	9,896
	50	4,948
Jun 2007	100	8,384
	50	4,192

Foreign exchange risk. The foreign exchange risk of the Group pertains significantly to its foreign currency denominated borrowings, including obligations under finance lease. To mitigate the risk of incurring foreign exchange losses, foreign currency holdings are matched against the potential need for foreign currency in financing equity investments and new projects. As of June 30, 2008 and December 31, 2007, foreign currency denominated borrowings account for 2.8% and 4.1%, respectively, of total consolidated borrowings.

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

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

In managing its long-term financial requirements, the Group's policy is that not more than 25% of long-term borrowings should mature in any twelve-month period. As of June 30, 2008 and December 31, 2007, the portion of the total long-term debt that debt will mature in less than one year is 1.96% and 4.91%, respectively. For its short-term funding, the Group's policy is to ensure that there are sufficient working capital inflows to match repayments of short-term debt.

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the periods ended June 30, 2008 and December 31, 2007.

The Group monitors capital using a gearing ratio, which is net debt divided by equity plus net debt. The Group's policy is to keep the gearing ratio at 40% or below at the consolidated level. Depending on the quality of cash flows, associates and subsidiaries that can secure limited recourse project financing can maintain a gearing ratio of 70%. The Group determines net debt as the sum of interest-bearing short-term and long-term loans (comprising long-term debt, obligations under finance lease, redeemable preferred shares and payable to preferred shareholders of a subsidiary) less cash and short-term deposits and temporary advances to related parties.

Gearing ratios of the Group as of June 30, 2008 and December 31, 2007 are as follows:

	<u>JUN 2008</u>	<u>DEC 2007</u>
Bank Loans	4,060,296	3,643,760
Long - term debt	6,535,102	6,984,214
Temporary advances from related parties	(49,426)	882,326
Cash and cash equivalents	(12,035,465)	(18,568,226)
Net Debt (a)	(1,489,493)	(7,057,926)
Equity attributable to equity holders of the parent	42,763,577	46,988,097
Equity and Net Debt (b)	41,274,084	39,930,171
Gearing Ratio (a/b)	(3.61%)	(17.68%)

I. DISCLOSURES

1. Basis of Preparation and Accounting Policies

The consolidated financial statements of the Group have been prepared on a historical cost basis, except for AFS investments and derivatives which are measured at fair value, and agricultural produce and biological assets which are measured at fair value less estimated point-of-sale costs. The consolidated financial statements are presented in Philippine peso and all values are rounded to the nearest thousand except as otherwise indicated.

The accompanying financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS).

The same accounting policies are followed in the preparation of the interim financial statements as compared with those of the most recent annual financial statements, except as follows:

- Philippine Interpretation IFRIC 12, *Service Concession Arrangements*
- Philippine Interpretation IFRIC 14, PAS 19 – *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*

Philippine Interpretation IFRIC 12, *Service Concession Arrangements*

Philippine Interpretation IFRIC 12 outlines an approach to account for contractual arrangements arising from entities providing public services. It provides that the operator should not account for the infrastructure as property, plant and equipment, but recognize a financial asset and/or an intangible asset. A financial asset is recognized to the extent that the operator has a contractual right to receive cash from the grantor or has a guarantee from the grantor. An intangible asset is recognized to the extent that the entity has a right to charge the public for use of the asset.

Philippine Interpretation IFRIC 12 is effective on January 1, 2008. The Group is currently assessing the impact of this Interpretation on the Distribution Management Service Agreement (DMSA) of SEZC and the power purchase agreement of its power generation associate, STEAG State Power, Inc. (STEAG), with the National Power Corporation (NPC). On the other hand, Luzon Hydro Corporation (LHC), the 50-owned power generation associate of Aboitiz Power Corp., has implemented this new IFRIC during the period under review. As a result of this adoption, LHC recorded a retained earnings adjustment of P577 million, P218 million of which is AEV's share.

Philippine Interpretation IFRIC 14, PAS 19 – *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*

Philippine Interpretation IFRIC 14 was issued in July 2007 and becomes effective for annual periods beginning on or after January 1, 2008. This Interpretation provides guidance on how to assess the limit on the amount of surplus in a defined benefit scheme that can be recognized as an asset under PAS 19, Employee Benefits. This Interpretation has no impact on the Group's financial position or performance.

2. Seasonality of Interim Operations

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

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

3. Material Events and Changes

a. AEV Dividend Declaration and Buy-back Program

On February 7, 2008, the Board of Directors (BOD) of the Company approved the declarations of a regular cash dividend of P0.31 a share (P1.765 billion) and a special cash dividend of P0.30 a share (P1.708 billion) to all stockholders of record as of February 21, 2008, payable on March 3, 2008.

During the same meeting, the BOD also approved the buy-back program that involves the purchase of the shares of stock of the Company and its publicly-listed investee companies, AP and UBP. As of June 30, 2008, AEV has purchased into treasury 66.03 million of its own shares and 158.7 million of AP shares.

b. Acquisition of Minority Interest in Balamban Enerzone, Inc. (BEZC)

On March 7, 2008, Aboitiz Power Corp. (AP) purchased Tsuneishi Holdings (Cebu), Inc.'s 40% equity in BEZC for approximately 178 million to be paid out of the proceeds of the initial public offering of AP. This increases AP's ownership in BEZC to 100%.

c. Redondo Peninsula Energy Letter of Award to Formosa Heavy Industries

On April 3, 2008, AP's 50%-owned subsidiary, Redondo Peninsula Energy, Inc., (Redondo Peninsula Energy), has issued a letter of award to Formosa Heavy Industries for the supply of the boiler, steam turbine, generator, and related services that will be used for the construction of a 300MW power plant in Redondo Peninsula, Subic Bay. The award serves to fix the price and delivery time of the equipment amidst an environment of rising prices and longer delivery period of raw materials. After receiving the necessary approvals, the project is scheduled to start construction this year and is expected to be in operation by 2011. The project is estimated to cost approximately US\$500 million.

d. Luzon Hydro Corporation and Transfield Philippines, Inc. Settlement Agreement

On April 14, 2008, Luzon Hydro Corporation (LHC), the IPP operator of the 70 MW Bakun AC Hydropower Plant (Bakun AC Plant), entered into a Settlement Deed with Transfield Philippines, Inc. (TPI), the EPC contractor of the Bakun AC Plant, for the settlement of all disputes related to the Turnkey Contract of the Bakun AC Plant. LHC is 50% owned by Philippine Hydropower Corporation, a wholly owned holding company of AP, a listed subsidiary of AEV. TPI, on the other hand, is wholly owned by Transfield Holdings Pty Ltd of Australia.

The settlement involving the payment by LHC of the sum of US\$14 million to TPI is intended to, without admission of liability by any party, fully and finally settle all unperformed and unpaid obligations between the parties under the Turnkey Contract, as well as any and all disputes, allegations, claims and threatened or actual litigation, arbitration or other proceedings between any one or more parties arising out of or related to the Bakun AC Project.

As previously disclosed, the dispute between LHC and TPI arose in connection with the construction of the Bakun AC Plant. The dispute was taken to arbitration before the ICC International Court of Arbitration as provided under the Turnkey Contract. The arbitral tribunal delivered its final award on August 9, 2005 and ruled that TPI was entitled to recover a total of approximately US\$24 million from LHC, net of counterclaim awards.

LHC has appropriately recorded the US\$24 million final award as a contingent obligation in 2005 with adequate provisioning for any negative effect on its operating profit and balance sheet. The US\$14 million payment of LHC to TPI and the reversal of the provision will result in a net income of approximately US\$7.5 million to LHC.

e) Fair Value Determination of Cebu Private Power Corporation (CPPC) and East Asia Utilities Corp. (EAUC)

On April 20, 2007, AP acquired 60% ownership of CPPC and 50% ownership in EAUC. It then made a fair valuation of these acquirees' assets and liabilities, particularly on the power plant and the customer contracts. However, as of the end of 2007, AP opted to avail of the 12-month period allowed by the accounting standard and followed provisional accounting for these acquisitions.

AP finalized its fair value determination for both CPPC and EAUC acquisitions during the second quarter of 2008 and reported the following fair values as of March 31, 2007 for CPPC acquisition:

Cash and cash equivalents	77,856
Receivables	143,367
Spare parts and supplies	82,811
Prepayments and other current assets	85,062
Property, plant and equipment	353,633
Other assets	-
Accounts payable and accrued expenses	314,225
Other liabilities	131,728
Net assets	296,776
Share in net assets acquired	178,066
Total consideration	178,066

The final fair values as of March 31, 2007 for EAUC acquisition follow:

Cash and cash equivalents	292,357
Receivables	133,625
Spare parts and supplies	-
Prepayments and other current assets	1,881,434
Property, plant and equipment	-
Other assets	300,224
Accounts payable and accrued expenses	587,784
Other liabilities	1,570
Net assets	2,018,286
Share in net assets acquired	1,009,143
Total consideration	1,009,143

The results of the conduct of the valuation did not result to any material change between the provisional fair values reported in the 2007 audited financial statements of AP and AEV and the above fair values as finally determined for CPPC and EAUC.

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

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

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

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

4. Material Adjustments

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

5. Contingencies

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

ABOITIZ EQUITY VENTURES, INC. & SUBSIDIARIES

AGING OF RECEIVABLES

AS OF : JUNE 30/2008

	30 Days	60 Days	90 Days	Over 90 Days	Total
A/R – Trade:					
Power Generation/Distribution Customers	749,828	84,180	23,722	73,184	930,914
Food Production Customers	780,273	15,584		29,184	825,041
Aviation Services Customers	1,653	399	0	885	2,937
Real Estate Lessees	2,057	260	137	514	2,968
Transport Services Customers	896,397	90,073	45,701	428,619	1,460,790
Management Services Customers	11,995	792	103	(6,536)	6,354
Sub-total – A/R – Trade	2,442,203	191,288	69,663	525,850	3,229,004
Less : Allowance for Doubtful Accounts					351,664
Net Trade Receivables					2,877,340
A/R – Non Trade	226,135	275,117	280,242	575,911	1,357,405
Grand Total	2,668,338	466,405	349,905	1,101,761	4,234,745

ACCOUNTS RECEIVABLE DESCRIPTION

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

NORMAL OPERATING CYCLE

Power Subsidiaries

Distribution - 60 days

Generation - 65 days

Food Subsidiary - 90 days

Aviation Subsidiary - 60 days

Real Estate Subsidiary - 30 days

Transport Subsidiary - 40 days